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on the Role of “Home” and “Host” Governments**

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**Corporate Social Responsibility (CSR) in the  
Mineral Exploration and Mining Industry -  
Perspectives on the Role of “Home” and “Host”  
Governments**

**Jan Boon**

Thesis submitted to the Faculty of Graduate and Postdoctoral Studies in partial fulfillment of the requirements for the M.A. Degree in Globalization and International Development, University of Ottawa

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Ottawa, January 2009

## **Abstract**

CSR may be a means of dealing with human rights abuses and negative environmental and socio-economic impacts associated with mining in developing nations. Little research has been published on how “host” and “home” governments can help make CSR initiatives in this industry more effective. This study obtained perspectives on their roles through a study of the academic and secondary literature on CSR and its application in exploration and mining. Four literature case studies of exploration projects and mines in Peru (Tambogrande, Tintaya, Río Blanco, and Antamina) were followed up with field studies of the Río Blanco project and Antamina mine through interviews with community members, authorities at various levels of government, NGOs and industry representatives. The study showed the effect of mining cycle stage and regional differences on dynamics, power relations, and perspectives; and the importance of governments as players. It presents a list of options for their action.

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## List of acronyms

BRGM	Bureau de la recherche géologique et minière
BSR	Business for Social Responsibility
CEO	Chief Executive Officer
CIDA	Canadian International Development Agency
CMA	Compañía Minera Antamina
COICA	Coordinación de Organizaciones Indígenas de la Cuenca Amazónica (Coordination of Indigenous Organizations in the Amazon Basin)
CONACAMI	Coordinadora Nacional de Comunidades Afectadas por la Minería (National Coordinating Committee of Communities Affected by Mining)
CORECAMI	Coordinadora Regional de Comunidades Afectadas por la Minería (Regional Coordinating Committee of Communities Affected by Mining)
CSR	Corporate Social Responsibility
DFAIT	Department of Foreign Affairs and International Trade
EITI	Extractive Industries Transparency Initiative
EU	European Union
FDSFN	Frente por el Desarrollo Sostenible de la Frontera Norte (Front for the Sustainable Development of the Northern Border)
Fedepaz	Fundación Ecuémica para el Desarrollo y la Paz (Ecumenical Foundation for Development and Peace)
FIPA	Foreign Investment Protection Agreement
GRI	Global Reporting Initiative
G8	Group of 8
GSR	Government Social Responsibility
ICC	International Chamber of Commerce
ICMM	International Council on Minerals and Metals
IDRC	International Development Research Centre
IFC	International Finance Corporation
IGWG	Canadian Intergovernmental Working Group on the minerals industry
ILO	International Labour Organization
IMF	International Monetary Fund
INGEOMIN	Instituto de Geología y Minería (Institute of Geology and Mining)
ISO	International Standards Organization
JICA	Japan International Cooperation Agency

MDG	Millennium Development Goals
MEM	Ministerio de Energía y Minería (Ministry of Energy and Mines)
NGO	Non-Governmental Organization
NRCAN-RNCAN	Natural Resources Canada
NRCSRCEI	National Roundtables on CSR in the Canadian Extractive Industry abroad
OECD	Organization for Economic Cooperation and Development
OSINERGMIN	Organismo Supervisor de la Inversión en Energía y Minería (Supervisory Agency for Investment in Energy and Mining)
PDAC	Prospectors and Developers Association of Canada
PERCAN	Peru-Canada project
QDA	Qualitative Data Analysis
RARE	Rhetoric and Reality
SAP	Structural Adjustment Program
SUTEP	Sindicato Unitario de Trabajadores en la Educación del Perú (Union of Workers in Education in Peru)
TNC	Trans-National Corporation
UN	United Nations
UNCITRAL	United Nations Council on International Trade Law
USAID	United States of America International Development Agency
WBICSID	World Bank International Centre for the Settlement of Investment Disputes
WTO	World Trade Organization
YWCA	Young Women's Christian Association

# 1. Context

## 1.1. Introduction

The wealth-generating potential of mining makes it an attractive proposition to many developing nations. However, mining companies have been accused of causing a range of undesirable effects including human rights abuses, environmental degradation, and negative socio-economic impacts (Resource Center of the Americas, 2007; Moody, 2007; Bebbington et al., 2007; Davis and Tilton, 2005). The challenge for developing nations is to make the business environment attractive (through favourable taxation, mineral rights, and environmental regulation) while at the same time ensuring equitable distribution of wealth, sustainable development, and positive social impact. Corporate Social Responsibility (CSR) may provide a partial solution. However, in nations that cannot keep up with the pace of globalization, there is a danger that CSR becomes an alternative to the government regulatory system (Prieto-Carrón et al., 2006: 985). To date little research appears to have been done on how governments actually go about influencing CSR, nor on the effectiveness of their approaches.

The effectiveness of CSR can be measured against the commonly accepted elements of the plethora of definitions, which refer to responsibility for (see also Section 1.3):

- the impact on society and the natural environment
- the effect on the behaviour of those with whom the company does business
- adding value to society

In alternative approaches, companies are said to be responsible for:

- sustainable economic development
- improving the quality of life of the local community and society at large

The above “intents” align with the development goals of developing nations, hence the assumption that CSR can make a contribution to development. In this context, the guiding argument for my study was: “how can home and host governments enhance the probability that CSR realizes its intents expressed above?”

As will be seen later, potential government roles cover a broad range that includes setting a vision and goals for the role of business; establishing framework conditions through policy and regulations; providing a capable, stable civil service; and establishing mechanisms to transform natural wealth into development. This thesis project aims to obtain perspectives on these roles in the mineral exploration and mining industry in the context outlined above, through a series of interviews with key stakeholders.

## **1.2. The Influence of Globalization on Nation States and TNCs**

In the late 1980s, John Williamson (Center for International Development at Harvard University, 2007; Williamson, 2008) coined the expression “Washington Consensus” to describe a group of economic prescriptions that might help a number of developing countries overcome their economic crises. These recommendations were related to fiscal discipline, redirection of public spending, tax reform, exchange rates, trade liberalization, foreign direct investment, privatization of state enterprises, deregulation, financial institutions and property rights. The expression got its name from the Washington-based agencies that shared the philosophy expressed by these prescriptions such as the International Monetary Fund (IMF), the World Bank, and the U.S. Treasury Department. Soon the prescriptions became part of incipient neo-liberal economic globalization. Neo-liberalism has successfully surfed the tide of globalization, leading to increased liberalization of trade, with attendant benefits. However, according to Stiglitz (2006: 105), the liberalization has been asymmetric in a number of respects and developed nations have benefited more than developing nations. A consensus was built during face-to-face meetings at meetings of organizations such as the World Trade Organization, the Group of Eight (G8), and the Davos (Switzerland) World Economic Forum, in which developed nations, economic schools of thought (e.g. University of Chicago), the International Monetary Fund, the World Bank, conservative think tanks, and governments of the developed world (led by the United States) laid the groundwork for and implemented a global neo-liberal agenda.

Darkwood (2005: 997-998) describes the gradual devolution of government political authority to international and trans-national bodies and to municipal and local levels as a relinquishing of regulatory powers. She sees this as a natural consequence of the political consensus process that accompanied the spread of neo-liberal philosophies. She draws attention to the concept of “private authority” in the global realm that describes the role of non-state actors (corporations, Non-Government Organizations) that play a role of authorship (“authority”) over some important issues.

According to Cragg (2005a: 2), many feel that globalization has weakened the capacity of nation states to establish and enforce regulations that ensure fair competition, respect for human rights, just distribution of wealth, control of criminal economic activity and protection of the natural environment. TNCs have emerged as very significant social and economic agents. Of the entities with the 25 highest annual budgets in the world, 12 are corporations and 13 are nations (including developed nations such as Sweden). Cragg (2005a: 2) also notes that historical trends show that wealth is increasingly being concentrated in corporations, and that their power has been enhanced by their vastly increased world-wide mobility. This allows them to play off jurisdictions against one another. In addition, modern communications technology allows them to move vast sums of money

at incredible speed, further strengthening their capacity to choose and shape their regulatory environments. Trade liberalization agreements have further weakened national governments' regulatory ability. Governments are now vying for the attention of multinational corporations and are revising their regulations to attract economic activity and direct investment, which according to some authors is giving rise to a 'race to the bottom' (Graham and Woods, 2006: 869).

Saul argues that the neo-liberal impact on government thinking has given a much more free rein to global corporations and that they have used the opportunity by consolidating what they control (thereby "emptying" smaller structures). Their practice of going for the cheapest goods available world-wide threatens to kill the supply chain in the long term; their influence over the World Trade Organization has provided them with much stronger intellectual property protection (making them into "absentee landlords, "clipping coupons" on the royalty proceeds and allowing them to overprice goods such as pharmaceuticals); and internal shipping across boundaries allows them to bypass economies. In Saul's opinion, they accumulate rather than grow wealth (Saul, 2005: 127). Companies far down the supply chain of TNCs are often located in developing countries, and Prieto-Carrón et al. (2006: 984) accuse retailers (particularly supermarkets and brand companies) of using their consolidated power to push the risks and costs of business down the chain, thereby undercutting development. According to Sayer large TNCs have a fantastic influence. Their lobbying influence extends into international organizations and often results in regulations that are favourable to them. Less visibly, they also influence scientific research and the reports and findings of specialised UN agencies. Many seek to disrupt and delay any action on the issue of their social corporate responsibility. However, some companies are responding positively to criticisms of their practices (Sayer, 2005: 259).

### **1.3. The Concept of Corporate Social Responsibility**

The concept of Corporate Social Responsibility has been evolving over the past three decades, and continues to evolve. It was triggered by public and Non Government Organization (NGO) reaction to unethical practices of certain TNCs in developing nations (e.g. the Union Carbide Bhopal disaster, the Nestlé baby formula controversy [[http://multinationalmonitor.org/hyper/issues/1992/03/mm0392\\_06.htm](http://multinationalmonitor.org/hyper/issues/1992/03/mm0392_06.htm); <http://american.edu/ted/bhopla.htm>]) and it continued to grow as TNCs grew with globalization. The accompanying concentration of power and wealth is being confronted by a growing opposition movement, which is also global in scope (Sayer, 2005: 251). Their reputation and number of supporters, combined with the communications revolution, give NGOs and citizens power over corporations and international organizations. Industry associations, governments, and international

institutions are paying heed and are beginning to take measures to address the issues raised by the counter-forces, embracing the Corporate Social Responsibility concept being one of these measures.

“CSR-like” ideas have been around for a long time in one form or another: (Blowfield and Frynas, 2005: 501, 504; Bakan, 2004: 17-18). For example, already in 1556 Georgius Agricola advised miners “to look well after diggers and workmen” (Agricola, [1556], 1950: 4), and “to always devote more care to maintaining our health..., than to making profits” (Agricola, [1556], 1950: 214).

The term “Corporate Social Responsibility” does not yet have a generally agreed upon definition. There is a plethora of definitions which seem to have the following elements in common (Blowfield and Frynas, 2005: 503):

- (a) Companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal requirements and individual legal liability
- (b) Companies have a responsibility for the behaviour of others with whom they do business (e.g. supply chains)
- (c) Business needs to manage its relationship with wider society, whether for reasons of commercial viability or to add value to society.

The World Business Council for Sustainable Development (2007) defined CSR as: “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.”

CSR can include issues as diverse as animal rights, corporate governance, environmental management, corporate philanthropy, stakeholder management, labour rights and community development (Blowfield and Frynas, 2005: 502). Additional issues cited for the mining industry include: corporate governance and ethics, health and safety, environment, human rights, human resources management, community, philanthropy, fair competition, elimination of bribery and corruption, accountability, transparency, principled supply chain management and sustainable development (On Common Ground Consultants, 2007: 2). Terminology is also in flux: new concepts such as corporate accountability, socially responsible investment and sustainable development either complement or in certain cases aim to replace the term CSR. In Latin America, the term “Business Social Responsibility” (Responsabilidad Social Empresarial) is often used. Different aspects of CSR receive different emphasis in different cultures. For example, Thailand stresses environment, Ghana stresses local communities (Blowfield and Frynas, 2005: 502).

Examples of CSR activities in the mineral exploration and mining industry include repairs to a local church; construction of roads, clinics, and recreational facilities; nutrition programs; training locals to set up their own enterprises that provide services to the mining company; education; and the

development of economic activities that can be sustained after the mine has closed (Boon, 2008a: 76).

The following section discusses some of the theoretical underpinnings of CSR, and is mainly based on arguments put forth by Cragg (2005b). The human rights concepts that have come to be generally accepted over the past six decades were developed and agreed upon by governments through being debated in international forums such as the United Nations (UN) and the Organization for Economic Cooperation and Development (OECD). Therefore they reflect a de facto division of responsibilities between government and private sectors. Under a tacit social contract that lasted roughly until the mid 1980s, corporations took a narrow view of their own ethical responsibilities as restricted to those set out by law.

In the view Milton Friedman (1962) corporations have an obligation to:

- maximize profits
- honour certain fundamental rules of the game (as no game can exist without rules)
- respect the law
- respect local ethical custom.

The first two obligations solely focus on the functioning of the market and do not consider any wider ethical obligations (e.g. human rights). A striking example of an effect of this narrow interpretation are the agreements negotiated through the World Trade Organization (WTO) that prohibit the creation of barriers to the importation of goods for reasons related to the manner in which they were produced, even if this involved human rights violations. For example, a law banning the importation of products made using child labour would violate the General Agreement on Tariffs and Trade.

Historically, charters issued to private corporations originated as a mechanism to deal with public needs. For example, the Hudson's Bay Company was tasked with the development of the dominion of Canada and it provided legislative, land ownership registration and resource management services in return for the right to make a profit (Cragg, 2005: 30). In the early 19<sup>th</sup> century changes were made to address charges of favouritism and corruption. Incorporation became a right and gradually led to the modern corporation and the disappearance of the public interest aspect.

Two theories that describe the character of corporations have had an important influence on the way their responsibilities are viewed:

- corporations are "natural entities", formed as an expression of the freedom of association
- the public benefits that flow from the activities of corporations are best left to the 'invisible hand' of Adam Smith: the market.

Both support the view that corporations have primary responsibility to those that created them, and have been used as arguments to define corporations' obligations to advance the public interest in a narrow way. Neo-conservative dogma holds that "left to its own devices, the pursuit of private economic interests will generate substantial public, social and economic benefits" (Cragg, 2005b: 34). The spread of neo-liberal policies over the past few decades and their attendant deregulation and loss of confidence in regulatory frameworks led to a re-examination of the allocation of responsibility for ethical standards related to economic activity. This created tension between proponents of free market competition and proponents of standards of socially responsible ethical conduct.

A common understanding shared by opponents and proponents of neo-liberal approaches is that public support for particular economic policies and the legal frameworks required to implement those policies results from the expectation of public benefits. Advocates of free market policies justify these by claiming that they are the most effective and efficient way to produce these public benefits. However, Cragg argues that "globalization has resulted in changes that now require a collective reallocation of responsibility for ensuring that the public goods that have been acknowledged to be the goal of public policy and the justification for globalization are indeed realized" (Cragg, 2005b: 35). He further shows that "under conditions of globalization, respect for and a commitment to advance respect for human rights is both constitutive of the public good to which corporations have an obligation to contribute and empirically necessary if public goods are to result from commercial corporate activity in global markets" (Cragg, 2005b: 43). Similar arguments can be applied to the environment and thus there are sound social and environmental reasons for arguing that corporations do have social and environmental obligations that go beyond those advocated by Friedman. According to Arthurs, conditions that have to be met for codes of conduct (such as the CSR codes that will be discussed later) to be effective in preventing anti-social corporate behaviour in a global economy include:

- State strategies that provide strong positive or negative incentives to persuade or coerce corporations to police themselves. This suggests that their success depends on codes being less voluntary rather than more so.
- Codes should specifically address the particularities of a sector or activity
- They should specifically assign responsibility to certain individuals in corporations, and ensure that these individuals are trained
- They should very specifically provide channels for complaints
- They should be transparent and include second and third party participation and verification (Arthurs, 2005: 64).

The power relations dominated by a small number of nations (e.g. U.S.A., Europe and Japan) and international institutions such as the International Monetary Fund (IMF), World Bank, World Trade Organization (WTO) and the World Economic Forum, and a pervasive belief in the “trickle down” theory have diminished the effectiveness of designing codes and of protecting intended beneficiaries so far (Arthurs, 2005: 63-64).

Blowfield and Frynas (2005: 502) emphasize that CSR is voluntary and that it may be a complementary approach to normal government regulations where there is a strong legal framework. In many cases there are “mandatory” aspects to voluntary CSR, for example when governments make certain approvals conditional on corporations having an adequate CSR policy in place. CSR could be viewed as a “revisiting” of the role of government and may encourage certain behaviours while refraining from codifying everything. There are many intersections between CSR and the law. Effective CSR may well require good government, and some policy makers see CSR as an intermediate stage towards legal codification (Blowfield and Frynas, 2005: 503).

Garvey and Newell are of the opinion that holding corporations to account involves contests of power between actors with competing agendas and very different capabilities (Garvey and Newell, 2005: 392). Newell is concerned that “orthodox” CSR and its emphasis on “win-win” overlooks the importance and inevitability of conflict and that it vastly underestimates the importance of power and resistance to the achievement of development outcomes (Newell, 2005: 556).

Garriga and Melé distinguish four categories of CSR theories:

- *Ethical* theories that include normative stakeholder theory, universal rights, sustainable development, and the “common good” approach.
- *Instrumental* theories such as CSR strategic tools for wealth creation, maximizing stakeholder value, strategies for competitive advantage, and cause-related marketing.
- *Integrative* theories that address the integration of social demands into business activities. They include issues management, the principle of public responsibility, stakeholder management, and corporate social performance.
- *Political* theories that relate to the social power of business and its responsibility to play a positive role, such as corporate constitutionalism, integrative social contracts, and corporate social citizenship (Garriga and Melé, 2004: 52).

These theories align to some extent with certain groups of actors in CSR. Ethical and political theories best fit the purposes of NGOs and communities, whereas instrumental and integrative theories fit the purposes of business. It could be said that societal demands bind these theories together.

Klonoski additionally identifies *fundamentalist, moral person-hood, moral agency, social institutional, justice and virtue-based* theories. While interesting, a discussion of the latter is outside the scope of this thesis.

Drawing on an approach used by Clapp and Dauvergne (2005, their Table 1.1) and using the same names for the categories, the range of views on CSR can be grouped as shown below. These are crude descriptions only and views can straddle categories.

- “Market liberals” believe that CSR is just a refinement of the market mechanism. They have great confidence in the ability of corporations to address problems and ultimately improve the world, and they favour a small state (Friedman, 1962)
- “Institutionalists” are not so sure about this. While not opposed to self-regulation and voluntary corporate social initiatives, they see a strong role for the state and global institutions to provide a robust framework and to keep corporations honest. They believe that globalization has the potential to improve the world, provided it is properly guided (Arthurs, 2005; Blowfield and Frynas, 2005; Garvey and Newell, 2005 ; Newell, 2005)
- “Sceptics” do not trust corporations. They believe that corporate power has grown out of bounds and needs to be curtailed. They are leery of CSR that is beyond democratic control and still allows the corporate sector to control the agenda, and would prefer robust state action over private sector initiatives to achieve the purported goals of CSR.
- “Anti-marketeers” blame the woes that CSR aims to address on the capitalist system, which they would like to see overturned and replaced by an alternative system that is more sensitive to the needs of real people. This could but does not need to be socialism.

A single individual can hold a mixture of these views. Clapp and Dauvergne mention that in the environmental debate, the Brundtland compromise of “sustainable development” has allowed the market liberals and the institutionalists to maintain the lead (Clapp and Dauvergne, 2005: 81).

While in CSR in the mineral exploration and mining industry market liberals and institutionalists currently also maintain the lead, I believe that the market liberal view is based on too narrow a set of assumptions about human and political behaviour for it to address enough critical success factors. Also, the recent financial meltdown has decreased its credibility.

In practice, many corporations are designing and implementing CSR strategies and are facing considerable challenges in the process. Van der Putten lists four important questions facing the activities of TNCs in developing nations: do social and environmental standards actually affect business behaviour; is it possible that profit maximization leads to responsible behaviour; do societal

demands have an effect, and are they legitimate; and what conditions lead to a positive contribution to local communities (Van der Putten, 2005: 1)?

Boele, Fabig and Wheeler (citing CSR models developed by the U.S. Committee for Economic Development [1971] and Sethi [1975]) assign three tiers of achievement in “CSR practice”. These are: (a) the traditional notions of ‘licence to operate’, (b) an ability to move beyond a compliance-based approach to recognize and internalize societal expectations and (c) the competence required to navigate uncertainty, maximize opportunity and engage effectively with external stakeholders on issues and concerns. They conclude that an ability to transcend instrumental reasoning is essential to resolve cases of severe conflict and make a convincing case for a CSR approach that is based on sustainable development and the accommodation of rights (Boele, Fabig and Wheeler, 2001: 124).

Other authors (Cragg, 2005b; Blowfield, 2005: 520; Bakan, 2004: 161; Blowfield and Frynas, 2005:511) are also of the opinion that CSR theory should look beyond the present neo-liberal capitalist paradigm and consider addressing structural factors. According to Stiglitz, a change in the patently unfair rules that govern today’s global economy could dwarf the present accomplishments of official development assistance and corporate social responsibility combined. This includes making trade fair; changing the intellectual property regime; stopping bio-piracy (in which multinationals patent traditional knowledge from developing countries); addressing corruption and bribery; limiting the power of corporations, improving corporate governance; pushing hard for global laws; reforming international lending; reforming the global reserve system; and democratizing the global economic system (Stiglitz, 2006: 285-288).

### **1.3.1. CSR codes and other tools**

Business has realized that “ethical business is good business” (Industry Canada, 2006: 7) and some governments are actively encouraging businesses to embrace CSR (e.g. National Roundtables on Corporate Social Responsibility and the Canadian Extractive Industry Advisory Group of the NRCSRCEI, 2007; Federal Interdepartmental National Roundtable Steering Committee, 2006).

Also, the corporate sector is attempting to regain control of the agenda through the CSR movement and international institutions and organizations such IMF, World Bank, UN, OECD, ISO, and AccountAbility are developing voluntary codes and frameworks that provide a contextual framework (e.g. Global Compact, 2000; EITI, 2005; Organization for Economic Co-operation and Development, 2001; Global Reporting Initiative, 2002; ISO 26000, target date 2010; UN Voluntary Principles on Human Rights, 2000; International Labour Organization Convention No. 169, 1991).

Voluntary CSR codes are rules for ethical and social behaviour that are developed outside government by organizations or corporations and to which they (and other entities that choose to do

so) commit to adhere. These codes help corporations navigate their way through a complicated field, they increase consistency, and help level the playing field by codifying public expectations (Cragg, 2005b: 43). Many corporations do not behave ethically if there are no pragmatic or instrumental reasons so to do (Cragg, 2005b: 45), and codes provide such an instrumental reason. In this sense, they could be compared to the rules governing the market: they “create the game and define its character” (Cragg, 2005b: 30). Codes can help move industrial sectors forward along the CSR path if they provide incentives or penalties for conditional morality in their sector (Kolk and van Tulder, 2006: 798).

Principles that contribute to the credibility and effectiveness of voluntary codes include:

- development and implementation through participation of all affected and interested parties;
- transparency in design and operation;
- performance based, with specific goals, milestones and measurable objectives;
- clear rewards for good performance and penalties for bad performance;
- flexibility and innovation in meeting goals and objectives;
- prescribed monitoring and reporting requirements, including timetables; (vii) mechanisms for performance verification;
- continual improvement (Bell, 2005: 342).

Núñez (2003) provides a thorough overview of global and Latin American regional and national CSR initiatives embodied in codes, indexes, or technical norms and standards that are currently being used. The summary description of major international codes, technical standards, and indexes related to CSR provided in Appendix 1 is modelled after her template. The Prospectors and Developers Association of Canada (2007a) has summarized available tools, codes and standards for the mineral exploration industry. All codes mention accountability, transparency, environment, labour standards, and human rights. The role of government is mentioned in many but not all, as are corporate governance, corruption and bribery.

While some codes make reference to sustainable development and to the relation between business and society, their language is more suggestive than directive and development is clearly not their focus. The codes have a strong influence on the way business approaches CSR and the fact that they don't specifically include development aspects of CSR (such as community engagement, development not related to company products, community capacity building) may present a significant barrier to the effectiveness of CSR as a development tool, an observation that is relevant to the subject of this thesis.

## **1.4. Players and Power Relations**

Actors in CSR include corporations, NGOs, local and national governments, international institutions, communities, and investors. León Castro (2001) provides a detailed listing of the CSR actors in the extractive industries in which he describes subsets of actors within categories. His paper would be very a useful starting point for anyone planning CSR strategies and initiatives in this industry.

A discussion of the characteristics of each of the major actors as they relate to CSR follows.

### **1.4.1. Corporations**

Corporations are *de facto* governing a significant part of our lives. Interdependent factors such as their *raison d'être*, organizational structure, corporate culture, size, and industrial sector are likely to have an impact on their approach to CSR, as has the requirement for corporations to be globally competitive. The day-to-day running of the corporation is entrusted to the President and Chief Executive Officer (CEO), who reports to a Board of Directors and is assisted by a team of professional managers. The tone set by the senior management team has a major influence on the way organizations approach CSR. The length of the chain of command, the span of control of individual managers, criteria used to define organizational units (function, product, region, etc.) affect the nature of CSR initiatives related to development and their ease of implementation. According to Bakan (2004: 57, 94, 151), corporations display psychopathic traits such as irresponsibility, manipulation, grandiosity, lack of empathy and of social tendencies, lack of remorse and superficiality, and they are using dollars to buy freedom from democratic control. Companies have a managerial/engineering mindset that focuses on quantitative, measurable results ("what is measured gets done"). Problems are there to be solved, mostly through a linear series of steps. Meeting targets and deadlines is all-important, as is lowering costs. While these attributes are necessary and useful for a company to achieve its goals, they are often not helpful in dealing with CSR issues. For example, companies often do not take the time to build bridges with communities, and their staff tends to treat participatory rural appraisals as an engineering exercise that can be completed in two days, with negative consequences for development projects (Frynas, 2005: 592). As will be seen in Chapter 4 of this thesis, the construction phase of the Antamina mine was driven by financial and time considerations, and some important social issues that were overlooked continue to affect the company to this day.

As was mentioned earlier, there are good theoretical grounds for arguing that businesses do have a social responsibility, but opinions on the boundaries of CSR diverge widely. The drivers for

corporations to engage in CSR activities and their relative emphasis vary. A number of authors have discussed the factors supporting the business case (i.e. the relation between CSR and a company's business performance) for CSR (Frynas, 2005: 586; Industry Canada, 2006:7; Graham and Woods 2006, p 870; Blowfield and Frynas, 2005: 511; Boele et al., 2001b, p 125; Dashwood, 2005: 991). They include improved risk and reputation management, enhanced ability to recruit and retain staff, improved market positioning, enhanced operational efficiencies and cost savings, and better supply chain relations (Industry Canada, 2006: 8-9). Most of these factors are "instrumental", i.e. they focus on business operational considerations rather than on intrinsic values. Still, Dashwood (2005: 993) demonstrates that Noranda's and Placer Dome's decades-long commitment to CSR was inspired by intrinsic values, and Boele et al. (2001b: 132) show that Shell now publicly accepts and acknowledges that it is a significant human rights actor (albeit that this creates serious practical dilemmas for the company).

Whatever its motivations, the business sector has become involved in a big way. National and international business organizations in many industrial sectors are deeply involved in CSR, developing guidelines, lobbying governments and in general influencing the agenda as active players (Utting, 2005: 378). Whether this movement will lead to an evolution from a business case approach to a values-based approach to CSR remains to be seen. CSR presents considerable challenges to present-day managers that tend to be very different from their everyday concerns and from what they have learned in business school. CSR expectations and problems are often ill defined; the road to success takes a long time to travel and at times may seem like a maze.

For corporate CSR initiatives to be effective, the corresponding value system needs to permeate the organization at all levels (Varley, 2006). Achieving this is quite a complex task that requires senior executive commitment and much hard work. For large TNCs, geographical distance and cultural differences between the components of their organization compound this task. Other challenges stem from external factors. For example, the "free rider syndrome" is of major concern: competitors in the same sector may benefit from the positive spin-offs of successful CSR initiatives without having had to invest. Kolk and van Tulder (2006: 791) argue that when penalties or incentives are present, companies become active in CSR only if others do too, a phenomenon they term "conditional morality." Without penalties or incentives, the likelihood of the sector adopting CSR practices is low.

Odell and Silva (2006) identify social context, governance, militarization/impunity and NGO behaviour as domains in which mining exploration companies face challenges. In previous research, senior managers of junior mineral exploration companies told me about their CSR challenges. These included poor governance practices of host governments, rogue NGOs, community expectations,

problems between communities, corruption, cultural differences, lack of skills, internal communication issues and the risk of a single person ruining an entire project through unsuitable behaviour (Boon, 2007).

#### **1.4.2. NGOs**

Garvey and Newell (2005: 398) observe that NGOs play a role as both “watchdogs” of corporations and as operators of CSR initiatives in joint ventures with or under contract to corporations. Corporations with a diversified shareholder base and with operations based in countries that are home to influential NGOs active on environment and development issues are more likely to find their global operations subject to scrutiny. Corporations may focus on members of a community who are willing to cooperate and dismiss or ignore others. NGOs and unions can effectively counteract such tactics, provided they properly address their own accountability (i.e. how well they represent the different elements of the local population on whose behalf they are bargaining). In a number of cases, the involvement of NGOs has actually decreased the responsiveness of corporations to community campaigns (Garvey and Newell, 2005: 400).

Graham and Woods (2006: 877) mention that many NGOs advocate mandatory disclosure requirements imposed by states. This would “level the playing field” in that companies that do report both the “good and the bad” would no longer be at a disadvantage to companies that do not report at all. Also, once a company has publicly reported, it can be sued for misstatements, which provides a tool for exerting pressure. In addition, international standards assist in mobilizing civil society within and across countries by creating expectations that such standards might be upheld (Graham and Woods, 2006:881). Also, reporting mandated by the government of the company’s “home” country allows it to be aware of circumstances that could hurt its foreign policy objectives and its country’s “brand”, and place it in a position to exert pressure for change, thereby creating a form of accountability.

Kolk and van Tulder conclude that within each sector, NGOs play an important role by helping set the “floor” of CSR, whereas competitor behaviour sets the “ceiling”. They argue that, as conditional morality plays an important role, a sector by sector approach may bear more fruit in deriving benefit from TNCs than a focus on individual companies (Kolk and van Tulder, 2006: 798). Government and NGO tactics may benefit from this observation.

Ite (2005: 926) advocates independent reviews of initiatives and actions by governments, NGOs and corporations alike and considers the multi-stakeholder and partnership approach to social issues management (within the general framework of CSR) to be a step in the right direction. Within the context of poverty alleviation in developing countries, this approach should ensure that the major

stakeholders (including NGOs) in the development process are clearly identified and the roles, responsibilities and obligations of each stakeholder are well articulated. A number of authors point out the need for NGOs to become more accountable and to involve their stakeholders more effectively in the design of their strategies and activities (Odell and Silva, 2006: 4; McAleer and McElhinney, 2006; Bendell, 2006: 362). Jackson and Warren report that complex and pluralistic indigenous movements sometimes are at risk of being pressured into accepting NGO political and economic agendas (Jackson and Warren, 2005: 555).

In 2006, 11 NGOs (ActionAid International, Amnesty International, CIVICUS World Alliance for Citizen Participation, Consumers International, Greenpeace International, Oxfam International, International Save the Children Alliance, Survival International, International Federation Terre des Hommes, Transparency International and the World YWCA) adopted an Accountability Charter, and undertook to progressively apply Charter principles and provisions to all their operations, policies and activities and to provide Annual Reports of their compliance to the Accountability Charter (INGO Accountability, 2006).

### **1.4.3. Governments**

The powers at the disposal of governments vary with circumstances and countries. The governments of developed nations helped set the neo-liberal agenda and they are now involved in setting a context for corporate social responsibility through their influence in international bodies and the means at their disposal for influencing the foreign activities of companies headquartered in their countries (e.g. diplomatic assistance, tax rules, capacity building, public shaming). They can influence “home” activities of such companies through regulation or the threat of regulation. Some have developed innovative tools that are now being applied internationally (e.g. B2B in which Danish businesses pair with businesses in developing countries). The Government of Canada has yet to react to the recommendations of the Advisory Group of the National Roundtables on Corporate Social Responsibility and the Canadian Extractive Industry (Advisory Group of the NRCSRCEI, 2007). The Advisory Group is composed of members from industry, the NGO sector, investors and academia, and its recommendations include the establishment of a Canadian CSR framework with Canadian standards; reporting against the Canadian standards in an internationally recognized format; links to income tax incentives, stock exchange listing requirements and institutional investor social, environmental and governance disclosure requirements; and the establishment of an independent ombudsman and a tripartite compliance review committee (Advisory Group of the NRCSRCEI, 2007). Australia, Norway, and Great Britain are investing in awareness campaigns and

education on CSR and the Norwegian Government Pension Fund has instituted a mechanism to deal with complaints related to CSR.

The advent of the corporate social responsibility movement should help governments of developing nations, yet the powers of individual governments of developing countries are limited in a number of ways. First, their need for foreign direct investment to create jobs and generate income puts them in a weak negotiating position. Also, state dependence upon loans from institutions such as the World Bank or the IMF, whose loan conditions require export-led industrialisation, often has provided incentives to promote industrial expansion at the expense of social and environmental safeguards, which sometimes leads to communities becoming the victims of state aggression or discrimination, (Garvey and Newell, 2006: 394).

Second, national and local governments often lack resources and capability and are poorly prepared for effective co-operation with both communities and corporations in development programs, a cause of great frustration to both the latter (IDRC, 2003: 7) and they frequently lack the resources to enforce regulations (for example infractions of environmental protection laws often do not lead to punishment). Third, they lack the skills and experience to avoid being taken advantage of by multinationals with deep pockets (for example, they may be overwhelmed by complicated legal manoeuvring). Fourth, many governments, especially in developing nations face the challenge of bribery and corruption. CSR codes such as the Extractive Industries Transparency Initiative (EITI, 2005) and the OECD Guidelines for Multinational Enterprises (Organization for Economic Cooperation and Development, 2000) contain clauses that specifically aim to reduce the incidence of such situations (Chapter VI of the guidelines: *Combating Bribery*: "Multinational Enterprises should not render and they should not be solicited or expected to render any bribe or other improper benefit, direct or indirect, to any public servant or holder of public office". The document suggests specific approaches that can be taken to prevent bribery from taking place).

Governments of developing nations may perceive that a lack of regulation attracts foreign direct investment (Graham and Woods, 2006: 869). The result can be that governments of other countries that are competing for foreign direct investment lower their standards too, resulting in a regulatory "race to the bottom." The pressure to deregulate exerted by international institutions such as the International Monetary Fund (IMF) has aided this phenomenon, and many countries have been left with a weak framework for ensuring the development of their societies (Graham and Woods, 2006: 869). This is to the disadvantage of local communities who can be left entirely unprotected by their own government.

Governments may not have the resources to enforce regulations, but they can rest assured that NGOs and civil society will expose non-adherence to regulations and voluntary codes to the world.

The governments could enhance this NGO process by instituting and publicizing regulations, and by drawing public attention to voluntary codes. This would amount to exerting “shaming power” through proxies. They could further enhance their “shaming power” through the establishment of alliances with the home countries of offending corporations under which home country governments would exert pressure using the mechanisms such as those proposed by the Advisory Group of the NRCSRCEI.

Where the “race to the bottom” to attract foreign investment and lack of resources and skills are combined with corruption, poor management and inappropriate use of resource rent the result has often been a “resource curse” in countries like Nigeria, where extreme poverty continues to co-exist with high resource revenues (Ite, 2005: 915; Boele et al. 2001a).

Blowfield and Frynas (2005: 510) detect a shift towards a facilitation role for governments. A credible threat of government sanctions helps this role being realized in practice. States can provide both incentives and disincentives for CSR initiatives by establishing legal requirements and investment conditions for companies that operate in their jurisdiction. The incentives and requirements suggested by the Advisory Group of the NRCSRCEI (2007) are an example. However, even where states are willing to use sanctions, they may be unable to implement them against more powerful TNCs.

The nature of the relation between the state and its communities and corporations, the state’s vulnerability to international pressures, transparency and the availability of information, and the enforcement and accessibility of a legal framework are key factors influencing CSR development initiatives.

#### **1.4.4. Communities**

Extractive industries have to be located where the resource is, often far removed from the centres of political power and mainstream economic activity (Garvey and Newell, 2005: 399). Communities are heterogeneous and consist of sub-groups that can be categorized by income, age, gender, occupation, religion, education level, part of town, dialect, and others. A single individual can simultaneously be a member of different subgroups. Important community processes include group dynamics, socialization, association with others, and interpersonal relationships. The internal dynamics of a community can be quite complex (Garvey and Newell, 2005: 400) and will influence how individual choices are converted into community choices (Martinussen, 1997: 244), a process that affects the future of both the community and the corporation that plans to establish operations there.

It is in the interest of corporations to define their zone of influence narrowly to limit their community engagement efforts even though the effects of its operations often extend beyond the communities located closest to its operations (Frynas, 2005: 593). For example, a recent semi-detailed Environmental Impact Study submitted by Río Blanco Copper for its project in the Piura Region in Peru was immediately challenged by the mayors of two communities that had not been included in the definition of the project's zone of influence ([www.todosobremajaz.com](http://www.todosobremajaz.com), 2008).

Communities within the zone of influence are impacted in a number of ways by transnational extractive industries. Not only do the corporations occupy the physical environment with their machines, buildings and other infrastructure. The corporations' economic weight, employment practices, work organization and hierarchies, and value system inevitably influence the social structures, values, worldview and attitudes of the communities in which they operate. At the same time, the community influences the operational decisions of the local branch of the corporation and thereby its internal culture. For example, a divided community that is a weak opponent may lead to an arrogant, non-consultative, sloppy local corporate culture whereas a well-organized community that stands up for itself will attenuate such tendencies (Garvey and Newell, 2005:401).

Communities also influence and are influenced by governments in particular ways and the same holds for other active actors such as NGOs. The inequalities between the actors related to knowledge, skills, force, weight or any other factor that influences choices and behaviours imply power differences. As the social world is ordered as an endlessly shifting field of inequalities (Dirks and Ortner, 1993: 7), its dynamics are determined by an endlessly shifting pattern of power relations. Power plays, then, are an inescapable phenomenon that can either allow society to function well or damage it. CSR really is a political process that involves power struggles between the actors involved (Garvey and Newell, 2005: 392) and its "battles" are most often related to community issues and fought on community territory. Such issues include adverse social effects, destruction of private property and agricultural land, conflicts over land, water, prostitution, and the spread of AIDS (Frynas, 2005: 595).

Many checks and balances present in developed countries do not apply in developing nations. Neo-liberal aspects of globalization have weakened their government structures and led to asymmetrical power relationships between companies and governments. This weakening extends down to local governments: they are even less of a match for the resources and skills of companies, some of which may use the banner of the CSR "religion" to preach that their work "is verily meet and just, right and salutary". While much of the CSR literature focuses on large TNCs, it should be kept in mind that CSR considerations apply to companies of all sizes and origins and include local companies and small companies.

When communities need to arrive at a decision on a proposed corporate development, negotiate a deal and ensure that, once in operation, the corporation will adhere to its commitments, they face a number of issues.

First, during the proposal stage, who will guide the debate and how? How to ensure representation of all views in the community? How to decide when a position is ready to be carried forward? How to maintain unity? To prepare itself, the community needs to build skills in negotiation and conflict management and NGOs can help with community capacity development (IDRC, 2003: 7). This can position it to deal both with its internal differences and handle the negotiation process with the company. While ultimately the community has to make its own decisions, NGOs and unions can provide useful assistance, provided any questions about their own accountability are addressed. The latter is important for the community and assisting organizations to take into account. For example, Garvey and Newell observed that in a number of cases, companies used the perceived existence of conflicts of interest involving NGOs to derail the community's proposals resulting from such assistance (Garvey and Newell, 2005: 401).

Other research indicates that some companies tend to focus on those people willing to cooperate and pay no attention to those who object (Garvey and Newell, 2005: 400). Companies may just want to "buy peace" during critical initial project phases and focus on selective parts of the communities that are most likely to be affected by these initial project operations, and any social support initiatives may not be sustained once the critical project phases have been completed (Frynas, 2005: 585). While the negotiation agenda often is ostensibly set jointly, the imbalance of power between community and company may still allow the latter to control the agenda and frame the issues in a way that neutralizes opposition (Garvey and Newell, 2005: 392). Companies can counter opposition to aspects of their proposal by threatening to establish operations elsewhere (Garvey and Newell, 2005: 397). If communities have alternative livelihood options they can use these as leverage to partly neutralize such threats.

Communities must also find ways to understand the technical aspects and potential impacts of the proposed development. First, some companies are reported to use expert knowledge to "snow" those with less education or less access to information. Communities could seek NGO support in this respect, but the latter's approach may be biased and potentially unscientific (Garvey and Newell, 2005: 401). In line with the endogenous development paradigm (Mas Herrera, 2006), it may be advantageous to work with local universities or professional organizations if possible.

Second, once operations have started, it may be difficult for a community to call a company to account. The probability of success depends on how the corporation chooses to exercise its power, its "weak spots", and its approach to citizen participation (Garvey and Newell, 2005: 397). A

corporation can use its financial resources in many ways to fight sanctions the community wants to apply. One example is retaliatory legal action. Naturally, corporations construe their operations to provide an intrinsic benefit to the community, and can be quite persuasive in arguing that the downsides of their operation are a worthwhile trade-off to make. Communities may be able to obtain leverage through consumer pressure, shareholder pressure, and influential NGOs in the company's home country. Other strategies that have been used by communities include 'worker' epidemiology studies, alliances with other actors, constructing alternative livelihoods (where possible), and strategies to counter companies that are playing workers off against each other (Garvey and Newell, 2005: 400)

Finally, communities often lack government support that may instead be given to more powerful groups or constituencies (Garvey and Newell, 2005: 393), or because it would conflict with some of the government's policies. State and local governments may have interests that are opposed to those of a community and more aligned with those of the corporation. This may lead the state to actively oppose the community as happened in Nigeria when the military government hanged the "Ogoni nine" because of their opposition to oil and gas development in the Niger delta (Boele et al., 2001: 130; Ite, 2005: 919).

#### **1.4.5. Investors and financiers**

Over the past decade, ethical investing has grown in importance. Many institutional investors such as pension funds have developed or are developing social and ethical criteria that have to be met by corporations in which they are willing to invest. A number of large banks have agreed to the Equator Principles (see table in Appendix 1) that set out the social, environmental and ethical considerations they will take into account when making project financing decisions (Equator Principles, 2006). These principles are similar to the International Finance Corporation Performance Standards (IFC, 2006). Also, shareholders are becoming more activist and are making their voice heard at Annual General Meetings to question company practices related to CSR. Investors do not tend to play an active role "on the ground", but they can provide communities with leverage.

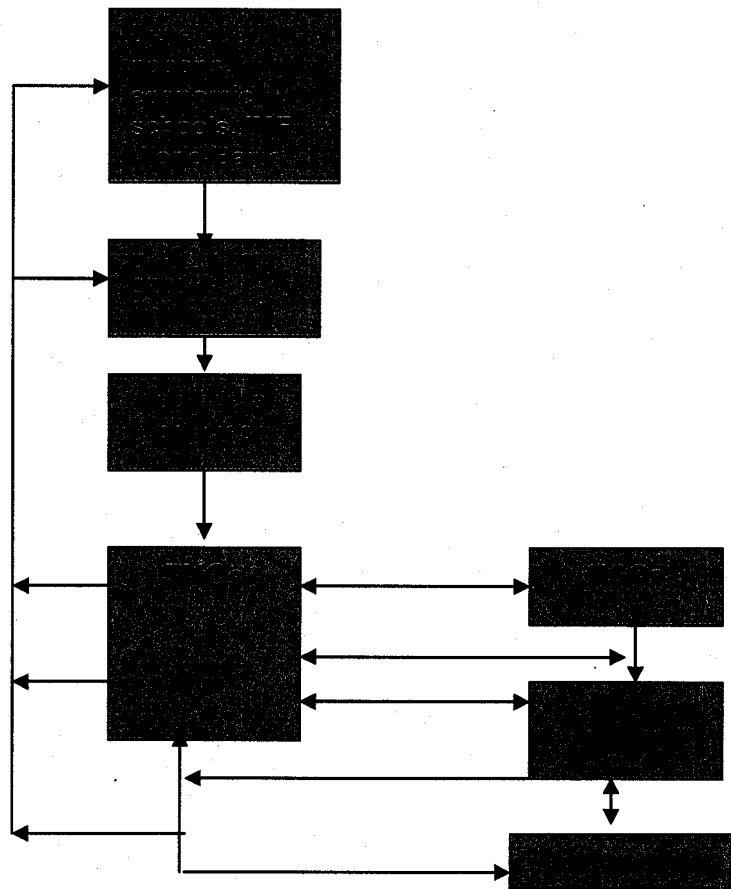
#### **1.4.6. Power relations**

Until a few decades ago, the world economic power structure was dominated by the Bretton Woods institutions (IMF, World Bank and their subsidiaries) which themselves were controlled by the developed nations. Much of the economic discourse was driven by select university economic schools (e.g. Chicago) and by economic think tanks. The meetings organized by various organizations and "clubs" such as the World Trade Organization, the Davos World Economic Forum,

the OECD, and the G8 provided forums at which these powerful groups converged towards the neo-liberal economic model. Together, these entities constituted a hegemonic bloc that had the ability to make choices or influence outcomes and to influence the behaviour of others with or without resistance i.e. the bloc had power. TNCs took advantage of the neo-liberal economic tide and developed into powerful institutions in their own right. At the same time, the neo-liberal recipe for deregulation created a regulatory vacuum and the ability of states to make choices, influence outcomes or the behaviour of others was diminished, i.e. they lost power. Cragg views corporate self-regulation (that was described in section 1.3.1) as one option for filling this regulatory vacuum (Cragg, 2005a: 2).

The self-regulation codes are taken very seriously by institutions such as the IMF and the World Bank that now require adherence to them as a condition for financial support, and

**Figure 1. World Economic Power Relations**



“government clubs” such as the OECD and APEC are actively promoting CSR (CSR was one of the key themes of the APEC meeting that was held in October 2008 in Lima, Peru). As a result,

developing nations, NGOs and communities have gained the ability to influence the behaviour of the hegemonic bloc, i.e. they have gained power over and access to and influence on economic world power structures. In fact, the World Bank codes have gained such prominence because their development was strongly influenced by a broad range of activist civil society groups and other organizations (Szablowski, 2007: 85). In the words of Szablowski (2007: 72): “Together, certification institutions [associated with the codes described in Section 1.3.1] and the [de facto] regulatory efforts of civil society de-certifiers [through their campaigns] are interlocking parts of a single legal mechanism [Szablowski applies the term “legal” to both formal and informal frameworks].” This legal mechanism is itself an expression of the balancing powers of the actors involved in it. Figure 1 schematically depicts the power relations that have evolved through these processes.

### **1.5. CSR Contributions to Development**

The responsibilities of corporations for their impact on and for adding value to society (Section 1.3 of this thesis) are elements common to most definitions of CSR, and they align with development goals. It is therefore not surprising that governments will continue to rely on the private sector for a contribution to development. The amount of Foreign Direct Investment (FDI) in developing nations far exceeds total official development assistance (Jenkins, 2005: 529). The spread of neo-liberal policies and approaches has “hollowed out” the state and limited its resources, making it impossible to keep an eye on every process even at the best of times. It is in the state’s interest for corporations to ‘take ownership’ (Arthurs, 2005: 195, 203) and the “orthodox” approach to CSR fits entirely within the neo-liberal capitalist paradigm. As CSR has now been in the spotlight for over a decade, and interest in it continues to grow, it is fair to ask the question if CSR is contributing to development.

#### **1.5.1. Framework for CSR contributions to development**

This section aims to provide a context for the discussion of CSR contributions to development in the next section. The United Nations Millennium Development Goals (MDG) (United Nations, 2000) have been widely accepted and can provide a framework for judging the effectiveness of CSR in terms of equitable and sustainable economic development. Corporations are the engines of economic growth and therefore one would expect that they could make a primary contribution to the eradication of extreme poverty and hunger (MDG [i]). Yet, as has been all too clear, economic growth alone has not reduced extreme poverty and hunger throughout the developing world. The

'resource curse' phenomenon that was mentioned before is but one example that can result from inequitable access to, and unequal distribution of, the wealth created by resource extraction. CSR can include community development (Blowfield and Frynas, 2005: 502), and therefore it could make a difference by integrating community social aspects into the economic activities of corporations. This relation can be expressed through the definition of "economic development for communities" as: "... a process by which communities can initiate and grow their own solutions to their common economic problems and thereby build long-term community capacity and foster the *integration of economic, social and environmental objectives* (AccountAbility and BSR, 2003: 13)."

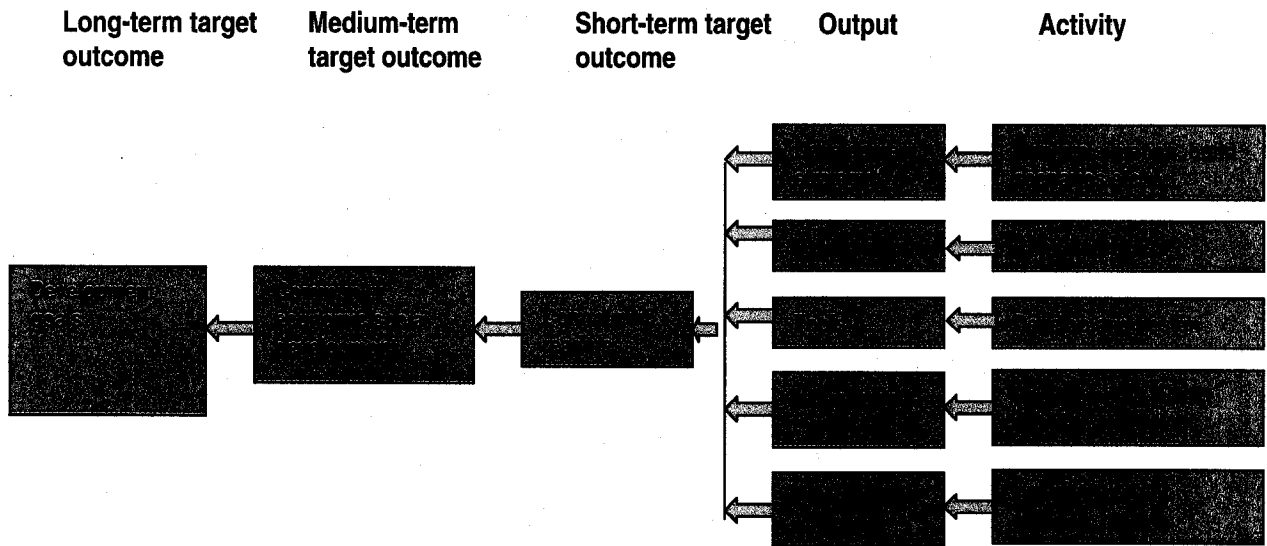
AccountAbility and BSR argue that economic choices result in social and environmental outcomes (AccountAbility and BSR, 2003: 6). Therefore, by looking at business economic choices through a CSR/development lens, they can be structured to make a contribution to development. A company's CSR strategy should guide these choices. Activities that present opportunities for making such choices occur in the following domains: facilities siting and management; employment; product and service development, use and delivery; sourcing and procurement; financial investments and fiscal contributions; and philanthropy and community investment (AccountAbility and BSR, 2003: 7).

Logic models are a standard results-based management tool used to plan and implement strategies towards well-defined goals ([www.tbs-sct.gc.ca/eval/pubs/RMAF-CG](http://www.tbs-sct.gc.ca/eval/pubs/RMAF-CG)), and conceptual logic models can help bring clarity to the complex development process, show the factors that are at play, appreciate the difficulties involved and get a feel for the areas in which CSR can make a difference. Figure 2 shows a conceptual logic model for community development. It depicts the activities -> outputs -> target development outcomes causal chain (The feedback loops linking outcomes back to activities have been omitted for simplicity).

If companies are ready, their CSR efforts can make a positive contribution in all activity areas. Figure 3 depicts a conceptual logical model showing a company's road towards contributing to development through CSR. Before they can even think about working with communities, they have to be internally ready. This includes development of an appropriate culture in the company and having a CSR strategy in place, and adaptation and incorporation of a selected set of codes and standards into the company management systems. For example, if not all staff have internalized a "CSR culture", inappropriate behaviour of a single staff member could endanger an entire exploration project (see Section 1.4.1). For the company's contribution to be realized it has to align with the logic model for the community shown in Figure 2. As time horizons for a company are shorter than they are for a community, the long-term company target outcome is a subset of the community medium-term target outcome. For the company logic model and the community logic

model to align, company CSR actions have to be planned with the community time frame and characteristics in mind.

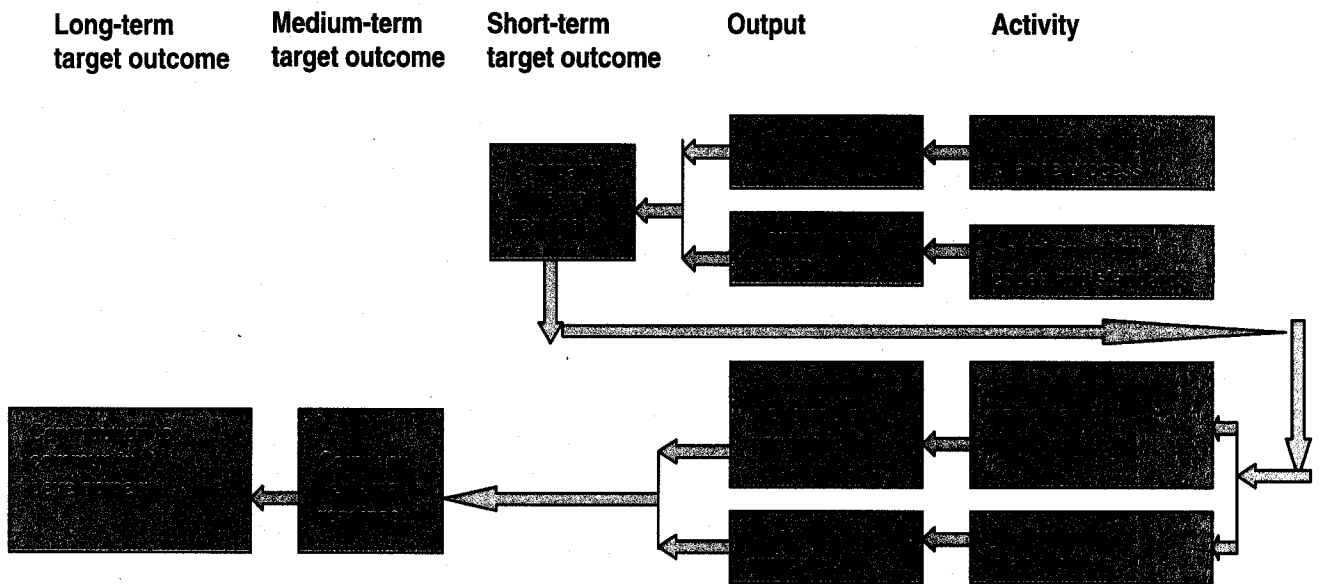
**Figure 2. Conceptual logic model for achievement of Development Goals by communities**



Source: Author.

The logic models do not purport to depict reality and are only intended to provide an overall context. Development is a complex process that occurs in open systems and it is not really amenable to linear “cause and effect” thinking. Often factors beyond the control of the organization running a development project contribute to its success or failure and attribution is difficult. Canada’s International Development Research Centre (IDRC) uses a method it calls Outcome Mapping (Earl et al., 2001). It assumes that the communities control change and that external agents further the development process by providing new resources, ideas, or opportunities for a certain period of time. By focusing on changes in behaviour, Outcome Mapping builds on the observation that the most successful development programs devolve power and responsibility to endogenous actors. Outcome mapping recognizes that development takes place through people relating to each other and to their environment. However, this kind of thinking is not yet part of the more “Newtonian” business culture, and most reporting of CSR results follows patterns similar to those proposed by initiatives such as the Global Reporting Initiative, Extractive Industries Transparency Initiative, ISO 14000 series, AccountAbility and others that are mentioned in Appendix 1.

**Figure 3. Conceptual logic model for achieving company contributions to community development**



Source: Author and AccountAbility and BSR. (2003: 9).

### 1.5.2. CSR Contributions to Development

A number of authors are of the opinion that the current CSR agenda is set by business, and therefore business determines what is ethical behaviour and what is not (Blowfield and Frynas, 2005: 512, 513; Blowfield, 2005: 521, 523; Newell, 2005: 541; Sayer, 2005: 261; Prieto-Carrón et al., 2006: 980, 986). Prieto-Carrón et al. point out that the dominant position business derives from its power and resources may lead to unwitting “institutional capture” of governments and NGOs by business through CSR. Utting (2007: 701) finds CSR to be weak on rights, empowerment, and redistribution, and much stronger on social protection. In terms of alignment with development, Blowfield and Frynas (2005: 512) argue that the CSR standards for workers’ rights and for natural resources management do not adequately address important issues for people in developing countries. Blowfield (2005: 517, 518) points out that issues not addressed by CSR will not be addressed in any other way, because regulators assume that “the waterfront is covered” yet he questions business’ ability to redefine its practices in the interests of the poor and the marginalized. Sayer (2005: 261) believes that the mismatch between business interests and local interests leaves important gaps in CSR development coverage.

These observations support Newell and Frynas' (2007: 670) opinion that the logic of CSR as a business tool conflicts with the logic of CSR as a development tool. They suggest that, for CSR to have a development impact, the priorities of the poor should be put first, which would change the content and process of CSR. Hilson and Haselip (2004: 42) conclude that the commitments made by the multinationals towards enhanced community development, environmental protection and a social licence to operate are unsubstantiated claims. Kolk and van Tulder conclude that published poverty policies of a number of "CSR forerunner" TNCs are deficient as they hardly address a number of context issues with strong development impact (such as reflecting local conditions, training, adapting/developing technologies to the host country, investing in high-productivity technologies and knowledge-based activities, strengthen local capacities) (Kolk and van Tulder, 2006: 797).

Frynas (2005: 588) identified a number of constraints on the achievement of developmental objectives by companies. These include: (i) country- and context-specific issues (e.g. work in war zones); (ii) failure to involve the intended beneficiaries of CSR development initiatives; (iii) lack of human resources; (iv) social attitudes of company staff and focus on technical/managerial solutions; and (v) failure to integrate CSR initiatives into a larger development plan. The RARE study that will be mentioned later (European Union, 2007b) makes the additional observation that it is easier to affect the executives of global majors (they studied Shell) than those of smaller companies, but that the former are hardly able to control their vast companies (European Union, 2007b). The inability of Shell to get its subsidiary involved in the Ogoni conflict to align with the corporate CSR strategy seems to confirm this observation (Wheeler et al., 2001: 193), even though other Shell CSR initiatives in Nigeria seem to have been successful (Frynas, 2005: 587, 593). Jenkins and Yakovleva (2006: 271) found much room for improvement in CSR disclosure practices in the mining industry.

Until now most CSR research and analysis has focused on company aspects of CSR such as the business case and reporting and transparency issues. The number of reports related to community and development outcomes is somewhat limited (EU 2007b, conference brochure; Blowfield and Frynas, 2005: 506; Prieto-Carrón et al., 2006: 981; Blowfield, 2007:519) and despite the intentions and claims on company and NGO web sites; it is difficult to ascertain actual developmental results. Much more is known about the business case, and company attitudes, awareness and practices than about how CSR affects developing countries (Blowfield, 2007: 519). This is probably in part related to methodological difficulties and to the expense of conducting the studies. Companies are much better at reporting and measuring environmental than social results, and reporting of the economic impacts of CSR is in its infancy (Blowfield, 2007:686).

Case studies, while difficult to aggregate, nevertheless provide much useful information. León Castro (2001: 12, 24) provides an outline of an approach to crafting community development policies of mining companies in Latin America that, in addition to very a clear model of interactions between all stakeholders, also contains a detailed listing of parameters to be considered in case studies. His methodology was developed for the International Development Research Centre in Canada that used it to design and co-ordinate a review of community development activities by mining companies and other natural resources companies in Chile, Colombia, and Peru (IDRC, 2003). The conclusions from this study include:

- National and local socio-economic environments influence the community policies of mining companies.
- The Sustainable Development Model is present in the philosophy of the mining industry, but rarely translates into practice. However, there is an increasing movement towards sustainable strategies of co-participation for local development
- The state and local economic agents have serious deficiencies in linking with the mining industry in development programs.
- The differences of culture and interests between the government, the companies, and the communities need to be taken into account.

While most of the companies involved in the case studies had not yet achieved the internal readiness shown in the logic model shown in figure 3, they are engaging the communities out of necessity (Boon, 2008b: 60).

Odell and Silva's (2006) case studies of Canadian mineral exploration or mining companies in conflict situations overseas focus on the human rights aspects of CSR and provide instructive insights into factors that affect conflict and therefore community development. Again, the companies were not internally ready and ill-prepared for the community engagement process. In terms of development goals, their observation that the existence of extreme poverty can act as an aggravator of conflict is relevant. The aggravation is a consequence of people's fear that a mine will negatively impact their already difficult lives. Also, they have nothing to lose and therefore may push for benefits that are not in the company's domain of responsibility. The authors suggest that careful social assessment of sites be carried out in conjunction with the initial geological assessment to recognize situations that are beyond company social and technical capacity (Odell and Silva, 2006: 4).

According to Frynas (2005: 587, 593) multinational oil companies in 2001 spent over US \$ 500 million on community development programs globally. He observes that development issues have been addressed by a number of oil companies to some extent, and specifically mentions Shell (with

30% of its development projects in Nigeria being successful) and Statoil's Akassa project (also in Nigeria) that he considers to be a quality benchmark.

Various authors have drawn attention to the limitations of CSR in development. Blowfield and Frynas (2005: 501, 511) remark that culture affects capitalism, and that the most publicized approaches to CSR may be regarded as specifically Anglo-Saxon in that they separate the social from the economic. Also, by ignoring the structural dimensions of poverty these approaches reinforce the incorrect belief that it can be solved by discrete identifiable actions. Garvey and Newell (2005: 389) argue that mainstream approaches to CSR do not pay sufficient attention to power in the relationship between corporations and the communities in which they work. In their opinion, this limits their applicability to developing-country contexts. Prieto-Carrón et al. (2006: 979) cite a number of concerns with present CSR approaches: (1) the ideological or ideational underpinnings of CSR; (2) which issues are included or excluded from CSR debates; (3) the absence of gender, class and race perspectives from CSR debates and initiatives; (4) actual as opposed to postulated effects of CSR actions; and (5) the inclusion of a range of guiding principles in relation to regulations, profit strategies, governance and political responsibilities.

The Rhetoric and Reality (RARE) project (European Union, 2007a) studied the impact of CSR practices on EU sustainability goals in various sectors. The CSR activities surveyed addressed some but not all EU sustainability goals and the strongest contributions to development policy were found to occur: in activity areas not yet strongly regulated (suggesting that in these areas CSR filled a policy gap); where companies perceive a strong business case; when changes required by CSR relate to production/organization rather than products; when the target impact is within the company's immediate sphere of influence. According to the RARE project, for CSR to contribute to EU sustainability goals, strong binding social and environmental governmental policies remain essential both to promote sustainability and to create a level playing field among companies. The study concludes that only part of the rhetoric surrounding CSR is backed up by reality. While the RARE study focused on the contribution of CSR to sustainable development goals of the EU, its conclusions equally apply to local community development in the developing world.

In summary, many more studies have been done of the effect of CSR on issues related to corporations than of the effect of CSR on development. The available development-related studies suggest that many corporations are still at an early stage of the "development road". Factors slowing down progress include the incompatibility of the business and the development cases for CSR, poor co-ordination of company efforts with country development strategies, incompatibility of present corporate and development "cultures", and the inability of the executives of major TNCs to control their vast companies (European Union, 2007b). While much work remains to be done, many positive

changes in awareness, behaviour, knowledge and practices have occurred over the past decade (Blowfield, 2007: 691). An illustration of this type of progress can be seen in the Prospectors and Developers Association of Canada. In 1997 it issued a communiqué to its members entitled “Mineral Exploration and the Challenge of Community Relations” (Thompson and Joyce, 1997), its very first communication on this type of issue and an indication that the PDAC executive felt that its membership needed a wake-up call to a new reality. In the 11 years that have passed since, the CSR sessions at the PDAC annual convention have grown from a few to dozens of presentations. The Association considers CSR to be a survival issue, and is developing industry-specific CSR guidelines in cooperation with stakeholders. Because much mineral exploration occurs in remote and underdeveloped regions, progress on the CSR front is likely to have an impact on development as it will make companies more tuned in to communities’ development expectations. In fact, within Canada, the PDAC CSR agenda has resulted in a Memorandum of Understanding between the PDAC and the Assembly of First Nations under which the two organizations to work together to further their mutual goals, and in PDAC championing the concept of government resource revenue sharing with First Nations. This effort has borne fruit recently, with the Province of British Columbia agreeing to develop a corresponding policy.

### **1.6. The Role of Government in CSR**

As is clear from the previous sections, government is an important player in CSR. The roles a particular government (at any level) can, should or would like to play are specific to the local situation. The role of government in CSR has received much less attention in the literature than that of business. In one of the few studies to address the subject, Fox et al. (2002: iii) classifies public sector roles in CSR along two axes: a public sector *role* axis that includes mandating; facilitating; partnering; and endorsing; and a public sector *activities* axis that includes setting and ensuring compliance; public policy role of business; corporate governance; responsible investment; philanthropy and community investment; stakeholder engagement; pro-CSR production and consumption; pro-CSR certification, standards and management systems; pro-CSR reporting and transparency; and multilateral processes, guidelines and conventions. They provide examples for the cells of the corresponding matrix where available. They note that the contemporary CSR agenda is relatively immature and that many of their examples have not been undertaken specifically with CSR in mind. They further observe that the current public sector agencies in developing countries face considerable capacity constraints, but that there are significant opportunities. They suggest the following key themes for future work in strengthening these agencies: CSR awareness building; enabling public bodies to set the terms of the CSR debate; building a stable and transparent CSR

environment; engage the private sector in public policy processes; and develop frameworks within which to determine CSR priorities (2002: iv)

Based on my general literature survey, I arrived at a slightly different categorization<sup>ii</sup>: governments can either “accompany” the CSR process, or they can be directly involved in it. Activities included in the former are facilitation, capacity building, coordination, and conflict agenda. Direct involvement takes place through activities such as presenting a vision and goals for the role of business, and establishing framework conditions and market rules. Figures 4 to 10 provide a graphical description of this categorization scheme.

Figure 4 expresses the main categories outlined above. References are provided only for papers that specifically address public sector roles. Other roles were more implicitly suggested by the text of the papers consulted.

**Figure 4. High-level categories for government roles.**

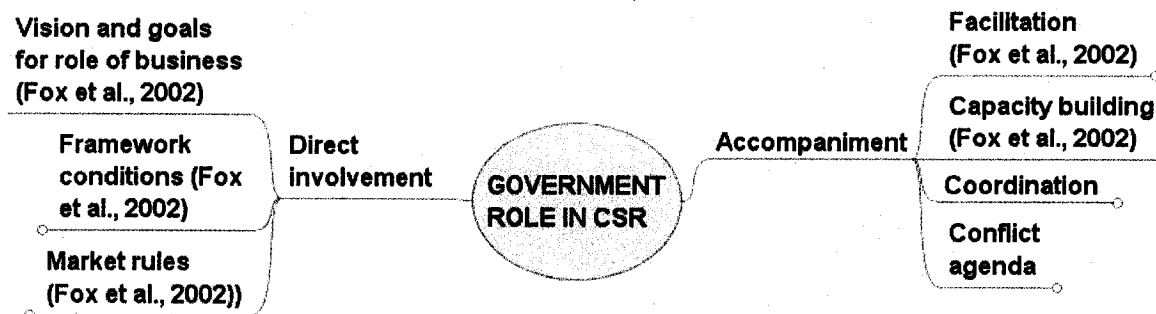
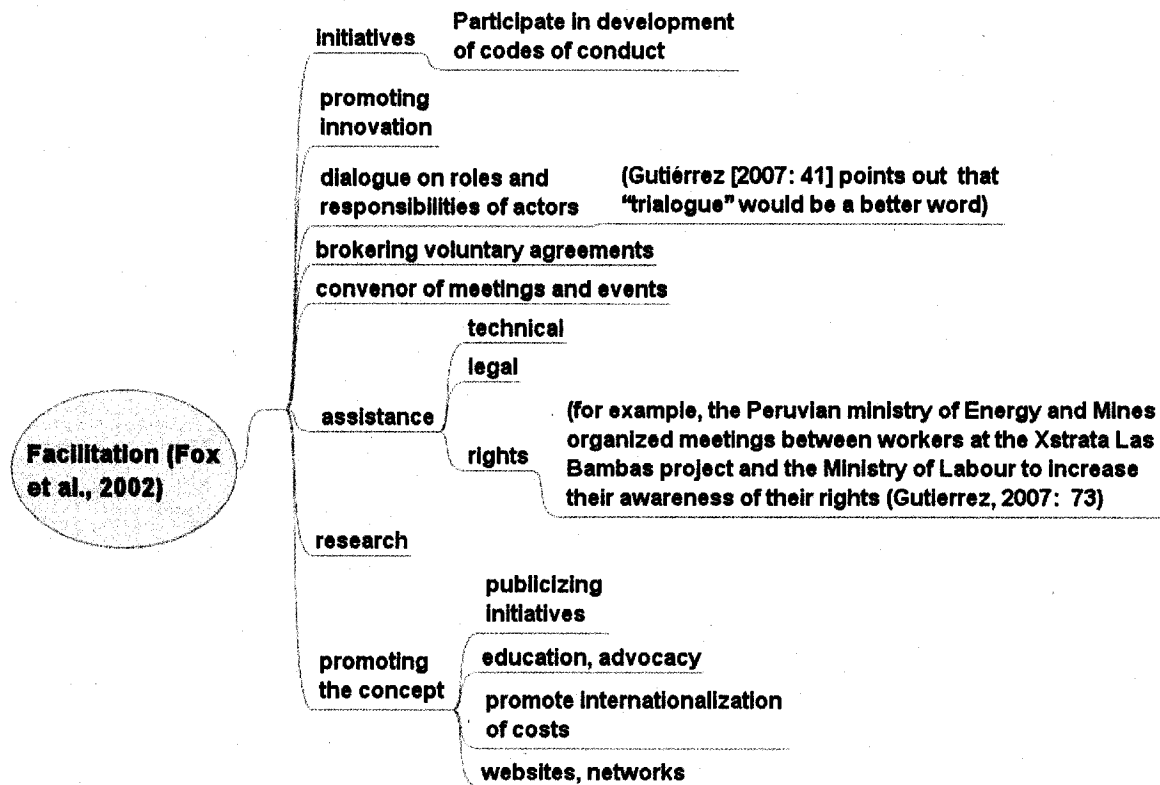


Figure 5 provides is a schematic representation of the various facilitation roles of government authorities. They can engage in activities ranging from participation in the development of codes, promoting innovation, providing various types of assistance and conducting research to involvement in processes such as dialogues, meetings and events, and promotion of the CSR concept.

Figure 6 shows the various ways in which governments can contribute to capacity building, coordination and conflict resolution. For capacity building this includes developing expertise in developing compliance approaches, knowledge and application of best practices, and resourcing, developing and institutionalizing capacity. The government coordination role can be applied to industry and civil society actions in the field of CSR (such as the organization of a series of roundtables on CSR in the mining industry organized by the Government of Canada that led industry and civil society members to develop policy recommendations (Advisory Group for the NRCSRCEI, 2007), to the promotion of partnerships (such as the Frente Regional en Defensa del Agua [Regional Front for the Defence of Water] in Piura, Peru, that includes representation from

local government, the Catholic Church, the peasantry, and technical and business sectors: Todo Sobre Majaz, 2008e) and to the coordination of CSR activities across government departments (for example DFAIT ensures coordination of the CSR activities between Canadian federal government departments). With respect to conflict resolution, governments can develop conflict management strategies and associated mechanisms and actions. For example, the Peruvian

**Figure 5 Aspects of the facilitation role of governments**



Defensoría del Pueblo (Ombudsman’s office) keeps track of all social conflicts in the country and has proposed that the government develop a transformative conflict management capability (Defensoría del Pueblo, 2007: 7)

. Figures 7, 8, 9 and 10 provide a schematic description of ways in which governments can become directly involved in the substance of CSR. Figure 7 depicts various aspects of government initiatives related to setting a vision and goals for the expected role of business. This includes holding business accountable to civil society, avoiding approaches that (even if inadvertently) give companies political power and defining their social role appropriately, leading by example (e.g. by transparency and consistency in government’s own operations), and by negotiating and enforcing a set of global principles and roles.

**Figure 6. Aspects of government roles in capacity building, coordination, and conflict resolution**

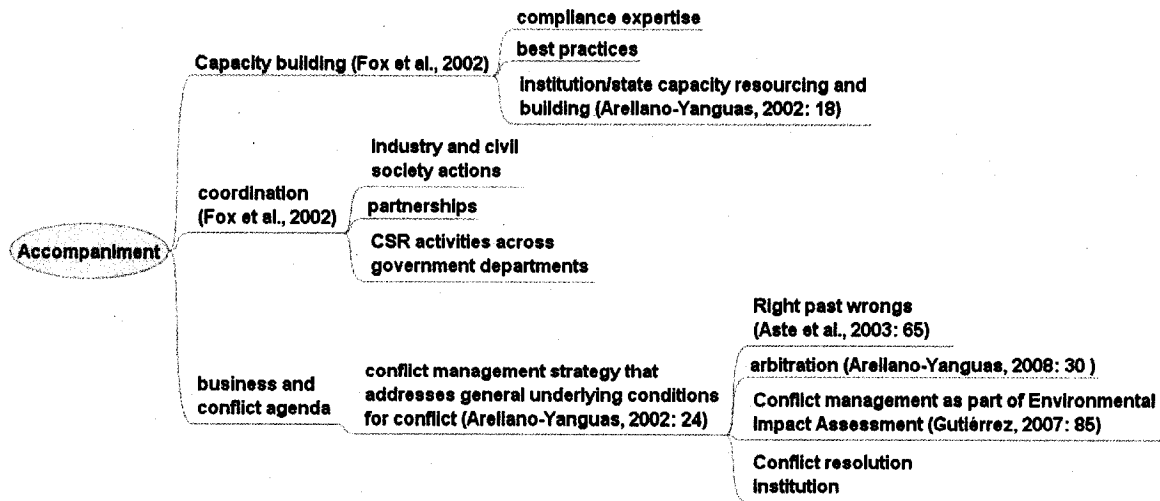


Figure 8 summarizes the roles of governments in establishing framework conditions, especially in establishing a CSR policy and regulations that provide a level playing field for the actors. This includes establishing the boundaries of CSR (i.e. where CSR stops and other actors' responsibilities start), providing a range of incentives (for example accelerated approvals for projects with a CSR strategy), develop instruments (such as Decreto 42, see page 83, section 5.1.2 of this thesis), explore new roles (e.g. make the existence of CSR agreements with communities compulsory), establish a robust regulatory and enforcement context within which there is room for voluntary CSR (e.g. relating to water use and security), and judicious application of fiscal policy (e.g. linking taxation levels to the presence or absence of acceptable CSR strategies).

Figure 9 summarizes aspects of framework conditions related to development and the civil service. Transformation of natural wealth into development can be supported by approaches such as setting frameworks for regional development plans to ensure synergy of CRS and development activities across regions, establishing political mechanisms for equitable mining revenue allocation and productive spending (for example, while Peru's *Canón Minero* directs a portion of tax revenues from mining operations back to the regions, political imperfections in the allocation mechanism resulted in violent demonstrations pitting Moquegua and Tacna provinces against each other). The establishment of a stable civil service with continuing staff is essential to be able to manage the CSR interactions between all actors through the entire duration of the mining cycle and to avoid the damaging disruptions caused by the changes that often occur after elections.

**Figure 7. Vision and goals for the role of business**

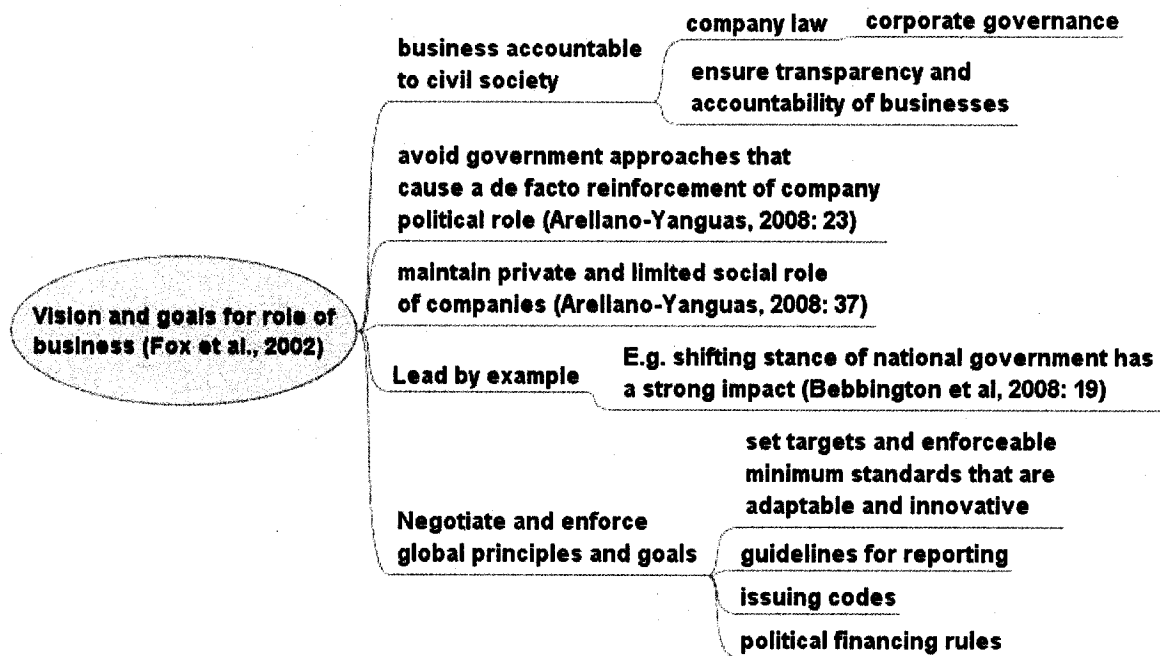


Figure 10 summarizes ways in which governments can influence CSR by setting market rules. These include guidelines for Foreign Direct Investment (these could be variants on the CSR-type conditions associated with World Bank and IMF loans), securities exchange regulations that require improved disclosure of company activities and plans, fiscal policy (for example requiring pension funds to invest ethically), labelling (such as provenance certification of diamonds under the Kimberley protocol, <http://www.globalpolicy.org/security/issues/diamond/kimberindex.htm>, 2003), employment practices (through labour regulations), and environmental management (where governments can specify target outcomes without getting into detailed operational rules). Governments can also use their buying, lending and “guarantee” power to influence CSR. Procurement rules, export credits and credit guarantees can be made conditional on a certain level of CSR performance being met. In fact, one of the recommendations of the Advisory Group of NRCSRCEI (2007) is that Export Development Canada implements such a mechanism.

The diagrams show that governments can choose from a wide range of options. Their choices are political and will be affected by ideology, local power structures, external influences, available resources and other factors. In view of the wide range of options and influencing factors, setting priorities is likely to be a complex undertaking.

**Figure 8. Establishing framework conditions, specifically policy and regulations**

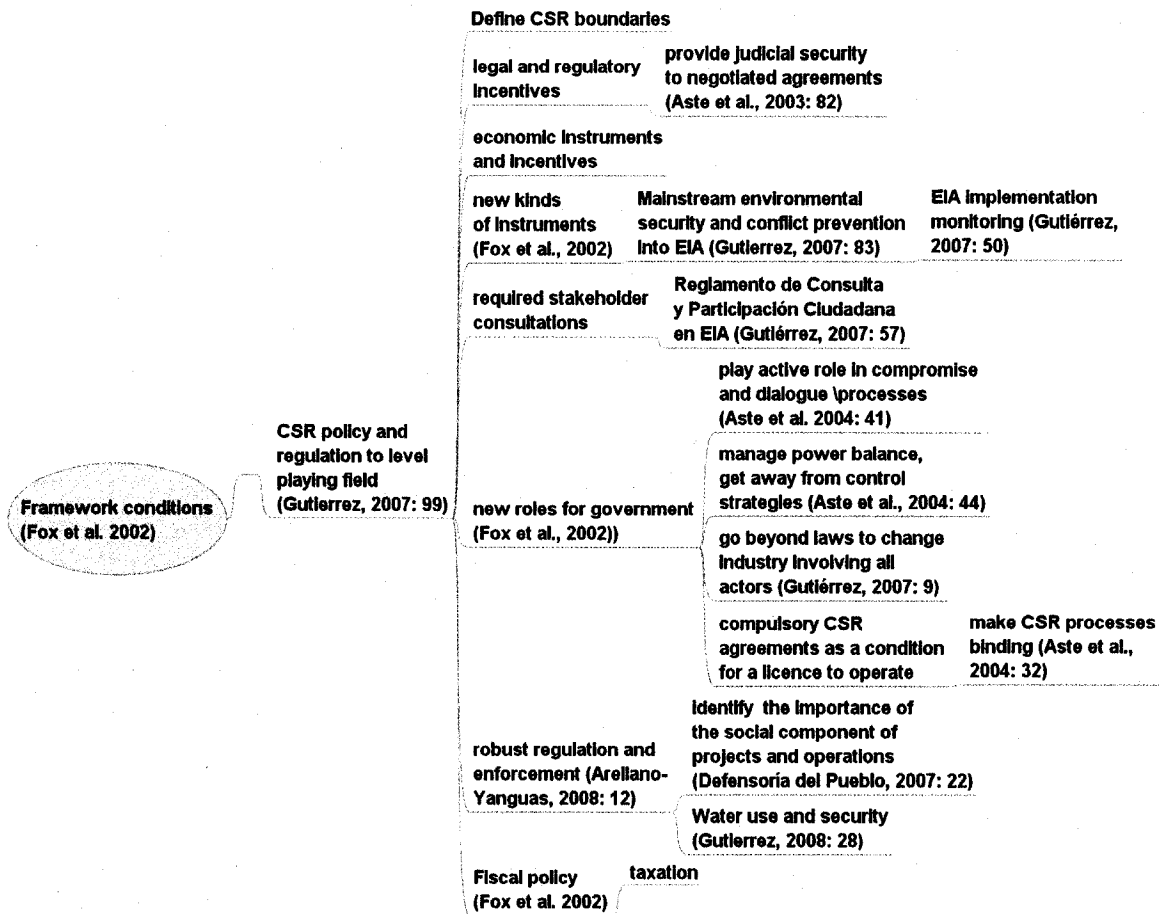


Figure 9. Establishing framework conditions, especially related to development and the civil service

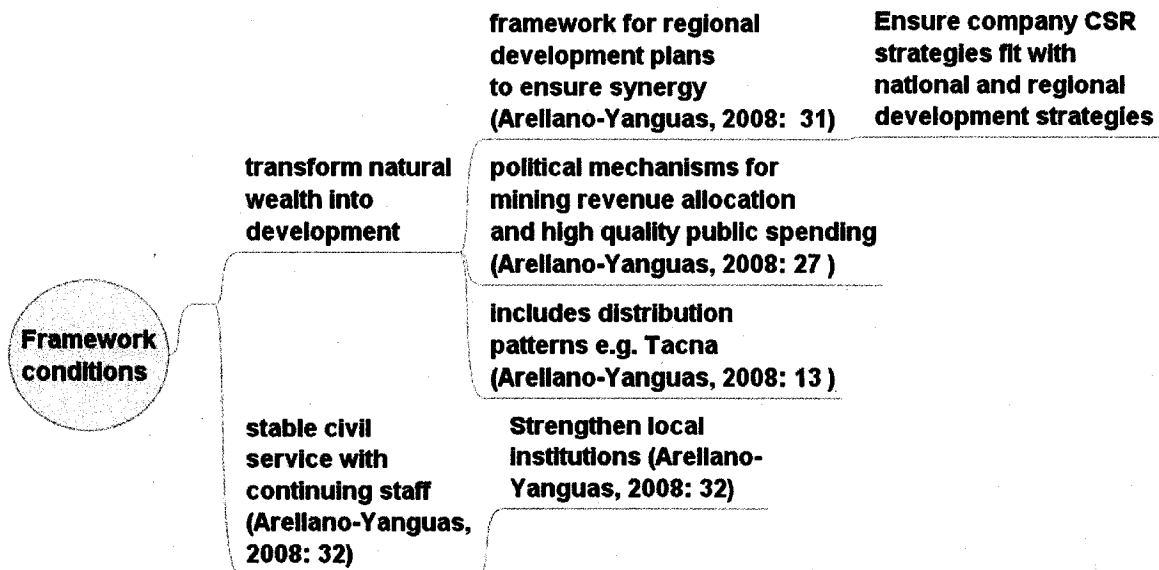
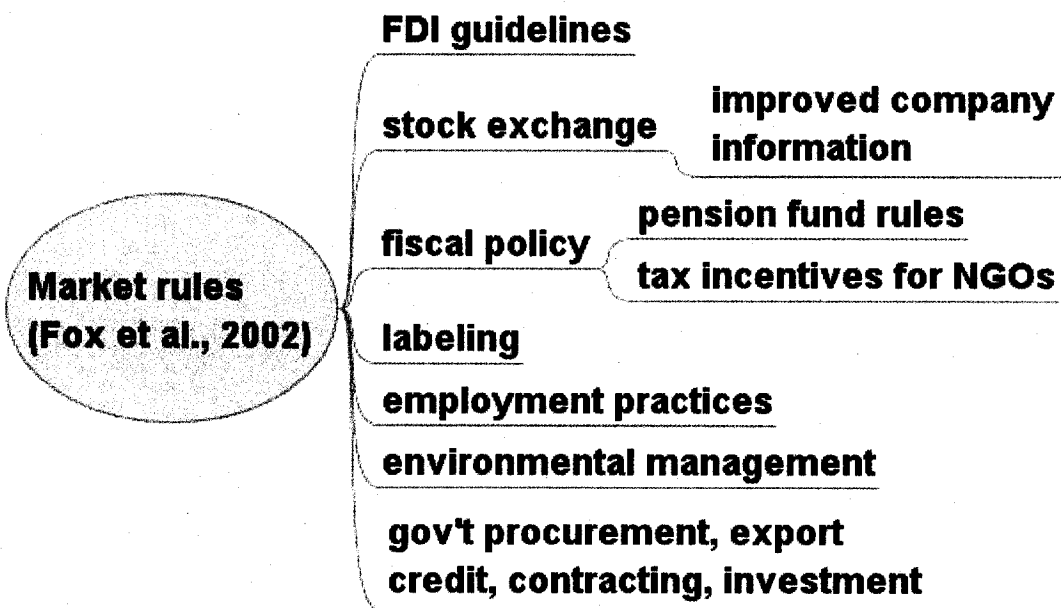


Figure 10. Roles of government in setting market rules



## 2. Methodology

### 2.1. Introduction

I conducted a review of both peer-reviewed and grey literature on CSR in general and on the interaction between Peru's societal context and mining in particular. The grey literature included government, NGO and industry websites; reports and publications issued by government agencies (e.g. IDRC, DFAIT, Industry Canada, Ministerio de Energía y Minas, Defensoría del Pueblo) and national and international organizations (e.g. the World Bank, OECD, International Council on Metals and Minerals, Prospectors and Developers Association of Canada, ISO, AccountAbility). I also received information and advice from the embassy of Peru in Canada, from my academic advisor at the Pontificia Universidad Católica del Perú, and from other contacts in Peru.

In addition, I analyzed four published case studies of mineral exploration and mining projects in Peru.

As I will explain in Section 3.1, events during the early stages of the mining cycle can have a profound effect on later stages and a CSR strategy should address the entire cycle. Therefore, a longitudinal field study covering the entire mining cycle from geoscience knowledge collection to closure and abandonment would be desirable. However, because of time restrictions I limited my field study to the exploration and mining stages (which are most prone to encounter CSR issues) and I had no choice but to study an exploration project and an operating mine during the single field work period. I selected two of the literature cases for my field study: the Río Blanco exploration project in the Piura Region and the Antamina mine in the Ancash Region. Together, these constituted "the field case study". While it is difficult to generalize from case studies, this approach is appropriate for a "field in flux" and it gives insight into the factors at work.

To better understand the role of host and home governments in making CSR initiatives more effective, I conducted an exploratory study of the perspectives of communities, companies, NGOs, and government agencies on the actual and potential contributions of the government of Peru and of the Government of Canada, a TNC "home" government. My study focused on mineral exploration and mining in Peru, for the following reasons:

First, mining is very important to Peru, as I will explain in a later chapter. Second, 77% of all socio-economic conflicts in Peru between May 2004 and February 2007 were related to mining (Aquino, 2007; Defensoría del Pueblo, 2007: 77). This may not be surprising in view of the considerable impact of mining on Peru over the centuries (Mallon, 1983; Bernstein, 2000: 256-257) and of the fact that significant environmental legislation was only enacted in the early 1990s. Third, Peru is considered to be at the forefront of developing legislative approaches related to CSR issues

(Chaparro, 2007) and it is home to a number of very capable NGOs and academics that have deep insight into social phenomena related to mining, as is evident from the catalogue of outlets such as PerúBookstore ([www.PerúBookstore.com](http://www.PerúBookstore.com)). Fourth, Canadian companies held 215 properties in Peru in 2006 (Canadian Intergovernmental Working Group on the Mineral Industry [IGWG], 2006: 168). Finally, my past career as a director of a provincial and director general of a federal geological survey organization in Canada has given me a good understanding of the mineral exploration and mining industry.

## **2.2. Field Study**

### **2.2.1. Introduction**

I conducted a series of interviews with members of the principal groups of actors to obtain their perspectives. The study was conducted in Lima (the capital), and in two Regions: Piura and Ancash. See the maps in Appendix 2 for geographical locations in Peru. The Lima part of the study aimed to provide a national context, and participants were drawn from government agencies, NGOs (some of which were closely linked to the Catholic Church), private consulting firms specializing in CSR, national government agencies, and the mining industry. I asked Lima participants for their perspectives on mining in Peru, CSR, and the actual and potential roles of governments with respect to CSR. The cases in Piura and Ancash were selected for study to allow a comparison of the effect of community characteristics and stage of the mining cycle on the stakeholders' perspectives. The mining cycle is described in Section 3.1 of this thesis. The Río Blanco exploration project in the Piura Region is at an early stage of the mining cycle, whereas the Antamina mine in the Ancash Region is at an advanced stage of the cycle. Also, the characteristics of the communities affected by these activities are quite different. Participants in both areas were asked for their perspectives on their community, on its interaction with the exploration project/mine and on the actual and desired roles of the Municipal, District, Provincial, Regional, National and foreign authorities.

While the Río Blanco exploration project is located in the Province of Ayabaca, the impact of a future mine would be felt most in the Province of Huancabamba. The project is owned and operated by Río Blanco Copper S.A. Participants in Huancabamba province included campesinos, NGO representatives, the national police, merchants, and service providers. In the City of Piura (capital of the Region), representatives of the national and regional governments and various professionals provided additional perspectives.

The Ancash part of the study focused on the area surrounding the Antamina mine, owned and operated by Compañía Minera Antamina (CMA), and located in the Province of Huari, in the District of San Marcos. Interviews and conversations were held with campesinos (including local Mayors and

Mayor's Agent in their municipality or sector), NGO representatives, mine personnel, professionals, merchants, service providers, and a tradesman. The word "campesino" was introduced by the Velasco military dictatorship in the 1970s to replace "indio" that had taken on a pejorative meaning and I decided to use it rather than the possible translation "peasant" that does not quite have the same meaning.

Finally, to gain a perspective of "home" government perspectives, a series of interviews with Canadian federal government officials in the Ottawa offices of Natural Resources Canada and the Department of Foreign Affairs and International Trade completed the field study.

In summary, the independent variables in my study were:

- location: capital/region/community
- mining cycle stage: exploration (Piura) and mining (Ancash)  
(which implicitly introduced "company" as an additional independent variable)
- Participant category

The dependent variables were:

- Lima/Ottawa: participant perceptions of
  - Mining
  - CSR
  - Host government role
  - Home government role
- Piura Region (Huancabamba and Sapalache area/Piura city) and Ancash Region (San Marcos area): participant perceptions of
  - Community dynamics
  - Relationship between community and company
  - Actual and desired role of authorities

### **2.2.2. Interviews**

Participants' perspectives were gained through structured, semi-structured, or unstructured interviews. In the structured interviews, I guided participants through the interview guide, whereas in the semi-structured interviews I asked them to give broad comments on the main categories of questions in the guide: those concerning the community, the exploration project/mine, and the authorities. The unstructured interviews really were informal conversations. I took written notes during the interviews and during some conversations, while I recorded the content of other conversations after they had taken place. Subjects were selected either in advance through formal personal requests and approaches to their institutions (most interviews in Lima were set up this way),

or through convenience sampling on location. Interviews in Peru were conducted in Spanish, with the exception of that with Canadian embassy personnel. Interviews in Canada were conducted in English, the language of choice of participants. The study was conducted using protocols and instruments that had been previously approved by the Research Ethics Board of the University of Ottawa.

In Piura, interviews and conversations took place in the city of Piura (capital of the region of the same name), the city of Huancabamba (capital of the province of the same name), and the town of Sapalache (capital of the District of Carmen de la Frontera) and surrounding settlements. In Ancash, interviews and conversations took place in the city of San Marcos, capital of the District of the same name (in the Province of Huari), and in the surrounding settlements of Huaripampa, Carhuayoc, Santa Cruz del Pichiu, and Huancayocu. The former two are about half an hour's drive away, and the latter two are about three hours' drive away from San Marcos by car. Santa Cruz del Pichiu and Huancayocu are close to the Antamina mine. The interview guides used can be found in Appendix 3. All interviews and conversations in Canada took place in Ottawa. Field work in Lima was conducted from August 2 to 8, 2008; in Piura from August 9 to 19, 2008; in Ancash from August 20 to 29, 2008, and in Ottawa intermittently during September and October, 2008.

Table 1 shows the numbers and categories of participants in the interviews and conversations. In a number of cases more than one person participated in a single interview or conversation. As gender was found not to be a significant independent variable, gender information is not included in the table. Unfortunately, because of time and availability constraints it was not possible to arrange for interviews with representatives of Río Blanco Copper S.A. The major shareholders of Compañía Minera Antamina (CMA) hail from Australia, Switzerland, Canada and Japan, and CMA therefore reasoned that the concept of "home government" does not really apply to its case and declined an interview. However, I conversed at length with company officials about CSR matters and CMA graciously provided a geological visit to the mine.

### **2.2.3. Analysis and interpretation**

The data were coded by interview or conversation number, location, sub-location, category (NGO, industry, professional, etc.), and gender and entered into a Microsoft Excel spreadsheet and analyzed by respondent category, location and sub-location.

I used Weft QDA software (2008) to analyze the responses by subject matter. The text of all interview responses or conversations was marked using the codes, sub-codes, and sub-sub codes shown in Table 2 below, and organized into sub-files by code. The results were combined with those obtained above into the final analysis and interpretation that is presented in Chapters 5, 6 and 7.

#### **2.2.4. Limitations inherent in the methodology**

The case study approach used for part of this study has certain advantages and disadvantages. MacNealy (1997: 184-185) notes as advantages the ability to provide a holistic view of a situation, rich detail that can lead to a more complete understanding, affective information that cannot otherwise be collected and a more precise definition of a research question. Disadvantages include that the results are usually not generalizable, they are open to researcher bias and threats to validity and reliability are almost impossible to overcome. However, case studies should be appreciated in terms of what they *do* provide: humanistic, holistic understanding of a complex situation. Indeed, case studies are a valuable research tool, especially for areas that have not received much research attention. Case studies can make an important contribution to the overall field. First, they remind practitioners that, while an overall mental and theoretical framework is necessary, the crucial importance of local specifics should never be forgotten. Second, they constrain theory, in the same way as in earth resource exploration, geophysical well log data constrain seismic and aerial geophysical survey interpretations and observation of rock cores and geological structures in the field constrain the interpretation of geophysical well log data.

The above comments apply to this exploratory study. The number of respondents was low and the sampling "method" was open to bias. For example none of the respondents in the Huancabamba area was in favour of a mine, while all report sharp divisions within the community and loss of social peace caused by opposing points of view on the desirability of having a mine in the zone. For there to be conflict, at least part of the population has to be in favour of a mine, but the sampling method used did not turn up respondents holding this opinion in the time available. Also, only certain aspects of respondents' statements could be independently verified. For example, opinions on the history of the exploration project or the mine could be matched with published information, as could certain but not all demographic information. Population numbers in areas where only a part of the population is officially registered could not be verified in any way. In addition, respondents' comments are influenced by their particular agendas, and my rendering of their accounts is possibly subconsciously coloured by my biases. Therefore, caution should be taken when generalizing any of the observations.

Nevertheless, the results can serve as indicators for areas that warrant a more thorough investigation. My field observations also confirmed and provided an excellent reality context to debates in the CSR literature, and they turned up ideas and approaches that I had not seen reported in the literature.

**Table 1. Participants in the field study**

<b>Participant type</b>	<b>Number</b>
<b>Lima</b>	
National government	5
Mining industry	4
Private CSR consultant	2
Foreign government	1
NGO	3
<b><i>Lima sub-total</i></b>	<b>15</b>
<b>Piura</b>	
Campesino	6
NGO	1
Police	1
Business/Merchant	3
Professional	2
Services	1
National government	2
Regional government	1
Other	1
<b><i>Piura sub-total</i></b>	<b>18</b>
<b>Ancash</b>	
Campesino (includes some local authorities)	16
NGO	2
Professional	3
Business/Merchant	1
Tradesman	1
Services	2
Mining industry	2
<b><i>Ancash sub-total</i></b>	<b>27</b>
<b>Canada</b>	
Federal government	10
<b><i>Canada sub-total</i></b>	<b>10</b>
<b>GRAND TOTAL</b>	<b>70</b>

**Table 2. Codes, sub-codes (first indent) and sub-sub codes (second indent) used in Weft QDA to classify the responses for analysis and interpretation.**

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**Community characteristics**

**Exploration project/mine**

- History
- Impacts
- Community/ organization successes
- Challenges
- Hopes and expectations

**Authorities**

- Communication with community
- Communication with company
- Actual contributions
- Suggested additional contributions

**National context**

- Mining in Peru
- CSR in Peru
  - Definition and philosophy*
  - Actors and attitudes*
  - Contributions and their importance*
  - Strengths and weaknesses*
  - CSR versus government responsibilities*
  - Challenges*
  - Opportunities*
  - Practices*
- Attitudes towards CRS
  - Thinking patterns*
  - Institutional aspects*
  - Actor-related aspects*
  - Societal values*
- Interaction between the authorities and other actors
- Present and future roles of authorities
  - Miscellaneous comments

### **3. CSR in the Mineral Exploration and Mining Industry**

#### **3.1. Characteristics of the Industry**

Mining is necessary to obtain the many materials that play an essential role in present-day society, and there is much truth to the saying “if you can’t grow it, you’ve got to mine it”. Mining is also a very controversial activity. It poses significant environmental risks that have not always been properly mitigated (Moody, 2007: 1) and it has the potential to cause negative social impacts related to displacement of populations, rapid influx of workers from other regions, internal division within communities, and others. Not all projects have handled such impacts well, and in some cases situations have deteriorated to the point where serious human rights abuses have occurred (Moody, 2007: 164).

While mining creates wealth, a number of developing nations with a high degree of dependence on mining have shown slower growth than countries whose economies depend less on mining, a phenomenon sometimes called the “resource curse” (Moody, 2007: 43). Graulau (2008) has conducted a historical study of the question “Is mining good for development?” and concludes that development theories have swung like a pendulum with respect to the answer to this question and she argues that, in view of the increasing conflicts between peasants and small-scale miners and mining companies, the environmental, geological, and economic aspects of mining need further theoretical inquiry and policy examination (Graulau, 2008: 129, 154). While the debate on whether or not mining usually promotes economic development has not been settled, there is general agreement that mineral resources present an opportunity that can be used or misused. The appropriate policy questions to be asked are where mining should be encouraged and how can it be made to contribute most to development and poverty alleviation. Davis and Tilton (2005: 237-240) suggest as causes for the “resource curse” a relative decrease of the prices of primary products relative to manufactured goods; boom-bust cycles in primary commodity markets that make economic planning very difficult; shifting of resources out of other areas such as agriculture during boom times; few benefits to the producing countries other than taxes and royalties; and misuse of created wealth (e.g. corruption, conspicuous consumption, war, civil strife, rent seeking).

In this context, understanding the impact of globalization on both mining and on developing nations is important from a policy perspective. There is also a Canadian angle to the issue: Canadian companies conduct 40 percent of all mineral exploration in the world and 8,000 Canadian exploration and mining companies are active in over 100 countries, which could cause a very large problematic footprint (Embassy, 2007).

As mining is necessary to obtain materials that are considered essential to the functioning of society, it is not surprising that it has had a long history. In the footnotes of their translation of “De

Re Metallica” (Agricola, 1556: 83), Herbert and Lou Hoover cite Greek records from the period 400-300 B.C. that describe a mining lawsuit, indicating the existence of mining regulations (Agricola, 1556: 83). Throughout history, there have been four types of claimants to the property of minerals: the Overlord (bishop, king, queen or whatnot); the Community or the State (as distinct from the Ruler); the Landowner; and the Mine Operator (including the Discoverer). The sentiment of the times determined who had the upper hand (Agricola, 1556: 82). Agricola’s book is a “mining treatise” that informs the reader about geology, mineralogy, exploration, mining technology, regulations, law, shares in mining ventures, responsibilities of the mine operator towards the workmen, and other matters. Many of the arguments used today by proponents and opponents of mining are very similar to those used in Agricola’s time (Agricola, 1556: 7-15).

The structure of the mineral exploration and production industry is most easily described through the mining cycle that is schematically represented in Figure 11.

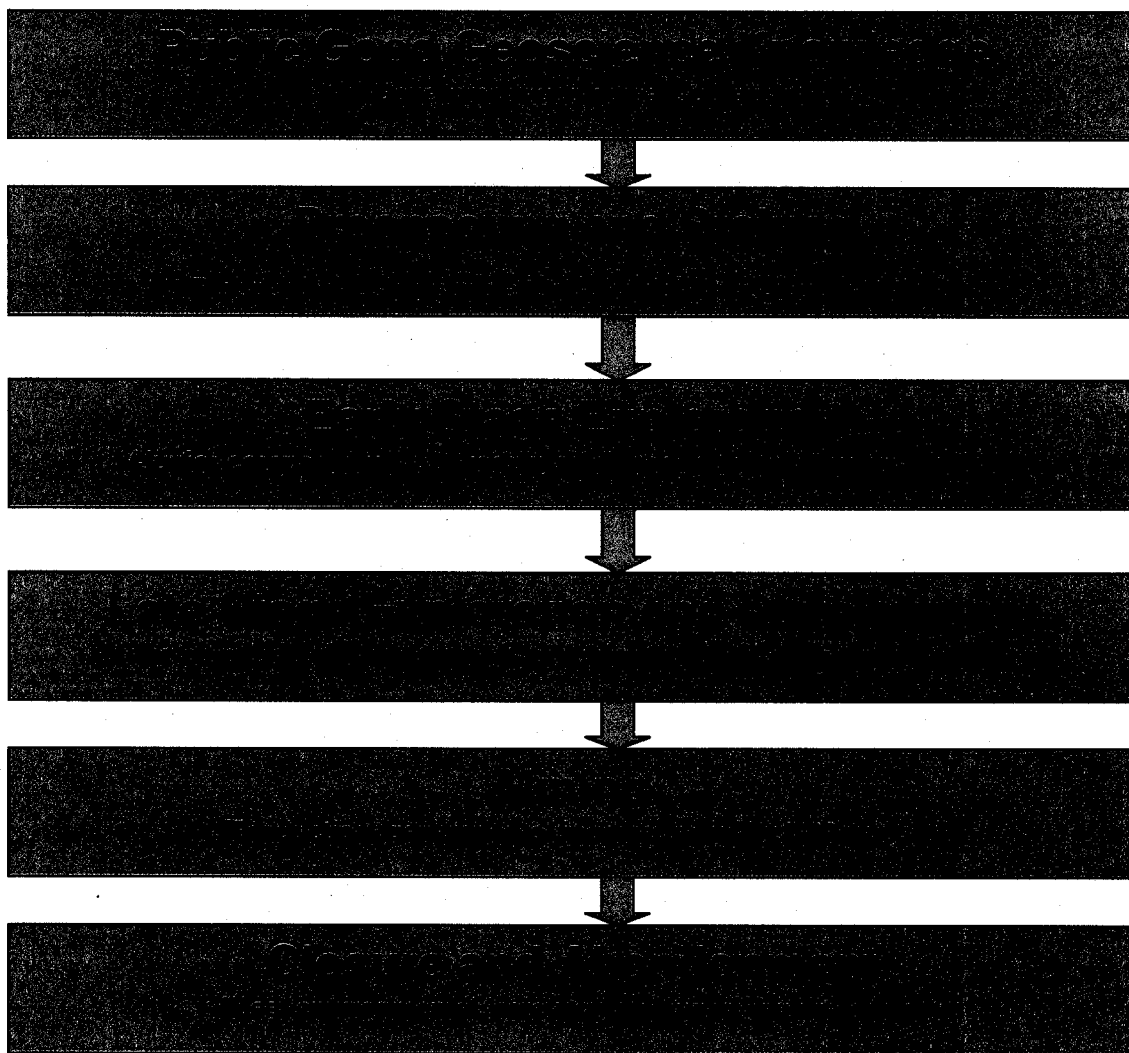
“Public good” geoscience information provides, in addition to clues on the mineral potential of an area, important environmental and natural hazard information that helps address environmental, safety and security aspects of CSR.

In the prospecting stage, government geological survey organizations often help communities by teaching them how to prospect for minerals and metals and stake claims, and by raising their awareness of the mining cycle (Natural Resources Canada/Ontario Ministry of Northern Development and Mines, 2006). Some provide training in artisanal mining techniques (INGEOMIN, 2007). It is important to manage expectations at this stage as, on average, only one out 100 prospects becomes an early stage exploration project.

Early stage exploration is usually carried out by small companies that often lack the capacity and resources needed for community engagement and therefore may, albeit not intentionally, cause friction and suspicion. On the other hand, their small size means that, once they make a decision to implement CSR practices, they can do it quickly with a minimum of internal resistance. However, the cost remains onerous (Odell and Silva, 2006: 10). Communities that do not know the mining cycle may have unrealistic expectations, both about the prospects of a prosperous future and about the “depth of the junior company pockets”. Also, activities during the exploration stage can fluctuate strongly, which often confuses communities that sometimes are not sure whether or not a project is still ongoing or whether equipment has been left behind forever.

On average, only one out of 100 early exploration project ends up becoming a mine. It is only at the late stage exploration and development stage that bigger companies with more resources become involved, but even at this stage the probability of a project becoming a mine is less than 50%.

**Figure 11. The Mining Cycle**



The duration of each of the above stages depends on many factors, and the total time elapsed between geoscience studies and completion of infrastructure development can be anywhere from five to 20 years. Total investment up to the start of the mining stage can exceed one billion dollars. CSR issues arising during these stages may be related to access to land, environmental protection, and local and national power relations.

CSR issues during the mining stage can be related to employment, human rights, safety and security, environment, social impact, and distribution of wealth. The finite lifetime of a mining project affects the fate of the local community and transition into “post-mine” life can present a significant challenge during the closure stage, as can environmental protection into the future.

While the mining cycle consists of the six stages shown in Figure 11, communities look at the entire cycle as a single undertaking and do not distinguish between the different actors involved in

the various stages. Therefore, events during the early stages can have a profound effect on later stages and a CSR strategy should address the entire cycle. The early and advanced exploration stages and the mining stage are most prone to encounter serious CSR issues.

Because of their impact on and use of the land, their often remote locations, their exploitation of a resource that belongs to the host nation, and local political power relationships surrounding the benefits to be gained from extraction of the resource, extractive industries cannot but have a strong impact on development issues. It is therefore not surprising that CSR is considered to be a survival issue for this sector. A mineral exploration and development company's "CSR checklist" includes the items shown below:

- Pre-engagement
- Community and stakeholder engagement
- Community benefits
- Security and human rights
- Environment, health and safety
- Bribery and corruption
- Relationship with governments
- Corporate governance
- Transparency/third party verification (Prospectors and Developers Association of Canada, 2007b)

### **3.2. Effects of Globalization on Mining**

It is important to understand the strong impact globalization has had on mining, as it sets a context for CSR issues. Scholte (2005: 49, 73) defines globalization in spatial terms, as the spread of trans-planetary and supra-territorial connections between people. He recognizes many manifestations of globality, and the influence of a number of these on mining is summarized below. Many of their effects are interdependent.

The vast improvement in communications technologies over the past few decades has had a major impact on almost all aspects of mining operations. This includes the broad and immediate availability of geological maps and interpretations, finding and engaging expert contractors, locating and renting specialized equipment, maintaining constant communication between head office and field projects, arranging for financing, reacting to commodity price fluctuations, and others. At the same time, this technology has been expertly used by NGOs as a magnifying glass through which to focus the spotlight of public opinion on questionable practices.

In global financing, the connectedness created by globalization allows investors to be almost immediately aware of opportunities, risks, and relative merits of potential mining projects worldwide. It has also facilitated the concentration of mining investment in the Toronto and London stock exchanges. The investment houses located in these cities employ a large number of financial analysts who specialize in mining, and whose opinions influence mining projects. It has been reported that Meridian Gold's decision to speed up work on its Esquel project in Argentina was triggered by a financial analyst's public statements about the company's financial attractiveness. This led it to cut corners that ultimately contributed to rejection of the project in a local referendum (Prospectors and Developers Association of Canada, 2007b: participant comment). Most international prospecting and exploration conferences now include an "investors' exchange" where hundreds of junior companies market their mineral prospects to potential investors. Over the past few years, the mining industry has seen a number of mergers and acquisitions that have concentrated financial power, the most recent being the takeover of Canadian mining icons Inco and Falconbridge by Brazilian Companhia Vale do Rio Doce (now "re-branded" as VALE) and Swiss Xstrata, respectively. The world's ten largest mining companies have a combined market capitalization of US\$ 469 billion (Moody, 2007: 12).

With respect to organizations as a manifestation of globality, two types of global organizations strongly influence the mining industry:

First, governance organizations such as the International Labour Organization (ILO), World Bank, International Monetary Fund (IMF), International Finance Corporation (IFC), the Organization for Economic Cooperation and Development (OECD), the Inter-American Development Bank (IDB), and the United Nations (UN). Many are involved in the development of voluntary CSR codes. Examples include Convention 169 on Indigenous Peoples; Global Compact; Global Reporting Initiative; International Finance Corporation (IFC) Policy on Social and Environmental Sustainability and accompanying Performance Standards; Extractive Industries Transparency Initiative; and Equator Principles (described in the table in Appendix 1). The governance organizations exert influence through contracting requirements, and through the voluntary codes of practice they support (ignoring these could cause financing and reputation problems).

Second, NGOs including industry organizations such as the International Council on Minerals and Metals (ICMM, see Darkwood, 2005; and Moody, 2007: 157), the International Chamber of Commerce (ICC, see Kolk and van Tulder, 2006); standards organizations such as the International Standards Organization (ISO), AccountAbility (2007), and operational and advocacy NGOs (e.g. Mining Watch).

Miners are now "playing in a global sandbox": the metals and minerals they produce are part of the global supply chains of the economies of developed nations and of the rapidly expanding

economies of China and India. Exploration and production are taking place in ever more remote corners of the globe. Globality has definitely manifested itself in mining production.

The ecology manifestation of globality is expressed through the global environmentalist debate that has been going on over the past decades. One aspect is the controversy about which is a better approach to manage the global environment: more effective implementation of sustainable development, or establishment of a new global economy (Clapp and Dauvergne, 2005: 81). The exploration and mining industry has been very much affected by this debate, and by the negative worldwide publicity about undesirable practices of some of its members, generated by NGOs using the Internet and other modern communications tools. It is now positioning itself as a contributor to sustainable development, finding legitimacy in the Brundtland Commission's sustainable development compromise: "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987). The mining industry commissioned a huge study on the subject (International Institute for Environment and Development, World Business Council for Sustainable Development, 2002) and is paying much attention to improvement of its environmental practices. One example is the "Environmental Excellence in Exploration (E3)" web site of the Prospectors and Developers Association of Canada (2007c) that maintains an up-to-date manual of best environmental and social practices. It is multilingual, and frequently accessed by explorers from all over the world.

As part of the manifestation of globality related to law, the mining industry has benefited from neo-liberal economics approaches that were enabled by globalization, and it has influenced the mining legislation of many nations through lobbying at national and international levels. The IMF Structural Adjustment Programs have reformed mineral exploration and mining company 'rules of entry' into many mineral-endowed developing nations, and provided relatively easy access to the resources at terms favourable to the industry. Many of these programs were not successful in alleviating poverty, and the mineral exploration and mining industry's social practices and contributions to development became the subject of intense scrutiny by NGOs. Partly in reaction to this pressure, and also driven by normative considerations of industry leaders (Darkwood, 2005), the mining industry embraced the global Corporate Social Responsibility (CSR) 'movement' that was mentioned earlier in this thesis. James Cooney (2002) of (then) Placer Dome Inc. drew attention to the fact that multinational mining companies have rapidly expanded their presence throughout the developing world and have encountered truly challenging economic, social, and environmental conditions. This experience, together with the demands of the sustainable development agenda is leading multinational mining companies to a new understanding of their roles and responsibilities in society and the industry is developing related codes and standards. These voluntary codes can be interpreted as contracts entered

into by subscribing companies and thereby gain legal force. The associated global discursive community of scholars, consultants, dispute resolvers, ombudspersons and independent monitors constitutes a kind of 'civil service for voluntary codes' (Arthurs, 2005: 203). Haslam (2007: 269) considers the emerging norms on CSR to be a trans-national private legitimacy regime, a subset of private authority regimes.. Exploration and mining companies must navigate complex social issues to avoid criticism, and therefore the mining codes relate to indigenous people, poverty, dread of mining, subsistence livelihood and artisanal mining among other matters in the context of rapidly developing legislation, poor environmental regulatory capacity, corruption and militarization or impunity. As mentioned earlier, the mineral exploration and mining industry now considers CSR to be a survival issue (Prospectors and Developers Association of Canada, 2007b). Current CSR practices and definitions in this industry embrace environmental, social, and economic aspects of company operations.

With respect to global consciousness as a manifestation of globality, explorationists and miners have always viewed the globe as a whole from a physical perspective. Their work consists of understanding global geological processes that have occurred over millions of years, and of finding locations on the globe where these processes have concentrated economically valuable metals and minerals. However, until fairly recently their global awareness did not extend to peoples. CSR is helping to increase such awareness, especially with respect to indigenous peoples and their particular needs.

## 4. Focus on Peru

I explained the reasons for my focus on Peru in Section 2.1.

### 4.1. Country Description

Peru extends for 2,414 km along the Pacific Ocean. Colombia and Ecuador are to the north, Brazil and Bolivia to the east and Chile to the south. Five-fourths the size of Ontario, Peru is divided by the Andes Mountains into three sharply differentiated zones. To the west is the coastline, much of it arid, extending 80 to 160 km inland; the mountain area, with peaks over 6,096 m., plateaux, and deep valleys, lies centrally; and beyond the mountains to the east is the heavily forested slope leading to the Amazonian plains. Peru has a population of about 28 million. In 2002 it held its first regional elections: 25 Regions (also called Departments) elected their president, vice-president and council. The Regions are subdivided into 159 Provinces, which are further subdivided into 1,717 Districts. The Districts consists of Municipalities. Peruvians' identity is tied up with the divisions in which they are born (Region -> Province -> District-> Municipality) and they maintain their loyalty even after migrating to other locations. Peru is ethnically diverse: Amerindian 45%, mestizo 37%, white 15%, black, Japanese, Chinese, and other 3%. Languages spoken include Spanish and Quéchua (both official); Aymara; and many minor Amazonian languages (About.com, 2007). Peru's annual real GDP/capita (market exchange rate) in 2007 was US\$ 3,289, and its annual GDP/capita (purchasing power parity) was US\$ 6, 730. Its major exports are gold, copper and fishmeal. (Economist Intelligence Unit, 2007a). Its geological setting provides for rich mineral resources.

From pre-Inca times, geography in Peru has had and continues to have a divine sense, which is expressed by the *huaca* voice that can be represented in various ways, from a stone to a mountain to a river. While the abstract idea of a god did not exist in pre-Inca times, there was a multitude of gods organized into a hierarchy (Valderrama Adriansén, 2003: 671). In colonial times, native Indians readily accepted the conqueror's religion into this polytheistic universe and little by little Andean gods started taking the shape of the diverse Catholic devotions. The Spanish state overlaid its political and legal administration on the structure of the Catholic Church. Until 1980, when church and state were formally separated by Decree Law No. 23147, religion and law continued to be two faces of the same coin, as they were in the ancient Andean cultures (Valderrama Adriansén, 2003: 675). While "the double-faced coin may have stopped circulating in theory", the majority of the population do not understand the concept of a modern nation-state and are unlikely to know what a government is or how it functions (Valderrama Adriansén, 2003: 670). The weakness of the Peruvian state and its limited influence within the population as a source of rights have allowed cultural groups to continue on from

ancient times with their own social structures embedded within the Christian-Andean religious syncretism (Adriansén, 2003: 677). Therefore, the Peruvian state does not view the law as a tool to order and regulate social life, but rather as a tool of power (Valderrama Adriansén, 2003: 679). Also, because of the huaca voice concept, one can expect native Indian attitudes about the land to be sharply different from those of trans-national exploration and mining companies who see land as a factor of production. The Andean environment has a long history of strife involving solidarities opposed along ethnic, economic and other fault lines; internal divisions; and conflicts (very often over land). The land reform program of the late 1960s started breaking down the dominant position of mestizos and giving more power to campesinos (a term preferred over the negatively viewed 'indios'). The political violence of the 1980s and the 1990s, together with the breakdown of the rural economy, caused a wave of emigration to coastal areas. The constant flow of visiting and returning migrants links the farthest reaches of the Andes to the 'metropolitan' world and is having a considerable impact on identities. One could call this an "internal globalization phenomenon." Andean campesino communities represent a form of social organization and collective institution that supports survival through exploitation of marginal resources in a high-risk environment. Campesino communities constitute a legally recognized form of local indigenous organization with collective title to the land, and sales of collective land require a two thirds vote of community members. Their roots can be traced back to the conquista, and they are the most important institution in the Andes. However, these fragile production systems cannot support the population growth, which is leading to continued migration to the coast with its associated marginalization (Szablowski, 2002: 256-258).

#### **4.2. Peru and Globalization**

The manifestations of globality most relevant to Peru in the context of this paper are in the areas of organizations, country governance, law, global consciousness, and ecology.

International organizations through which impacts of globalization are transmitted to Peru include the World Bank, IMF, and IFC, mostly through Structural Adjustment Programs and assistance to particular projects. Moody (2007: 33) described the US\$ 151.7 million IFC investment in the Yanacocha gold mine in critical terms, claiming that it "was aimed at providing political comfort to Newmont Co. and its local partner in the face of market investor reluctance to back Peruvian mining." Ward (2002: 3-4) mentions that Peru has become increasingly market-oriented since 1990 following significant privatization in mining, electrical, and telecommunications. It has attracted significant private investment, which together with significant loans from the IMF and the World Bank helped its economy to overcome decades of stagnation. Ward argues that Peru, while not a poster child for

globalization, has benefited significantly (Ward equates globalization to neo-liberal market reforms). It is ironic that in the same year Ward presented his paper, a popular revolt in Arequipa against the privatization of two electricity generating plants led to a suspension of Peru's privatization program (León, 2002). León (2002) also quotes two Peruvian thinkers who commented that "perhaps the globalization potion is too strong for us and it should be watered down with measures of economic nationalism" and "Toledo [the president] should have capitalized on his brief inaugural fame in 2001 by challenging rich countries to offer \$ 1 in aid to poor countries for every dollar's worth of agricultural subsidies." Other supra-territorial organizations that affect Peru include the World Bank International Centre for the Settlement of Investment Disputes (WBICSID) that takes on disputes related to Foreign Investment Protection Agreements (FIPAs) and similar agreements. The United Nations Commission on International Trade Law (UNCITRAL) mediates international trade disputes, including those involving Peru. Both international and local NGOs play an important role in the Peruvian mining sector. There are some 900 NGOs active in Peru, many of which have raised the ire of the García government especially in the areas of human rights and mining. In November 2008, President Alan García and Prime Minister Yehude Simon presented legislation that is alleged to attack the freedom of expression of international cooperation organizations that support the development of Peru. The legislation aims to limit their expression of opinions with respect to the reality the country is living. It is vaguely worded and apparently designed to make it easy for the government to find grounds for removing NGOs it does not like for whatever reason (Fedepaz, 2008a).

Globalization has affected governance in Peru mainly through the decentralization of government functions from the national level to regional and local levels (Ley No. 26922, Ley Marco de Descentralización). This was done in response to pressure from the World Bank, the IMF and the Interamerican Development Bank (IDB) who saw it as a mechanism to accelerate establishment of market-friendly economies (Bridges, 2007). The process has been defective in various ways (Instituto Geológico, Minero y Metalúrgico, 2007: 8; Arellano-Yanguas, 2008a: 17).

The García government was elected in 2006 and lacks a legislative majority; therefore it is not able to govern with much force. García's economic development agenda calls for continued growth of the mining industry, which may put it on a collision course with many communities that are opposed to mining. The mining industry is looking to García to provide stability. The presence of a powerful left-leaning opposition ensures that García will pay attention to social needs and infrastructure (Brewer, 2007). The government has set up an Equality Fund specifically for this purpose and has negotiated a US\$ 773 million 'voluntary' contribution from the mining sector, which thereby avoided unfavourable changes to the tax system (Barbel, 2007). The national government is focusing on macroeconomic policies and wants to ensure that Peru maintains growth in the face of an expanding population.

Mining is crucially important in this respect, even though poor communities often violently oppose new mining projects. The President had proposed a bill that would declare 20 mining projects thus stalled to be in the national interest, which would allow the government to override local opposition (Aquino, 2007). However, the opposition considered this strategy to be flawed and warned that instead of 20 mining projects Peru would get 20 social conflicts (Aquino, 2007), and the legislation did not make it through Congress.

Peruvian law-making is affected by the Foreign Investment Protection Agreements (FIPAs) with various countries, including Canada (DFAIT, 2007), that provide protection to foreign investors who are negatively affected by changes in government policy or legislation. This aspect of globalization does affect policy changes, as mining companies can 'take the Peruvian state to court (WBICSID or UNCITRAL)' over unfavourable changes. As was mentioned earlier, large parts of the population have only a weak awareness of what law is, and there are vast differences in its interpretation between the centre and the periphery. This is especially so for ownership of and access to land, key aspects of mining projects. Peru has reformed its mining legislation in the 1990s as part of the structural adjustment policies mentioned earlier. All mineral and geothermal resources belong to the state, which grants concessions for use by private companies and individuals (Gurmendi, 2002: 14.3). The state sees its role as a regulator, promoter, and overseer (Gurmendi, 2002: 14.1). Structural macroeconomic reform was followed by reform of the mining law; regulations and institutions related to security and transferability of title; modernization of the cadastre; access to land; non-discrimination against foreign enterprises; and favourable surface rental, royalty and output tax regimes. The changes were successful in attracting foreign investment and increasing activity by domestic investors. The process of mining legal reform has been enhanced by constitutional reforms that strengthen private property rights and other matters of importance to investors. Peru offers further assurances through the FIPAs. As a result of these changes state control of mineral production declined from 50 percent in 1990 to 15 percent in 1997, and to 1.5 percent in 1998 (Szablowski, 2002: 269). In response to pressures from the Regions, which wanted to share in the wealth generated by mining, Peru passed law No. 27506 that stipulates that 50% of the income and rent paid to the state by mining enterprises must be transferred to the region in which the resource was recovered (Ley del Canón, 2001). The use of these funds is restricted to financing or co-financing of investment or infrastructure projects that benefit the region (Ministerio de Comercio Internacional y Turismo, 2007).

The Ministerio de Energía y Minas (MEM) is charged with regulating, promoting, and overseeing mining in Peru. It is also responsible for approving Environmental Impact Assessments, a role that many see as being in conflict with that of promoter of the resource (Bebbington, 2007: 5) and that does not inspire communities' confidence in the ability or willingness of their national government to

protect their environment. There have been some recent changes and according to a MEM official, environmental matters are now regulated by the Organismo Supervisor de la Inversión en Energía y Minería (OSINERGMIN), and in 2008 a new Ministry of the Environment was established. However, EIAs are still approved by MEM.

In terms of global consciousness the adoption of the United Nations Declaration on the Rights of Indigenous Peoples by its General Assembly on September 13, 2007, could have important ramifications for Peru, close to half the population of which is indigenous (United Nations Permanent Forum on Indigenous Issues, 2006).

It will be interesting to see if and how Peru's campesinos use the declaration to strengthen their hand in mining conflicts. Neo-liberal ideology that considers privatization as a more flexible way to run a global economy was responsible for Peru's exclusion of inalienable indigenous title to communal land from its 1993 constitution (Stocks, 2005: 89). On the other hand, Peru ratified International Labour Organization Convention 169 on Indigenous Rights that asserts indigenous land rights (Stocks, 2005: 90), and is considered to have a superior legal framework for indigenous land tenure (Stocks, 2005: 91). However, the framework does not appear to have much impact in practice and many resource projects are surrounded by land use conflicts involving indigenous people. The cause of indigenous peoples in Peru is mainly taken up by NGOs, which have been able to make some progress (Stocks, 2005: 96). Trans-national coordination through organizations such as Coordinación de Organizaciones Indígenas de la Cuenca Amazonia (COICA – Coordination of Indigenous Organizations in the Amazonian Basin) that includes local organizations from Cayenne, Surinam, Guyana, Colombia, Brazil, Peru, Ecuador and Bolivia could have an impact.

The ecology manifestation of globality is important for Peru. As was mentioned earlier, Andean agriculture is a high-risk undertaking that maintains a fragile equilibrium with the natural environment. The quality of land, air and water is a survival issue for the campesinos and it is not surprising that environmental concerns are at the root of the opposition to many mining projects. While protesters often may have the facts wrong (Bebbington, 2007: 42), their suspicion of mining projects is not surprising as more stringent environmental regulations were only introduced in 1992 and Peru's past has seen much contamination caused by mining activities. For example, Mallon (1983) describes the destruction wrought by the smelter of the Cerro de Pasco Corporation that was built in 1918. By the late 1920s, it had changed the agrarian economy of the region and the system of land tenure. An important cooperative and many individual proprietors were "wiped off the map" by the acid fumes from the smelter, and much good pastureland was bought by the American company for rock-bottom prices. It was many years before technological changes allowed restoration and adaptation of the land and crops.

### 4.3. Mining in Peru

Mining in Peru has a long history. Pre-Inca civilizations already produced gold and silver artifacts and the story of the ransom in gold that Atahualpa paid to Pizarro (albeit in vain) is well known. In the mid-sixteenth century, massive silver deposits were discovered in Peru. The shortage of labour to work the mines was addressed by the Crown through *mita*, a forced labour system through which the colonial state supplied Indian tribute labour to the colonists. Workers were paid one sixth of what they needed to meet subsistence needs, which led to their wives and children also taking on work in the mines at even lower wages, and many perished (Bernstein, 2000: 256-257). Peru has immense oil, gas and mineral resources and Gurmendi (2002: 14.1) considers this to 'present many investment opportunities'. Peru's main mineral exports are, in order of decreasing importance: gold, copper, zinc, lead, and silver. In 2002 Vancouver's Fraser Institute considered Peru to be the fifth most attractive country worldwide from an investment perspective, and third from a geology perspective (Gurmendi, 2002; 14.4). Its ranking has decreased since then and in 2007/2008 it ranked 28 out of 68 in terms of "Policy Potential Index"; 17 out of 68 in Mineral Potential Index; and almost half of mining companies surveyed had sufficient concerns about its administration, interpretation, and enforcement of existing regulations to see this as a mild (~30%), strong (~10%) or absolute (~7%) deterrent to investment (Fraser Institute, 2008: 11, 15, 25). Mining sector net project profits in 2006 amounted to US\$ 7.3 billion and taxes paid to US\$ 2.9 billion (The Economist, 2007). Over the past ten years, Peru's annual export earnings from mining have increased more than tenfold to US\$ 17.4 billion in 2007, when metals made up 62% of total exports, when it also represented 10% of national GDP or 18% of Regional GDP. In that year it provided 25% of national tax revenues and 50% of income tax revenues. It has productive activities in 22 of 25 Regions and employs 121,000 people directly. Its purchases represent 3.2% of GDP (Díez Canseco Carrasco, 2008).

Participants in the interviews in Lima grouped mining activity in Peru into categories by size:

*Informal mining* is an illegal activity carried out by small groups of individuals. Often unscrupulous operators from outside the area offer exploitation contracts to informal miners, often on land that is not even their property. They make a profit by buying the produced minerals at low prices and selling them at high prices. Informal mining occurs throughout Peru and causes considerable environmental damage, both by scarring the landscape and by mercury and cyanide contamination. In addition, the informal mining subculture can be quite violent, and mercury poisoning and alcoholism lower the life expectancy of informal miners and their families.

*Artisanal and small mining* are legal activities that, like illegal mining, have low production rates. The people involved are often very creative. They take their production to processing plants

where they pay for it to be processed in batch, and they receive the concentrate or free gold that they then sell in the market. The processing plants tend to contaminate, use child labour, cause environmental problems and have workforce problems. In the opinion of the industry respondent who described this situation, it may take the new generation that is generally better trained and more aware of overall best practices to make the necessary changes.

*Medium-sized mining* companies are mostly traditional, older operations. Clean technology and CSR are less important to them than creating employment, for which reason they receive popular support in their disputes with the state. They are financed by “classical” Peruvian capital, and are exploiting mineral deposits inherited from the colony and the 1970s. Some trans-national corporations that are operating medium-sized mines (e.g. Barrick Gold’s La Pierina and Lagunas Norte projects) are incorporating “international” CSR best practices into their operations, and one respondent mentioned Milpo and Ponderosa as Peruvian medium sized mining companies that have had a long history of good CSR practices (even though they may not have called it CSR)..

*Large-scale mining* is mainly carried out by trans-national corporations (sometimes in partnership with Peruvian companies) and driven by foreign direct investment. It generally strives to adhere to high international environmental and corporate social responsibility standards and, because it is technology-intensive, it employs fewer people. This type of mining is sometimes called “new” mining, contrasting it with the more traditional or “old” mining described above. According to an NGO respondent, its discourse on environmental and corporate social responsibility standards has so far failed to generate public credibility (however, some respondents mentioned that Compañía Minera Antamina, a “new” mine, is gaining credibility). It claims that the shortcomings associated with the “old” mining are responsible for its difficulty in gaining credibility. While it has better practices, it still suffers from the consequences of the bad relations between the communities and the state generated during the decision-making processes. A number of projects purchased during the privatization of state companies that began during the 1990s are dealing with the environmental legacy left by the state (e.g. the Las Bambas project that was purchased by the Swiss company Xstrata in 2004, [[www.lasbambas.com](http://www.lasbambas.com), accessed November 2008]).

Of the order of 100 foreign mining companies were active in Peru in 2002, and hundreds of local companies own medium to small size operations. They sometimes form consortia to manage large projects. (Gurmendi, 2002: 14.3). Companies (not investors as Gurmendi says) are implementing approaches to community development and environmental protection that are based on sustainable development principles (Gurmendi, 2002: 14.8), and many invest in community projects. The Canadian embassy in Lima recently conducted a survey of 80 Canadian mining companies operating in Peru of which 89% were juniors and 11% majors. 80% of respondents were found to have a CSR

policy, and 79% of those that have a policy reported that implementation of the policy had resulted in positive outcomes that included better community relations, positive community participation and conflict prevention (Embassy of Canada, 2008).

Monterrico Mining (now Zijin Minerals/Río Blanco Copper S.A.) was planning to establish a US\$ 80 million private fund for local communities to be spent over the projected 25 year life of the Rio Blanco project (BNAmericas Mining News, 2007), hoping thereby to obtain a 'social license to operate', but the communities refused to accept it. As mentioned earlier, the mining industry as a whole is making a "voluntary" social contribution to the government of US\$ 773 million. However, both the environmental and the socio-economic liabilities left behind by relatively recent mining history make it difficult for mining companies to find community support for proposed projects. From a socio-economic perspective it is "...hard – arguably impossible – to point to any locality in Peru where the expansion of mining has led to significant human development for the local population. While this does not necessarily imply that future mining will have the same effects, it makes the 'marketing' of new projects problematic" (Bebbington et al., 2007: 4). Events such as the 2004 decision by Newmont Mining to ask the Peruvian government to revoke its license to explore for gold on Mount Quilish in the city of Cajamarca in the face of demonstrations by thousands of protesters, illustrate this point (Roner, 2004). Also, the existence of the Coordinadora Nacional de Comunidades Afectadas por la Minería (CONACAMI - National Coordinating Committee of Communities Affected by Mining) and its activist stance against central government policies suggest that the mining industry will need creativity to continue operating in Peru. As was mentioned earlier, the Peruvian state is weak and often absent. Therefore it would be naïve for foreign companies to assume that the intervention of the state is an asset in the debate with local poor communities. They have often been forgotten by the state and at times resent its involvement in local affairs (Barbel, 2007b). The following sections use case studies as a vehicle for better understanding of the dynamics at play.

#### **4.4. Case Studies**

Four case studies were investigated: the Tambogrande project that was abandoned by Manhattan Minerals in the face of local opposition; the Tintaya mine in which BHP Billiton (of Australia) and the local communities achieved agreement; the Río Blanco Project (majority shareholder now Zijin Minerals of China) that has been surrounded by controversy; and the Antamina mine of Compañía Minera Antamina (developed by Canadian partners Rio Algom and Inmet and presently owned by BHP Billiton of Australia, Xstrata of Switzerland, TeckCominco of Canada and Mitsubishi of Japan) that is still dealing with the consequences of social mistakes made during the implementation phase.

The Tambogrande and Tintaya case studies are restricted to a literature review, whereas the Río Blanco and Antamina cases were studied both through the literature and in the field.

#### **4.4.1 Tambogrande project**

Tambogrande is a town of 16, 000, located in Northwestern Peru in the Region of Piura, near the border with Ecuador. A World Bank-funded irrigation system has converted the San Lorenzo valley into a fruit growing region, producing lemons and mangoes. The town is poor, with many people living on less than US\$ 2 a day (Hennessy, 2003).

Anguelovski (2007) summarized the project's history. A silver and gold deposit was discovered in 1978 by BRGM (Bureau de la recherche géologique et minière), the French state exploration company. In May 1999 Manhattan Minerals Corporation, a junior company based in Vancouver, received 4-year exploration rights over 10,000 ha from the Fujimori government. The state took a 25% interest in the project. Manhattan spent \$ 56 million on geophysical exploration and drilling and confirmed substantial resources underneath and next to the town. The project was estimated to require an investment of US\$ 241 million to recover resources worth an estimated US\$ 1 billion. The company proposed an open pit mine that would cover an area of 750 ha and that would require relocation of about half the population of the town. The project would provide \$ 200 million in royalties and taxes, and 400 permanent jobs during its projected 10-year life span. In addition, 1500 jobs would be created during the mine construction phase, and 1000 jobs for construction of housing for the displaced population. Half of all jobs would be offered to townspeople (Rousseau and Meloche, 2002). The Piura River would have to be diverted. The company committed to fund development projects that would extend beyond the mine closure date, and Manhattan Minerals spent up to \$ 1.42 million on social projects during the advanced exploration phase. Criticisms of the proposed project included irregularities in the granting of the concession; changing the area's development model from agriculture to mining; lack of clarity of the relocation plan; the company reneging on certain promises; fears of social upheaval and contamination of land; few tangible short and long-term economic benefits; and the fact that the national government was in a conflict of interest by being both the regulator of and a participant in the project. The Tambogrande Defense Front began organizing resistance to the project in 1999 and sent the results of a 2000 opinion survey to the World Bank with the signatures of 5,000 townspeople. The evaluator of the preliminary Environmental Impact Assessment found that it would not meet the standards of the Province of British Columbia, the home base of Manhattan Minerals Corporation. In January 2001 the mayor obtained the signatures of 75% of the 37,000 registered voters in the entire district confirming their opposition to the project, and the Municipal Council opposed the national government's desire to authorize the project. In February

2001 a demonstration in which 10,000 participated degenerated into a violent confrontation with 300 police that caused US\$ 600,000 damage. In March 2001 the mayor canceled Manhattan's exploration authorization, and a community leader was murdered. In October 2001 the municipal council ordered a local consultation process to be conducted. The state involved its ombudsman's office in a dialogue process, from which the Tambogrande Defence Front withdrew in February 2002. Even though the national government declared the consultation process to be illegal the process proceeded anyway under national and international supervision in June 2002, and 94% of the vote was against the mining project. After some actions surrounding the Environmental Impact Assessment and further demonstrations, the national government announced that Manhattan Minerals Corporation had not been able to meet required financial criteria and blocked the project in December 2003, apparently using a technicality to "get itself off the hook".

Haarstad and Fløysand (2007) analyzed the Tambogrande case in terms of rescaling narratives. They point out that globalization, far from destroying the local or the national, establishes new particular relationships between them and the global (Haarstad and Fløysand, 2007: 292). They argue that grassroots organizations and marginalized actors can gain empowerment by rearticulating local issues at larger scales to mobilize political leverage (Haarstad and Fløysand, 2007: 292-293). This requires rescaling their narratives (rearticulating their claims) to make them correspond to the appropriate hegemonic discourses and draw legitimacy and support at these scales (Haarstad and Fløysand, 2007: 294). The Tambogrande industry and opposition narratives are described below.

The mining magazine *Minera* (No 283, 2001, pages 8-19, quoted by Haarstad and Fløysand, (2007: 295) depicted relevant local history entirely in terms of its relation to the mineral deposit, as a web of relations to mining and the mining industry. Manhattan's narrative pictured the town as poor, in need of the economic development that would inevitably be created by investments in the mine. This shifted the discussion from social issues into the logic of economics. The possibility that the townspeople would prefer a different type of development was not considered (Haarstad and Fløysand, 2007: 297). The opposition pictured the area as a successful economic agro-industrial centre of 69,000 inhabitants, a producer of great quality lemons and mangoes. The Defence Front constructed an identity of agriculturalists. (Haarstad and Fløysand, 2007: 297).

The narratives on democratic practice were also very different. The industry messages expressed its belief that 'listening to the concerns of the local population' can in some way be equated to 'having the support of the local people'. Both the industry and the ministry took a legalistic stance and declared that the referendum had no foundation in law, and the Canadian Embassy used a similar reasoning to arrive at the conclusion that 'what happened at Tambogrande was the opposite of democracy'. The opposition pictured the Tambogrande struggle as highly significant to people around the world in

terms of protecting the right of local people to participate in decisions about their development and livelihood (Haarstad and Fløysand, 2007: 299). While industry and government saw the referendum as impeding democracy, the opposition saw it as democracy in practice.

The opposition rescaled its narrative for different audiences with the help of national and international NGOs in ways that attracted political legitimacy (Haarstad and Fløysand, 2007: 301). At the national scale they projected the community as a producer of lemons, an essential ingredient of national dishes and beverages. A Peruvian flag with the names of traditional lemon-based dishes written across (each 'o' pictured as a lemon slice) was used very effectively for this purpose. The mine was pictured as a threat to lemon production and hence as a threat to Peruvian identity. At the international level, the Tambogrande project was presented to great effect as an example of a violation of democratic rights. Without the help of the international NGOs, their websites and e-mail campaigns, this would not have been possible. Haarstad and Fløysand (2007: 303) make the point that the opposition campaign first became a struggle for national identity and democratic rights when it was rescaled and positioned with respect to national and international discourses. The success of the resistance strategies against the agenda of Manhattan Minerals Corporation and the state was dependent on the processes of globalization (Haarstad and Fløysand, 2007: 304). Haarstad and Fløysand's study illustrates the power of transnational advocacy networks, which helped define the issue area by constructing cognitive frames. Subsequently they convinced their audiences and used leverage politics to further the cause (Keck and Sikkink, 1998: 16, 17, 30).

The Tambogrande case could be described as a process that led to a choice in which environmental considerations in the end were given more weight than purely economic considerations. However, circumstances are never as straightforward as they appear to be. Since the decision not to proceed with a mine was made, the area has become "overrun" by illegal informal miners, individuals who recover gold on land they do not own using practices that cause great damage to the environment and significant mercury and cyanide pollution (comments made by participants in the field study).

### **Observations**

- Tambogrande has taken on a symbolic meaning in both the NGO and mining worlds. A human rights award was presented to Marco Arana, a priest who played a role in preventing further violence.
- Manhattan Minerals Corporation was small and had only operated one mine since it was created in 1990, and had abandoned seven properties it acquired between 1990 and 1997. It is interesting that circumstances would allow a small company to get far enough along the

project development path to have spent US\$ 58 million and to generate considerable controversy in the process.

- The project proponents and opponents, while in regular contact, nevertheless seem to have operated as two solitudes. Vast cultural differences were not effectively bridged.
- Skilled NGO assistance was essential to the success of the opposition movement.
- Manhattan Minerals Corporation appears not to have anticipated that the Environmental Impact Statement it submitted would be measured by its opponents against the criteria that apply in its home jurisdiction.
- While the cost of their struggle can be considerable, communities can exert power at a global scale
- Identity plays an important role, and can be constructed around narratives.
- In terms of the role of governments, various aspects of the case draw the attention
  - The national government put itself openly in a conflict of interest position by taking a 25% share in the venture
  - The home government's regulatory framework was used to de-legitimize the company's Environmental Impact Statement
  - Local governments had a strong influence on the course of events
  - The national government's support for the project was not aligned with the agricultural development strategy put in place through irrigation schemes with World Bank funding. This supports Arellano-Yanguas' (2008b: 18) observation on the ad hoc nature of Peruvian national policy making.
  - The national government took a legalistic approach to the local consultation exercise, possibly to avoid setting a precedent and because it views the law as a tool of power rather than as a tool to order and regulate social life (Valderrama Adriansén, 2003: 679).
  - The home government joined the national government's discourse, possibly because it perceived protecting a Canadian company to be its duty, and because of its interpretation of democratic processes.
  - The national government was apparently not able to find a solution and seems to have resorted to a technicality to get itself off the hook without losing face.
  - The national host government, the home government, and the industry constructed a narrative that was not sufficiently believable to form the basis for a solution.
  - Resolution of the illegal mining problem is clearly a government responsibility.

#### 4.4.2 Tintaya mine

The Tintaya copper mine is located near the city of Yauri, capital of the Province of Espinar in Southern Peru. The mine began operations in 1985 as a government corporation. During the period described here it was owned by BHP Billiton (Australian), and in 2006 it was acquired by Xstrata (Swiss). Local communities accused the government of appraising the land that was expropriated at an unfairly low price and of not taking into account other damages (De Echave et al. 2006: 6). Before being privatized in 1994, the company was restructured and the workforce was reduced. The new owners expanded production and land was expropriated and acquired. This, together with environmental concerns, created tensions with the surrounding communities and OXFAM America, CONACAMI, and the Cusco Coordinadora Regional de Comunidades Afectadas por la Minería (CORECAMI – Regional Coordinating Committee of Communities Affected by Mining) began supporting the communities, as did CooperAcción, a Peruvian NGO. Based on the results of their joint study, the OXFAM Community Aid Abroad Ombudsman in Australia accepted to take on the case and conducted an investigation in late 2001. This illustrates that communities faced with mining conflicts can find global support (De Echave et al., 2006: 8). In the course of the ombudsman's office's investigation, BHP Billiton decided to become a partner in the process, and the Tintaya Dialogue Table was established (Mesa de Diálogo de Tintaya). The work of the Dialogue Table can be divided into four phases: implementation; bringing the players together; committee work; and consolidation of results (De Echave et al., 2006: 10-29).

During the implementation phase the Dialogue Table agreed on a *modus operandi* that included a code of conduct for its members and the processes that would apply to its work; issues to be addressed (communal lands, environment, human rights, and sustainable development); combination of plenary sessions and committee work; and outside facilitation of plenary sessions. It is important to note that CONACAMI and the communities specifically requested that the government (Ministry of Energy and Mines or any other agency of the executive branch) be excluded from the Dialogue Table, and all parties agreed to this request. Only the government of the Province of Espinar was represented at the Dialogue Table (De Echave et al., 2006: 11). Also, the Dialogue Table established a common fund with contributions from all members to avoid any direct relationship between contractors and members, and established a Coordination and Follow-up Committee that oversaw the entire effort, called the meetings, drafted agendas and undertook any other actions required to keep the process on track.

The players were brought together through a number of plenary meetings during which the different views of the parties regarding past events were discussed, and during which it was decided to

undertake a number of joint activities related to the problems identified. There was full agreement that the problems should be resolved jointly and that the dialogue should continue.

In the third (committees) phase, leadership of the committees was provided by the presidents of the communities and CORECAMI. The process was complicated and had to overcome a variety of challenges. Points of note include:

- The Land Committee decided that a certain proportion of its membership should be women. The committee concluded that the land issues went much deeper than formal considerations and a legal framework. Collective land management, obtaining land that was better or equal to that lost, and relocation with development were among the principles adopted. An Executive Land Committee was established to speed up the selection, acquisition and moving process.
- The Environment Committee undertook joint environmental monitoring and base line studies of human health and animal health, and established a Community Environmental Oversight Program.
- The Human Rights Committee commissioned an objective investigation into alleged human rights violations that had occurred in the mine. The report of the investigation described the cases in terms of their seriousness and determined the degree of responsibility of the company for the cases in which violations were found to actually have occurred. The consensus decision of the Committee was to facilitate fair reparation according to the particulars of the case rather than to take a legal route. It established three sub-committees to go about this task: Security; Indemnification/Reparation; and Verbal Aggression. The four cases that involved deaths were resolved. The Committee's task was difficult and time-consuming, which created frustration in the communities. The Committee's lack of communication of progress contributed to this problem
- The Sustainable Development Committee managed the process that led to approval of community-specific five-year development plans by each of the five communities.
- The Coordination and Follow-up Committee played a very important role: it was a vehicle for building trust between all parties, and it was very influential in decision making.

The consolidation phase was difficult, mainly because of different expectations regarding the funding that should be assigned to the development plans. It took some time to overcome the disagreements, and the company's decision not to negotiate bilateral agreements with the communities but return to a full consensus got the process back on track and an agreement was signed. It specifies the tasks to be undertaken and the commitments made by the parties. Camacho and Lossio Chávez (2007) provided further details in an extensive study of the Tintaya case that included interviews with key players in the area.

## Observations

- All stakeholders have become stronger through the process (De Echave, 2006: 30)
- The involvement of the Australian ombudsman demonstrates global connectedness at work. It drew BHP Billiton senior executives' attention and strongly influenced its subsequent approach (De Echave, 2006: 32). The Dialogue Table significantly changed the company's approach to communities. It is interesting that the company's best intents risked being subverted by inappropriate attitudes of a few of its own staff. The company provided training and development to its managers and staff in the areas being addressed by the Dialogue Table, as well as in conflict management, development promotion and social responsibility towards communities. It is now considered to be a leader in development of better mining practices in Peru. In spite of this, Tintaya was hit by a violent demonstration in May 2005 (<http://www.minesandcommunities.org/Action/press698.htm>) that caused it to close for one month. The demonstration was denounced in an advertisement in La República (a major Lima newspaper) that was signed by prominent civil society individuals, NGOs and government representatives. (<http://hsecreport.bhpbilliton.com/2005/repository/community/caseStudies/caseStudies25.asp>). The participants in the occupation hailed from urban areas, not from communities close to the mine, and the occupation was related to a dispute over distribution of canón minero funds (personal communication, Félix Lossio).
- The commitment of community leaders to the Dialogue Table process was crucial.
- Personality is an important ingredient in the mix: a change of leadership in a regional organization involved in the process caused an immediate slowdown of the process (De Echave, 2006: 33).
- The provision of expertise by NGOs, and their patience and perseverance in keeping the Dialogue Table process going was important (De Echave, 2006: 38).
- Adequate advance preparation was essential to the functioning of the Dialogue Table (De Echave, 2006: 40).
- The Dialogue Table mechanism helped bridge the considerable cultural gaps (De Echave, 2006: 42).
- Companies' voluntary codes have not been entirely effective in managing conflicts in communities near mines, and national government agencies have not provided effective mediation or conflict resolution support (De Echave, 2006: 46).

- CSR approaches would benefit from modifications to the existing legal framework (De Echave, 2006: 47), i.e. voluntary codes need a legal framework, contrary to what many industry representatives believe.
- Like globalization, interaction between mining and communities is an ongoing dynamic process. It is always in flux and requires continuous attention and innovation by all parties.
- In terms of the roles of governments, the following aspects of the Tintaya process draw the attention:
  - According to Camacho and Lossio Chávez (2007: 167), the illegal expropriation of communal lands by the state in 1982 was the initial seed of the conflict between BHP Billiton Tintaya and the five communities in its area of influence, and led to the state being seen as an aggressor. Also, the state company that operated the mine had violated the human rights of community members (Camacho and Lossio Chávez, 2007: 170). For these reasons the national government was deliberately excluded from the process. The involvement of the province of Espinar and of local community authorities was considered to be essential. It appears that the national state itself originated much of the conflict.
  - While participants in the process pointed out that national government agencies have not provided effective mediation or conflict resolution support (De Echave, 2006: 46), it is difficult to see how members of such agencies, however well intentioned, could have overcome the deeply rooted suspicions alive in the local population. Aste et al's (2003: 65) observation on conflict resolution suggests that the state may need to right past wrongs for it to regain trust.
  - De Echave's suggestion (see above) for modification of the existing legal framework was suggested as a means of benefiting CSR approaches indicates a clear role for the state.
  - Authorities can strengthen their capabilities by becoming intimately involved in dialogue processes

#### **4.4.3. Río Blanco project**

##### **Introduction**

The Río Blanco project was selected for the field study as an area affected by an exploration project that has not yet proceeded to the exploitation stage. That is, the situation represents an early stage of the mining cycle. The project has been surrounded by controversy, and it was thought that

the perspectives of the actors were likely to provide relevant insights into the factors at play at this stage of the mining cycle.

### **Project location**

The Río Blanco project site is located in Northwestern Peru, in the Region of Piura, Province of Ayabaca, close to the border with Ecuador (See Appendix 2 for location maps). The communities that would be most affected by a mine are Huancabamba, the capital of the province of the same name, and settlements in the adjoining District of Carmen de la Frontera. The city of Huancabamba is located at an altitude of 1552 m. above sea-level, and the longitudinal axis of the Andes mountain chain passes through the Province. The average maximum temperature in Huancabamba is 18.8 °C and the average minimum temperature is 11.5 °C. Average annual precipitation is 936.6 mm (Gobierno Regional Piura, 2003: 3). The city lies on the Atlantic side of the watershed, whereas the project is located on the Pacific side. For time and distance reasons the study centred on the towns of Huancabamba and Sapalache (capital of the District of Carmen de la Frontera) and surrounding small settlements. The District of Carmen de la Frontera consists, in addition to Sapalache, of some 44 small settlements, the most remote of which are two days' travel away from Sapalache, which makes the mayor's job demanding, as he literally has to cover much ground. Segunda y Cajas and El Carmen, two of the settlements, have been frequently mentioned in the literature on the Río Blanco conflict (e.g. Bebbington et al., 2007).

### **Community characteristics**

Tables 3 and 4 summarize a number of relevant socio-economic indicators.

A high proportion of the population in the study area suffers from malnutrition, and it has many unmet needs. The Human Development Index for Huancabamba Province falls in the medium low quintile, i.e. it is less than that of over 60% of the world's population. According to a Regional government document (Gobierno Regional Piura, 2003), 93% of population of the city of Huancabamba is poor and the poverty rate of the majority of settlements in the Province exceeds 90%.

**Table 3. Socio-economic indicators for Piura, Ayabaca, Huancabamba and Carmen de la Frontera**

Geographical Unit	Population 2005	Index of Unmet Needs	Population Without			Female Illiteracy Rates	Mainnutrition rates, 1999
			Water	Sanitation	Electricity		
Piura Region	1,630,772	0.5775	35%	32%	38%	14%	33%
Ayabaca province	138,245	0.9580	82%	74%	86%	29%	57%
Huancabamba province	123,456	0.9396	60%	65%	87%	36%	59%
Carmen de la Frontera district	12,693	0.9357	73%	68%	96%	35%	60%

\* This index ranges from 0 to 1, with higher figures denoting more unmet needs

Sources : Bebbington et al., 2007: 18; Foncodes, 2006

**Table 4. Population characteristics, Piura Region, Provinces of Piura, Ayabaca and Huancabamba.**

The Human Development Index is a UN measure composed of three parameters: long and healthy life (derived from life expectancy at birth), education level (measured from the adult alphabetization rate and the gross combined primary, secondary and post-secondary enrollment rate), and level of living with dignity (measured through per capita GNP).  
 Information Source: Encuesta Nacional de Hogares 2005. Informe de Desarrollo Humano 2006. (National Household Survey, Human Development Report) Grupo Propuesta Ciudadana (2006)  
 Prepared by: Vigila Perú

Note: HDI Ranges

Province	% Rural	Population	Districts	HDI	Life expectancy at birth (yrs)	Literacy rate (%)	School enrolment	Educational achievement	Per capita income (\$/ per month)
Piura (Region)	27%	1,630,772	64	0.5714	69.4	89.5	80.3	86.4	263.3
Piura	14%	642,428	9	0.5785	69.0	91.4	83.2	88.7	274.0
Ayabaca	90%	138,245	10	0.5253	68.1	78.2	73	76.5	226.9
Huancabamba	89%	123,456	8	0.5134	67.1	75.1	73.1	74.4	229.5

High Quintile: 0.6063-0.8085

Medium Quintile: 0.5667-0.6062

Medium Quintile: 0.5387-0.5664

Medium Low Quintile: 0.5075-0.5385

Low Quintile: 0.4013-0.5074

## **History and background of the Río Blanco Project**

The Río Blanco mineral exploration project derives its name from the close-by Río Blanco (“White River”) that separates Ecuador from Peru. See also the maps in Appendix 2. Bebbington et al. (2007) and Díez Hurtado (2008) have described the project and its history in detail and the historical summary that follows is largely based on their work. Where appropriate, information obtained from the field study was also used.

Copper at the site was discovered in the early 1990s, and exploration rights have been held by a variety of companies until Monterrico Metals, a U.K. company, in 2003 began the exploration work that proved the existence of a large ore body centred on a site named Henry's Hill. While some interview respondents indicated that a good relationship existed between the earlier explorers and the communities (conversation CP1), tensions arose very shortly after Monterrico started work. Since then two campesinos have lost their lives, and there have been several maimings, injuries, arrests, abductions, and lawsuits (Bebbington et al., 2007: v). Underlying causes that led to this situation include:

- Piura’s development needs exceed its revenue by an order of magnitude – royalties and taxes from mining would provide much-needed financial relief. The development needs include irrigation systems to support agriculture in the dry coastal regions (Bebbington et al., 2007: 10).
- There is little convincing evidence that mining has led to development and poverty eradication in any region of Peru (Bebbington et al., 2007: iv). Many local and regional governments lack the capacity to make effective use of the tax revenues generated by mining (Bebbington et al., 2007: v). Also, seven of every ten social conflicts in Peru are related to mining (Bebbington et al., 2007: 7; Defensoría del Pueblo, 2007: 77).
- In many areas of Peru, mining has left behind a well-known negative environmental legacy (Bebbington et al., 2007: 8). For example, the area of La Oroya ranks among the ten most polluted areas on earth, with lead levels in the blood of the entire population far exceeding internationally accepted norms (Bebbington et al., 2007: 4).
- If the Río Blanco project becomes a mine, it will be the first one in Piura, and because of the region’s mineral potential it is likely to signify the beginning of a large-scale shift of the economy from agriculture to mining (Bebbington et al., 2007: iv). An earlier attempt to open a mine elsewhere in Piura, in the town of Tambogrande, was thwarted by fierce community opposition as described earlier. The Tambogrande case is seen by many as a “template” for the Río Blanco case, with some of the same organizations being involved (Bebbington et al., 2007: v). Also, both mining and agriculture need water, and the Piura regional government would take somewhat of a gamble if it developed mining with the purpose of generating tax revenue to pay

for agriculture irrigation infrastructure (Bebbington et al., 2007: 10). There are concerns about the possible impact a large open pit mine in the temperate rainforest could have on water supply (Bebbington et al., 2007: iv).

- The conflict revolves around the issue of who should have the final say about the development strategy of the region. Should it be the local population that wants to choose its way of life on the basis of its desires for the future and its perception of the relative risks of the various options? Or should it be the regional and national governments whose macro-economic objectives would be served by mining development? Complicating factors include the apparent contradiction between laws that protect the land tenure rights of comunidades campesinas and laws that promote mining investment and the rights of national and foreign investors. These contradictions play out in the context of a government committed to neo-liberal principles, and explain the discrepancies between the positions taken by the Defensoría del Pueblo and the Ministerio de Energía y Minas (see below)
- Questions have been raised about company behaviour, and one government agency (Defensoría del Pueblo – ombudsman’s office) is of the opinion that the presence of the company on community lands is illegal. Another government agency (Ministry of Energy and Mines) debates this position (Bebbington et al., 2007: vi). Many of the stakeholders in government, civil society and the company are not interested in a genuine dialogue (Bebbington et al., 2007: v). The tone of a public letter by a proponent of a mine illustrates the gulf that separates the parties: “De otro lado, los Ronderos, que es todo el Campesinado, son manipulados por los profesores del SUTEP, Políticos de la Región, Eclesiásticas de la Zona, Narcotraficantes y las ONG.” (On the other hand, the Ronderos, which are all campesinos, are manipulated by the professors of the Sindicato Unitario de Trabajadores en la Educación del Perú [Union of Workers in Education in Peru], politicians of the Region, ecclesiastics of the zone, drug traffickers and NGOs”) (Tomatis, 2005).

Díez Hurtado (2008) recognizes a number of stages in the development of the conflict. The first stage runs from 1994 to 2002. It covers the discovery of the deposit by Minera Corpacha (a subsidiary of Newmont, Australia), and the drilling of 18 exploratory holes by Newmont and Cyprus Amax (USA). It also includes the incorporation of Minera Majaz (a subsidiary of Monterrico Metals, UK), its purchase of all shares and rights to the deposit, and the incorporation of Río Blanco Copper.

During the second stage from 2002 to 2004, Río Blanco Copper obtained all Minera Majaz shares and authorization to operate on 6,550 ha within 50 km of the border with Ecuador. However, the company continued under the name Minera Majaz. It published plans for an open pit copper-molybdenum mine to recover the 1, 257 million ton deposit and projected annual revenues of \$ 500

million. Its exploration activities received environmental approval and the leadership of the community of Segunda y Cajas agreed to the exploration work. As it turned out later, this approval did not meet the criterion of two-thirds approval by a general assembly, and the leadership did not fully understand what was involved. The company began the community consultation process and, contrary to expectations, community meetings held in Segunda y Cajas, Huancabamba and Yanta between August 2003 and January 2004 rejected the proposals. Opposition to the projects came from both the Rondas Campesinas and the municipalities. Under the Ronda Campesina system each member of a community is obliged to regularly take part in nightly rounds (rondas) of the community territory. The Rondas Campesinas played an important role in the fight against the Shining Path guerrilla movement (Panfichi and Pineda, 2007: 63). They have legal status and are very influential. The municipality of Huancabamba declared the forests of Carmen de la Frontera inaccessible to mining, and the community of Yanta, in a general assembly, officially revoked the earlier exploration permission given by its leadership. Environmental protection fronts were established in both Ayabaca and Huancabamba provinces.

The third stage is characterized by the explosion of local conflict. It starts with the first march to the exploration camp by an unknown number of ronderos “to regain communal territory” in April 2004, in which one campesino died after being hit by a police tear gas canister. Legal proceedings were begun against 23 of the leaders. At the same time the bishops of Chulucanas, San Ignacio and Piura, taking into account prior events in Tambogrande, declared their dioceses to be “untouchable” by mining. At the local level, continued mutual harassment and aggression between the two sides intensified the conflict. This included abductions, attacks, accusations of narcotics trafficking levelled against environmentalists, and road blocks. At the same time a series of institutional attempts to create a dialogue was organized at a regional level. Díez Hurtado observes that local radio stations played an exceedingly important role in influencing the debate and increasing the polarization, broadcasting “absolutely radical messages, without any concessions to contrary opinions” (Díez Hurtado, 2008: n.d.). The attempts to establish a dialogue were not successful – it was impossible to reconcile the conflicting interpretations of rights: the state and the company defending the rights to contract, to work, and to free movement; and the community’s rights to defend communal territory; to control movement within it, and to respect of majority community will in the rejection of mining. On August 1, 2005, a confrontation between police and community members at the exploration camp site resulted in the death of one community member, five wounded and 32 arrests. These events led to further unrest, mobilizations and road blockades in the entire mountain region of Piura, and to the establishment of yet another unsuccessful attempt at dialogue, followed by renewed road blocks. The regional and national press gave wide coverage to these

events in often biased ways, thereby stoking the fires for one more week. In September 2005, the mayors of the provinces and districts involved, the Rondas Campesinas, the Defence Fronts, members of the National Council of Communities Affected by Mining (CONACAMI) and other activists established the Front for the Sustainable Development of the Northern Border (Frente por el Desarrollo Sostenible de la Frontera Norte - FDSFN).

During the fourth stage, processes followed four parallel tracks:

1. Attempts at direct negotiation driven by the Ministry of Energy and Mines (Ministerio de Energía y Minas –MEM). After a number of unsuccessful attempts to detect common ground, MEM has withdrawn from the process.
2. Consolidation of the FDSFN and its strategy to achieve removal of the exploration company and abandonment of its mining plans. FDSFN, with support from the Red Muquí, (an NGO network that had its origins in the Tambogrande case) has been building capacity and awareness, preparing for a local consultation exercise, proving the illegality of the presence of Río Blanco Copper on community lands, and conducting a national and international campaign against the company.
3. Media development and globalization of the conflict
4. Changes in company strategies to obtain a social licence to operate. The company adopted a “muscular” strategy in 2006 (e.g. establishment of counter-organizations and demonstrations, an aggressive radio program) that increased tensions and caused further polarization. The Rondas Campesinas have undertaken an active campaign to destroy these counter-organizations. Minera Majaz continues to argue the legality of its presence, as does the Ministry of Energy and Mines (the latter is perceived to have made a number of administrative mistakes). The company was also waging a political campaign for support and it engaged the former British ambassador to Peru to help raise its profile. At the same time it has been trying to improve community relations by apologizing for its past mistakes and by offering \$ 80 million for community development, an offer that was rejected.

The fifth and present stage of the conflict is influenced by two important events: the change in ownership of the company, and the local consultation exercise. In 2007 the Chinese Zijin consortium acquired 50.2% of the shares of Minera Majaz, with an option of increasing its ownership to 89.9%. The legacy of violent opposition allowed Zijin to purchase the project for US\$ 182.3 million, well below the estimated US\$ 500-1,000 million value of the copper resource (Economist Intelligence Unit, 2007b). The company has changed its name to Río Blanco Copper S.A. The state has signed an agreement of juridical stability with Zijin Minerals, thereby ratifying its support for the project. In addition, Alan García, the President of Peru, emphasized his support for private development in a

speech in Piura where his comments were interpreted as support for the Río Blanco project. In September of 2007, a peaceful local consultation process was conducted in the Districts of Ayabaca, Pacaipampa and Carmen de la Frontera, under the control of the Rondas Campesinas and in the presence of national and international observers and the national and local media. While the consultation process proceeded with the approval of the municipalities involved and was supported by civil society and the population, the state declared it to be invalid and illegal. 98.3% of those who participated voted against mining. FDSFN claimed a participation rate of 66.1%, whereas the (state) Privy Council Office claimed a participation rate of only 55%, but even using the latter figure as a basis, results in more than half the population voting against a mine. A state attempt at re-establishing a dialogue in December 2007 failed when the Prime Minister refused to discuss the results of the local consultation, at which point the FDSFN representatives left the meeting.

On December 27, 2008, the national government proclaimed Supreme Decree No. 024-2008 of the Ministry of Defence allowing mineral exploration to take place within 50 km from the border with Ecuador and additional mining concessions were granted to the Zijin consortium, parent of Río Blanco Copper, extending the permitted area from 6500 to 27700 hectares. This will lead to the creation of a mining district (Todo Sobre Majaz, 2008f). This action is the subject of popular opposition that is reported to have led to the offices of Río Blanco Copper being set on fire on January 5, 2009 (El Comercio, La República, Correo Piura, 2009)

An NGO respondent in Lima mentioned that an official accusation of terrorism had been lodged against him by the Asociación Civil Frente de Unidad de la Comunidad Campesina de Segundo y Cajas de la Provincia de Huancabamba, an organization reported to be funded by Río Blanco Copper S.A. (conversation CL1). On October 23, 2008, the Defensoría del Pueblo issued a press release lauding closure of the file on accusations of terrorism and torture against 35 campesino leaders from the communities of Ayabaca and Huancabamba (Piura) and San Ignacio (Cajamarca), local authorities, and members of human rights organizations, in the Majaz case. The accusations were found to be unfounded. The associated accusations of delinquencies related to illegal association for the purpose of delinquency, promotion of delinquency, conspiracy, co-action, abduction, and damages were referred to the Huancabamba Provincial Prosecutor's office for it to pronounce on the case (Defensoría del Pueblo, 2008). On October 4, 2008, the ex president of the Central de Rondas Campesinas de Huancabamba was attacked by people linked to Río Blanco Copper S.A. There was also an attack in a place called "cordillera" on the delegation of leaders of the Central Única Provincial de Rondas Campesinas, to try and prevent its reorganization. In spite of these attacks, the Rondas Campesinas of the zone were successfully reactivated (Todo Sobre Majaz, 2008a). On October 27, 2008, the Ministry of Energy and Mines announced that Río Blanco Copper S.A. had

submitted its semi-detailed Environmental Impact Assessment for its 2008-2010 exploration program ([www.minem.gob.pe](http://www.minem.gob.pe)). The mayors of Ayabaca and San Ignacio protested the non-inclusion of their provinces in the project's zone of influence, citing water quality and mining camp location concerns (Todo Sobre Majaz, 2008b). The former executive president of Monterrico Metals (previous major shareholder of Minera Majaz) who was British ambassador in Peru when the Río Blanco conflict was heating up was fined £ 111,691 for insider trading in Monterrico Metals shares. (Todo Sobre Majaz, 2008c).

The above information was distributed by the NGOs Fundación Ecuémica para el Desarrollo y la Paz (Ecumenical Foundation for Development and Peace) and Todo Sobre Majaz (Everything About Majaz). The latter is supported by the Red Muquí, an NGO that came into existence through the Tambogrande case. Both maintain active, up-to-date web sites and contact lists, demonstrating skilful use of modern communications technology to put forth their views. Interestingly, while government agencies, industry associations, and individual companies know my electronic coordinates, I did not receive any materials from them. Either my name did not find its way onto their mailing lists, or their communications strategies do not include e-mailings.

The type of conflict escalation surrounding the Río Blanco project is not unusual in Peruvian history. For example, Mallon (1983: 218-219) writing about conflicts in the Yanamarca valley between 1915 and 1918 observes: "...it was no longer possible to remain neutral. Every disagreement, no matter the subject or size, fed into polarization... And as each conflict fed into the next and the battle lines became clearer and clearer, it was as if the fuse had been lit on a keg of dynamite."

It is interesting to view the above descriptions in the context of the company's CSR strategy that can be found on its web site (<http://www.rioblanco.com.pe>, accessed 270209):

"Río Blanco Copper S.A. aims for a harmonious coexistence between modern mining, sustainable development, and conservation of the ecosystem through an approach it calls "Integral Development Model" that is based on the following principles:

- Ensure compliance with Human Rights; conservation of the environment; occupational safety; and respect for the customs, values and traditions of the neighbouring population.
- Promote strengthening and creation of capacity such as technology transfer that leads to the generation of a sustainable, competitive economy that is independent from the company.
- Encourage local and regional development generating synergies between the interested parties through a participative process that involves the population, suitably prepared, as managers of their own local development. Maintain dialogue, permanent consultation

and the participation of the communities, the State, civil society, public and private institutions and other interested parties

- Prevent and safeguard the neighbouring population from any risk that our operations could pose to its health, safety and wellbeing.
- Require that contractors, subcontractors and their workers strictly comply with the Code of Conduct that sets the standards for the relations between the company, its employees and the contract companies with the members of the neighbouring population
- Comply with labour standards currently in force, fostering its workers' skills and contributing to their integral wellbeing.”

The Integral Development Model will be accompanied by a Community Development Plan that, according to the website, is being implemented. No further details were provided. It is unfortunate that timing and availability made it impossible to meet with company officials.

The observations above provide a context for the analysis and interpretation of the data collected through the interviews in the Piura Region described in Chapter 5 of this thesis.

#### **4.4.4. Antamina mine**

##### **Introduction**

Antamina is a large operating mine that produces copper, zinc, silver, molybdenum and bismuth (Sanborn et al., 2007: 28). It was selected for the field study both because it represents an advanced stage of the mining cycle, and because the conflicts related to the mine have been much less intense than those surrounding the Río Blanco Project. A comparison between the two cases may shed light on the effects of mining stage and size and community characteristics on perspectives of government roles in CSR.

##### **Mine location**

The mine is located in the District of San Marcos in the Ancash Region, at a distance of 35 km from the city of San Marcos, the capital of the District, and about 165 km to the east of Huáraz, the capital of Ancash. Lima is situated at about 465 km south-west of the mine. The mine site lies in a high-relief geographical zone that is known as the Callejón de Conchucos, between the Cordillera Blanca (so named for its snow-covered peaks) and the Cordillera de Huayhuash, at an altitude between 4200 and 4700 m. above sea-level. See also the maps in Appendix 2. The mine is owned and operated by Compañía Minera Antamina (CMA), a consortium formed by Xstrata (Swiss), TeckCominco (Canadian), BHP Billiton (Australian) and Mitsubishi (Japanese). The city of San Marcos is separated from the mine by a mountain range and lies in a valley at an altitude of 2970 m. above sea-level (Sanborn et al., 2007: 28). Average maximum and minimum temperatures in Huáraz, which is at a

slightly higher altitude than San Marcos, are 23.9 °C and 7.1 °C, respectively ([www.accuweather.com](http://www.accuweather.com)). Photograph 1. provides an overview of the Antamina open pit.

### **Community characteristics**

In 2005, the population of the District of San Marcos was 12,735 and a 1998 study conducted on behalf of CMA counted 27, 714 people in CMA's zone of influence, 80% of which live in rural areas, and 84.1% speak Quechua as their first language. Most are bilingual in Quechua and Spanish. (Sanborn et al., 2007: 39). According to the same study, 3% of households were found to have at least one unmet need, the illiteracy rate was 23% overall and 46% for women and 70% of children suffered from malnutrition. These numbers have not changed much since 1998 and the United Nations Development Program report on Human Development for 2006 cites a 25% illiteracy rate, 17% of children of school-going age who do not attend school, and monthly per capita family income of S/ 250, or about C\$ 93 (Sanborn et al. 2007: 40). Most people are



**Photograph 1. Antamina mine. Partial view of the pit**

campesinos whose livelihood consists of subsistence agriculture. They have a complex relationship with the land and a web of informal mutual obligations still determines land use. The latter varies with altitude: cattle farming on low-quality grazing lands at high altitudes (sheep, cows) and agriculture with a variety of products at intermediate and low altitudes. This range of uses ensures a continuous flow of products for consumption and to a lesser extent for the market. The area has historically been isolated from the rest of the country (Sanborn et al., 2007: 39-41).

The maximum authority of the District consists of a mayor and municipal council that are elected every four years. The hacienda system was eliminated in the 1969 agrarian reform, but a family dispute between two rival hacendado groups has dominated local power structures until this day. In the urban area, social organizations have little involvement in public matters and are controlled by these rival factions. The Catholic Church, through its social works, is much respected and has considerable legitimacy. In Carhuayoc and Huaripampa, the two comunidades campesinas close to San Marcos, power is centred in the local communal authorities. People living closer to the mine have historically been involved in artisanal and small-scale mining that provided employment and used local services. They have much greater needs than the other communities and therefore had much higher expectations of a mine (Sanborn et al., 2007: 41).

Table 5 below summarizes community characteristics.

**Table 5. Principal characteristics of the zone of influence of the Antamina mine in the San Marcos area**

<b>Dimension</b>	<b>Characteristic</b>
Geography	Mountainous region about 430 km. from Lima
Demographics	Huari Province: 70,544 inhabitants San Marcos District: 12,737 inhabitants, Zone of influence: 80% rural
Politics	Absence of the state and political parties. Perennial struggle for local power. Political violence 1980-2000.
Culture	Majority campesino Quechua speakers. Andean cultural pattern.
Economics	Monthly family income S/ 250 per capita. Extensive cattle farming (sheep and cows), subsistence agriculture. San Marcos is the political and mercantile centre of the zone.
Social	Extreme poverty dominant. Households with unmet basic needs: 93%; illiteracy rate: 23%; 70% chronic child malnutrition. Majority lacks basic services; low social organization; legitimacy of the Catholic Church.

Source: Sanborn et al., 2007: 44

### **History and background**

The arrival of a mining company presented both opportunities (potential economic development) and risks (environmental and livelihood, the latter depending on company behaviour) (Szablowski, 2002: 258)

Centromin (Peruvian state mining company) had discovered, but not developed, a copper prospect in the area that was obtained in 1996 by CMA. The company committed to invest US\$ 2.3 billion by 2002, betting on the deposit being richer than expected. It had two years in which to confirm reserves, do a feasibility study and still be able to pull out without penalty. After a year of testing with positive

results, plans were made for construction of a mine, mills and roads, much of this at altitudes between 3500 and 4500 m (Szablowski, 2002: 53). Initial plans called for transport of mineral concentrates to port by truck using a road that runs through the Huarascán National Park or a new southern road that would follow the boundary of the National Park. Both options met with strong resistance from locals and environmental organizations. CMA listened and decided instead to construct a 300 km pipeline to transport the concentrate to port at an additional cost of US\$ 300 million. As a result, CMA passed from being considered a potential pariah in environmental circles to being an emblem of environmental conservation (Sanborn et al., 2007: 73). The many contractors involved were managed by trans-national construction giant Bechtel. A Community Relations Department was established and CMA publicly committed itself strongly to CSR. It faced the dilemma of having to decide the limits to its social spending. It should be enough to make a real difference, but not so much as to replace the absent state (Szablowski, 2002: 259). Raising US\$ 2.3 billion in financing was quite a feat, and was the largest single investment ever raised in mining in the world (Sanborn et al., 2007: 35). By accepting equity and debt guarantees from the World Bank's Multilateral Investment Guarantee Agency (MIGA), CMA became bound by the World Bank Directive on Involuntary Resettlement. The purchase of land on which to resettle residents was a key aspect of CMA's operation and it followed Peruvian law, which allows the state to expropriate the land through a mining servitude if no agreement with land holders can be achieved. Companies often use the servitude as a symbolic threat to coerce land owners into selling. (Szablowski, 2002: 259). The initial resettlement plan contemplated a land-for-land exchange, with the company building the houses and paying for moving costs. The provision of local development projects was planned as an activity separate from the land purchase process, and US\$ 6.1 million was earmarked for this purpose. While MIGA had not yet established formal review procedures, an agreement was signed in 1999, and MIGA used its 'best professional judgment' in applying approval criteria. It transpired that neither MIGA nor the independent authority it contracted for parts of the assessment had staff with social science experience and that the key deciding factor had been an assessment of the participatory processes in the resettlement planning.

According to locals interviewed by Szablowski, CMA staff who conducted the land purchase negotiations were often asked for additional information on the project by campesinos and on what to expect and the answers they received may have been too optimistic. The campesinos received what was considered to be a high price for the land and assurances that the land sold would be replaced with land in the resettlement area. They were also promised development projects and secure jobs at the mine, the latter being an overly optimistic promise, considering the skills required and the technological nature of modern mines. The servitude threat was mentioned by CMA staff and many campesinos judged the cost of accepting CMA's offer to be less than the cost of having to fight the

state to obtain a price that would most likely be lower. Some conflicts were resolved by the company agreeing in writing to its resettlement and development promises. Both campesinos and CMA seemed pleased with the way the land purchase process worked out. The Community Relations Department managed to obtain title to the land, maintain the popularity of the company, and stay within the budget.

Unfortunately, things went awry during the execution of the resettlement plan. Unbeknownst to the Community Relations Department, the project design plan had been modified and the lands originally marked for community resettlement were appropriated by construction. The construction group confronted what they considered to be 'illegal invaders' who were actually discovered to be people moving to the resettlement land that had been assigned to them. Also, the project redesign forced Community Relations staff to speed up the schedule for the move of *puna* (high altitude pastureland) residents from months to weeks. CMA came up with the solution of providing a US\$ 33,000 cash settlement to each family residing in the areas purchased by the company, and evictions were conducted by a judge accompanied by police and a CMA representative. From then on, CMA was considered to be a traitor. Insult was added to injury when it transpired that nearly the entire workforce employed during construction was imported and that the mine did not buy locally. To top it off, CMA's investors put promised development projects on hold and it turned out that the way in which the US\$ 33,000 cash payments were assigned had completely disregarded social structures linked to land use practices, and was based on a definition of 'residency' that did not make sense in the local context. This destroyed local social networks. Many campesinos had no experience whatever with large sums of cash, and no opportunities to invest it. Two years after these events took place both their money and their land had gone and they found themselves without means of subsistence. The situation described above has made it into the Harvard Business School Case Studies collection (Portocarrero et al., 2007). It has never been completely resolved and its repercussions continue to be felt to this day (Sanborn et al., 2007: 108). As compared to traditional mining, CMA has demonstrated a greater capacity to establish a vision for CSR; develop implementation strategies; recognize and correct errors; and seek dialogue and compromise with stakeholders (Sanborn et al., 2007: 101). Because of its considerable learning capacity, and having people that know how to anticipate situations, invest time and resources, and learn from their mistakes, it has had to deal with much less conflict than many other mines. However, the weak organizational structure and internal divisions of the community, especially San Marcos, also was a contributing factor in this respect. Ironically, this same factor made it difficult for CMA to achieve its social development objectives (Sanborn et al., 2007: 109-111).

CMA's CSR policy and additional information found on its web site (<http://www.antamina.com>, accessed 270209) are reproduced below:

## CMA CSR code

- “Respect the individual, his or her culture and his or her customs.
- Integrate company objectives with local, regional and national objectives.
- Recognize communities in the area, the general population and their authorities as valid liaisons to maintain a permanent process of communication and consultation.
- Commit to the sustainable economic and social development of the communities”

The underlying philosophy is stated as:

- **“Act responsibly from the start;** from the onset of exploration, the culture, values, environment and traditions of the local communities are respected.
- **Recognize “the population’s right to know”** and promote the means to facilitate access to and dissemination of information related to operations and their environmental impact.
- **Develop a consultation process** with members of the community and stakeholders to involve them in areas that affect their development, and discussions that are linked to the mining operation. Constant consultation helps to create an atmosphere of confidence and to build relationships based on credibility.
- **Inspire confidence** by means of appropriate behaviour and maintenance of good communication and by trying to fulfill every commitment or promise made to the community.
- **Promote participation by communities and stakeholders** in a project of shared development, while creating a more positive attitude toward operations. We should have external agents such as local communities, NGOs, regional and national authorities and social institutions participating in the management of community development projects.
- **Avoid paternalism and dependency;** instead, Antamina promotes a process of strategic planning with communities, respecting the autonomy of their organizations and opening a path toward their own development. This means that the strategies should consider plans that go further than the useful life of the mine and that the programs of community development can continue autonomously after the mine closes.”

CMA also lists a number of qualitative process achievements such as relationships and community decision making on its general web site.

The table below shows its project commitments in April 2008 in each of its priority areas ([http://www.apec.org.au/docs/08\\_ASCconf/023\\_DelaFlor\\_ppt.pdf](http://www.apec.org.au/docs/08_ASCconf/023_DelaFlor_ppt.pdf)). In the same presentation its Vice President of Corporate Affairs stated that CMA considers CSR to be one of its strategic drivers.

<b>Total Antamina Mining Fund Project Commitments April 2008</b>	
<b>Program</b>	<b>US\$ (Million)</b>
Health & Nutrition	28
Education	28
Institutional Capacity Building/Basic Infrastructure	50
Productive Development	14
Peace Reparations	0.7
<b>Total Commitments (110 projects)</b>	<b>120</b>

In its 2007 Sustainability Summary ([www.teck.com](http://www.teck.com)), CMA reported the following outcomes: "The stand-out medical projects include: establishing teams of mobile doctors, successful cleft palate reconstructions for 70 children, and an early childhood care and nutrition program involving 26,800 families with children under the age of three. To support the region's education system, AMF projects repaired 42 schools and delivered 10,935 desks made by local carpenters in the Ancash region. One production chain project generated its first exports of Ancash trout in 2007; this was one of 56 projects which drew from a budget totaling USD \$8 million. As required by Peruvian law, 50% of income taxes generated by the mine are distributed to regional programs through the Canon Minero Fund; one of AMF's institution-building projects assists municipalities and the regional government in developing projects and technical processes which make the best use of this Fund."

The above observations provide a context for the field study I conducted in the area.

## **5. Field Study Analysis and Interpretation**

### **5.1. Mining and CSR in Peru – View from the Centre: Perspectives Gathered in Lima**

#### **5.1.1. Introduction**

The material in this section is based on 11 structured interviews with host government officials (director general/director and immediate reports), home government embassy staff (commissioner level) industry representatives, CSR consultants and NGOs (some of which are closely linked to the Catholic Church), using the questionnaire described in Appendix 3 and a number of informal conversations. To guarantee respondent anonymity, the names of participating organizations have not been specified.

#### **5.1.2. Perspectives on mining**

Peru's history has been shaped by mining and in the words of an NGO participant "its dynamics continue to determine the country." The culture of mining is full of contradictions and ambiguity. While mining has brought electricity and roads to remote regions and the resources it generated have helped build schools, hospitals and other infrastructure, it has a historical legacy of environmental degradation and exploitation that has been "imprinted on the public mind", as one participant put it. Industry representatives tended to focus more on the upside, and NGO representatives and CSR consultants more on the downside, with government representatives' opinions placed in between.

The majority of respondents were of the opinion that mining makes a strong macroeconomic contribution to Peru. Government representatives remarked that mining is the only economic actor in economically challenged zones, and both NGO and industry respondents noted that it is the principal sector for the development of Peru. CSR consultants remarked that the current mining boom has created high public expectations for benefits and has intensified the public debate about windfall profits in this context.

The opinions expressed in the interviews and conversations by participants from all categories indicate that negative social and environmental effects both past and present significantly affect public attitudes towards mining in Peru. Industry and government respondents suggested that it would be possible to address anti-mining attitudes through the provision of information and through persuasion. Still, they suspected NGOs of manipulating communities and believed that the Catholic Church is against mining because it is ill-informed. Interestingly, in interviews and conversations with NGOs in Lima that have strong links to the Catholic Church and with Catholic Church

representatives in Huancabamba and San Marcos, all stated categorically that the Church does not oppose mining as long as it respects the dignity of the people in the communities and the environment. Industry and government representatives also remarked that drug traffickers may be generating community opposition to mining because they fear that mining operations would expose their drug routes. However, Díez Hurtado (2008: n.d.) notes that no definitive evidence to support this suspicion has been presented so far. Most civil society respondents saw the shortcomings of the state and companies (especially with respect to giving people a central place, and the historical lack of attention paid by industry to social issues) as the main cause of anti-mining attitudes. A government respondent explained the state's lack of attention to people aspects as a consequence of its tendency to view its role in macro-economic terms and therefore always giving the highest priority to investment promotion, often to the detriment of social issues and concerns. In his opinion, although the state needs to protect life, it is perceived to be an ally of the industry. Government is aware of some of its weaknesses: it has established a Ministry of the Environment and is paying increasing attention to social issues through the General Office of Social Management in the Ministry of Energy and Mines (Ministerio de Energía y Minas, MEM). There was an attempt to regulate CSR through a decree that, while not adopted by Congress, still has had a significant impact. The proposed decree No. 042-2003-EM (El Peruano, December 13, 2003, 257055-257056) would have required applicants of mineral concessions to meet the six basic commitments paraphrased below:

1. Environmental excellence
2. Respect for institutions, authorities, local culture and customs, and establishment of propitious relations with the population in the project's area of influence.
3. Maintain a dialogue and provide relevant information to the population in the area of influence
4. In case a mine will be established, develop an institutionalized frame of reference for local development that extends beyond the life of the mine.
5. Preferentially promote local employment and offer related opportunities for capacity building.
6. Purchase goods and services locally.

However, attitudes that are the results of a long history cannot be changed overnight and patience, persistence, and some demonstrable successes will be needed.

A government respondent commented that Ministry representatives are not yet taken seriously by communities. Interestingly, comments by government respondents, the academic literature, and newspaper articles indicate that there is a much higher degree of public trust in the Defensoría del Pueblo (the national ombudsman's office) than there is in the Ministry of Energy and Mines. Part of

this is to be expected as the former is not part of the executive branch (as is MEM) but as an autonomous constitutional agency reports directly to Congress and is not directly affected by government politics and influence peddling. Also, the Defensoría has its ear close to the ground through its 38 offices across the country and its opinions and recommendations are usually very well researched and respected by the media, the public, and Congress. These recommendations provide starting points and possible directions for actions by all actors and at the very least they provide substantial food for thought.

Not surprisingly, industry representatives tended to focus somewhat more on the upside of mining and view challenges from an operational perspective. NGO and Church representatives and CSR consultants tended to focus more on the human side of the equation, while government officials recognized the challenges but were somewhat optimistic about the progress that is being made. These differences in thought patterns reflect differences in situation, interest, mandate and background. However, they are not as large as one might expect. Of particular note is the observation that neither the Church nor the NGO representatives were against mining, contrary to assertions sometimes made by industry.

While environmental regulation was substantially strengthened in the 1990s, respondents in all categories mentioned that implementation is still weak. The creation of a new environment ministry as part of US Free Trade Agreement obligations was considered to be a good sign.

### **5.1.3. Perceptions of CSR in Peru**

#### **Definition and concept of CSR**

With respect to the definition and concept of CSR there were no significant differences of opinion between respondent categories. Salient aspects of the definition of CSR were considered to include its voluntary nature and the ethical connotations of “social responsibility” (note that interviewees in Lima did not include community members). According to government respondents, the voluntary character of CSR influenced the decision by Congress not to pass decree 042 (discussed above).

An NGO respondent observed that inclusion of the term “corporate” imparts a mistaken sense to the debate and he drew the attention to the responsibilities of all actors. In an ideal world, all actors’ actions would be driven by ethical conviction and each actor would make a responsible contribution using the material and other resources at his or her disposal. CSR consultants pointed out that this does not happen in reality and that, at least in industry, attitudes and actions cover a broad spectrum that ranges from considering CSR to be “just nonsense” to strong conviction and dedication.

## **The challenges of practicing CSR**

While there is a vast literature on CSR and a plethora of voluntary codes exists, implementation of CSR initiatives often presents considerable challenges, a number of which were referred to by respondents. For example, a CSR consultant remarked that problematic conflicts within communities often thwart a company's best intentions. Also, in this consultant's opinion, high community expectations coupled with centuries of dependency and paternalistic, clientelistic relationships often interfere with sustainable development projects that require a degree of self-reliance and endogenous initiative. It may take a generation to move from the present conflictive dependency culture and expectations to the development of collaborative, shared ownership, and this situation is exacerbated by the pervasive lack of trust in Peruvian society. This consultant therefore suggests that it is extremely important to try and deliver contributions in terms that are understood by the community, and then gradually work towards building a different climate. The same consultant also remarked that mine staff "on the ground" must keep operations going and, while head office may direct them not to create dependency (as the previous comment suggest), local situations are often not clear-cut and pressures are high. Controversies frequently arise between company management and its social department. The literature indicates that CSR has to permeate a company for initiatives to be successful. Industry respondents noted that not all exploration companies respect the idiosyncrasies of the area in which they work and that they need to increase their knowledge of culture and customs.

Successes that were mentioned include the disposition of certain companies (e.g. PetroBras) in the oil and gas sector (by a government respondent) and the performance of some national companies that have historically been very good in their social approaches, without much fanfare (e.g., Compañía Minera Poderosa, and Milpo when it was still small – mentioned by a CSR consultant).

Concerns mentioned included the absence in mining of successes like those achieved in the oil and gas sector; the risk of companies supplanting the state or undercutting local institutions intentionally or unintentionally; and a lack of clear goals and a disorganized approach by companies resulting in a lack of visible results. A government respondent commented that the state is partly to blame as it did not measure the impact of CSR; however it is now working on a scheme for ranking companies against CSR criteria.

A home government respondent also mentioned the lack of capacity and political will of local authorities to spend their sometimes copious *canón minero* funds wisely, and in a number of cases making spending decisions that work at cross-purposes with company CSR initiatives. For example, Compañía Minera Antamina is planning to improve sustainability by increasing agricultural

productivity, but the District authority's provision of well-paid rotating employment through public works programs is resulting in abandonment of the fields.

On the positive side, government respondents believed that CSR could make a difference in: promotion of increased transparency in both company and local community governance; company-community participative environmental monitoring; and establishment of associative partnerships for development (involving multiple partners). Industry suggestions included literacy; nutrition; increased agricultural production; and reforestation. An NGO respondent suggested that companies should strive for integrated local economic development.

#### **5.1.4. Perceptions of the host government**

Most respondents (industry most strongly) had a rather low opinion of the understanding of and attitudes of authorities at most levels towards CSR and towards the authorities' own responsibilities (it should be noted that national government respondents commented on their perceptions of lower levels of government). For example, industry respondents noted that many authorities especially at lower levels are often bad managers and do not understand CSR, for which reasons they fail to take advantage of the opportunities CSR offers. An NGO respondent remarked that, culturally, municipalities' battles with the central government predominate and that they can't even imagine that a company would be interested in anything but profits. Another NGO respondent and a CSR consultant were of the opinion that CSR allows the state to shirk its responsibilities thereby increasing the risk of unsustainable dependency on companies. The CSR consultant also noted that the lack of understanding leads to local authorities using "mining funds", be they from CSR or the canon minero, to replace their regular budgets and diverting the latter to other areas. In the long run, this undercuts the institutionalization of social benefit structures and risks making a community worse off after a mine closes than before it opened. One CSR consultant also noted that, because canon minero funds are much easier to lay one's hand on than company CSR funds, some corrupt leaders don't even bother using CSR funds.

#### **Institutional and governance challenges**

Industry respondents mentioned that people working in Peruvian government institutions lack the capacity and the knowledge to take advantage of CSR opportunities. Also the four-to-five year election cycle is out of phase with the 15-year "CSR cycle", and a government change is often accompanied by a change of officials in government institutions. This lack of institutional stability poses considerable problems and affects the sustainability of CSR initiatives.

It is not just industry that is worried about weak government institutions. One government official with whom I spoke was concerned that the national government is withdrawing and relying on industry to fill the gaps this leaves. For whatever reason, the political will to take action does not (yet?) seem to exist and the political agenda appears to be dominated by short-term considerations.

As Arrelano-Yanguas (2008a) argues, many government decisions in Peru are ad hoc and often not internally consistent. For example, one NGO respondent remarked that, while everyone knows that serious problems exist, action is only taken when an explosion occurs. Such was the case when violence erupted over the dispute about the distribution of *canón minero* funding between Tacna and Moquegua provinces in which 60 policemen were taken hostage by crowds. Prime Ministerial intervention was required for the situation to calm down, despite the fact that a report of the ombudsman's office almost a year earlier had anticipated this event (Púlsar, 2008).

### **Perceptions of actual roles played by host government**

Many respondents do not have a very positive view of governments.

CSR consultants and industry respondents remarked that local authorities tend to want to use CSR to make them look good, to gain support in their political battles with other levels of government or to maintain voter support and that most authorities above the district level, while favourably disposed towards industry, still take great care not to associate themselves with companies that have a bad reputation. As many mayors are elected with a fairly low percentage of the vote, their support base is weak and their political future uncertain which understandably leads to political opportunism, such as using *canón minero* funds for political purposes. In the view of a CSR consultant, the national government is mostly absent and lacks the will to solve problems. Where it does show some will it is incompetent, such as in the way it handled the occupation of the Tintaya mine and the Moquegua – Tacna dispute that was mentioned above. The same consultant observed that the Ministry of Energy and Mines is viewed negatively by communities, and perceived to be partial towards companies. It does not play a facilitating role and the Minister of Energy and Mines is not able to get issues resolved. Instead, communities call on the highest level, which results in the Prime Minister having to become involved in many conflicts.

Industry respondents mentioned that not all levels of government cooperate with companies, and because the national government has not developed the organizational mechanisms and competencies for coordination between levels, cooperation between levels is often poor. They also mentioned that the direct relationship of a company with a community is more important than its relation with the community's authorities. They also felt that governments should play a greater role in the provision of infrastructure.

According to an NGO respondent, there is no dialogue between the government and the Catholic Church and NGOs, and a lack of goodwill in providing information. According to an industry respondent, some officials even at lower levels mistrust NGOs and a former national government official had a similar feeling about the Church. Another NGO respondent commented that companies control too much of the investments and that the latter that do not necessarily fit into an overall strategy. There are no proper governance mechanisms to address this aspect.

Government officials remarked that there are many asymmetries in the relation between companies, communities and levels of government. For example, it is more likely to find a company president visiting a national government authority than a community mayor doing the same. At the regional level, relations depend very much on the President, and lower level government interactions with companies tend to be less smooth. They also noted that companies need a stable environment to create value and as the government is often absent, the only way they can achieve such an environment is by assuming some government roles. They said that the government is working on rectifying the problems identified above. The establishment of the Oficina de Gestión Social in MEM is a step in that direction.

According to most respondents (regardless of category), leadership and coherent policies are lacking at many levels. A home government official commented that, in spite of the decentralization and devolution of responsibilities to lower levels of government that took place over the past half decade, power is still concentrated at the national level. An NGO respondent indicated that the downloading of responsibilities to lower levels of government has not been accompanied by a corresponding transfer of skills and resources. For example, a home government respondent noted that specific capacity gaps are found in areas such as public administration and organizational and project management, while various industry representatives suggested that general education among authorities was a problem. The latter places less educated local authorities in a disadvantageous relationship with higher levels of government and companies. According to a CSR consultant, these capacity gaps could be readily addressed by allowing canón minero funds to be used for capacity building.

According to an NGO respondent, this lack of capacity and political will has serious social and environmental implication. For example, while the appropriate legislation exists, land and resource use planning (a responsibility of the lower levels of government) is not being implemented. This is especially worrisome with respect to land uses that affect the quantity and the quality of water available for competing uses. One NGO respondent noted that an area of land use in which the national government has been active, as part of its Free Trade Agreement with the USA, is a

controversial proposal to modify the way communal lands are handled, which would facilitate individual land ownership and ultimately mining access.

A CSR consultant mentioned that provinces and districts are responsible for the administration of social programs, which makes coordination across levels is difficult.

Finally, an NGO respondent and an industry respondent mentioned that all levels of government are affected by a lack of resources to do the job that needs doing and a government respondent commented that bureaucratic hurdles often add to the challenge. For example, in a particular case in which a unit was short-staffed and lacked needed expertise, bureaucratic rules did not allow it to bring in external expertise even though funds were available – this is particularly galling in light of the earlier comments on capacity gaps.

While government officials have begun to increase their presence at the community level, a government respondent believed that it may take some time to build their process and content credibility. Right now some communities look at these officials as “conejillos de Indias” (guinea pigs).

#### **5.1.5. Present and future suggestions for host governments**

The respondent comments described above contain a number of implicit and explicit suggestions for approaches host and home governments could take in relation to CSR. They are summarized below in terms of the general scheme that was presented in Section 1.7, Figure 4.

##### **Vision and goals for the role of business**

An NGO representative commented that mining companies are surrounded by a sea of societal irresponsibility, and that the state is “playing dead” (“se hace el muertito”) and expects companies to take on its responsibilities. In his opinion this places the companies in untenable positions and undercuts the credibility of the state. He observed that governments are responsible for over half the conflicts in the industry and that *GSR (Government Social Responsibility)* could be a very effective tool indeed. This suggests an important and perhaps unexpected role for governments: establish and implement a social responsibility framework for their own operations and institutions, thereby improving the world by starting with themselves and obtaining the moral authority to ask others to do the same and set a vision and goals for the role of business. The strategy recently published by the Oficina de Gestión Social does contain elements pointing in this direction. For example, it states that “the commitment of the General Office of Social Management implies ... [for it] to assume, in turn, best practices of government social responsibilities to develop a consensus between society and the state” and “... in addition to promoting in the [mining] Sector best practices of social responsibility

of the State as a whole, it has to ensure coordination with other Ministries...” (my translation from Spanish) (Ministerio de Energía y Minas, 2007: 8-9).

### **Framework conditions**

I understand the term “framework” as referring to a public, explicit set of formal and informal regulations, expectations, legislation, institutions and organizations that jointly define the boundaries to the action range of the various actors in CSR (see also Figures 8 and 9).

Suggestions related to this definition made by government respondents included “light” monitoring (maintaining an awareness of what is going on rather than more intrusive inspections) and “gentle persuasion” (e.g. meetings with company executives in which suggestions are made and pleasures or displeasures are expressed) by the authorities to help ensure that CSR initiatives once under way stay on track; the creation of government CSR certification schemes and provision of incentives such as those described in Section 1.7; establishing databases and tracking mechanisms for company CSR initiatives (governments could use this information in a variety of ways, for example to disseminate best practices; learning; decisions about the need for gentle persuasion); implementation of measurement and evaluation mechanisms; and exercising some sort of control (to avoid human rights abuses and manage conflict situations).

Various industry respondents were of the opinion that Peru should follow the example of Chile and implement a more comprehensive mining law that better integrates all mining-related activities (including CSR) into an overall framework (as defined above) to help improve the development and poverty reduction outcomes of mining. While they proposed a national framework for mining, business respondents would prefer no regulation in the CSR area, which they presumably would like to see stipulated within the framework. NGO respondents tended to be in favour of at least some regulation (e.g. of social practices and of prior free and informed consent protocols).

An NGO respondent commented that governments should fully implement and enforce existing resource development legislation and instruments (e.g. land use planning). According to this respondent the government seems to fear that mining companies will leave the country if it starts enforcing these laws.

Opportunities for incorporating CSR in the institutional processes of government and private organizations that were mentioned by NGO respondents include linking CSR to the participatory budget mechanisms that are in place (but not always implemented) at all levels of government.

The earlier observations on the challenges faced by CSR suggest that governments should provide a stable environment for CSR in mining, and ensure that its corresponding actions are coherent and strategically informed. Also, both NGO and government respondents noted that the

challenges associated with mining are affecting the governability of the country. This suggests that governments have an important role to play in helping to ensure the success of CSR initiatives; if only to ensure their own survival and to avoid killing, through neglect, the goose that lays the golden eggs (the latter metaphor would appear to be particularly pertinent for the gold mines in Peru).

### **Facilitation**

Facilitation need not be expensive and there are probably various useful initiatives that governments can undertake within their budget. A government respondent observation on company practices and skills implicitly suggested that there is much scope for host governments to assist companies by educating them about Peruvian society and by working with communities to affect expectations. Also, for government officials to be effective facilitators they need to have credibility and they should do whatever it takes to get rid of their “conejiillo de Indias” image.

### **Capacity building**

Most suggestions in this area mirror the capacity gaps noted earlier. A home government respondent noted the lack of capacity of local authorities to spend their sometimes copious canón minero funds wisely, and that specific capacity gaps are found in areas such as public administration and organizational and project management.

Industry respondents mentioned that people working in Peruvian government institutions lack the capacity and the knowledge to take advantage of CSR opportunities and that general education among authorities was a problem.

A CSR consultant thought that adult education could have significant payoffs that would include immediate application of acquired skills in the work and community environment, possibly increased local employment in the mine, and creation of a home environment for children that is more conducive to learning.

### **Coordination**

Government respondents suggested the establishment of mechanisms for coordination between host and home governments (for example in joint standards development), and for improved coordination between the levels of government in the host country and the creation of associative partnerships.

Industry respondents proposed CSR coordination with the government’s social programs system and improved linkages between CSR initiatives and the use of canón minero funds

## **Conflict agenda**

A government respondent proposed a conflict management strategy to help avoid explosive situations (with a complaints office as part of the strategy) and development of a capacity for transforming conflicts (transformative conflict resolution aims to transform both the parties involved in the conflict and the underlying conflict drivers – it is a “branch” of general conflict management theory and practice).

## **Anticipated future evolution**

The above suggestions were made on the basis of the present situation. Respondents were also asked about their thoughts about the future evolution of the role of host governments and their observations follow below.

A government respondent and a CSR consultant believed that the involvement of the authorities in CSR would wax and wane in tandem with economic factors such as commodity prices, levels of investment and the general economic situation. One government respondent anticipated greater government involvement related to an increase in the number and intensity of conflicts surrounding mineral exploration and mining projects. All government respondents, one NGO participant and a CSR consultant foresaw greater involvement of the authorities and increased legalization of certain aspects of CSR, a corresponding increase of the pressure on companies to perform and increased monitoring of participation. Government respondents anticipated future approaches such as increased creation of “dialogue spaces” (mechanisms that help parties sort out their differences) and competitions for mining rights against criteria that include CSR considerations. No respondent foresaw a dramatic change in government attitudes.

### **5.1.6. Perceptions of and suggestions for home governments**

Government, NGO and industry respondents mentioned that the U.K. and Switzerland have involved themselves in the local scene in some way and respondents in all categories saw Canada as an active player that is close to the problems faced by the mining sector. Its PERCAN (PERU-CANADA) program (aimed at building capacity in Peruvian government agencies) was mentioned repeatedly, as was the program’s mining toolkit. Various respondents mentioned that extraterritoriality considerations limit the degree of involvement of home governments.

Respondents in various categories suggested that mechanisms be developed for closer cooperation between host and home governments. Topics for collaboration that were mentioned include development of joint audit mechanisms; joint standards development; and adaptation of home country approaches to the Peruvian situation.

### **Related issues that concern industry**

During the discussion of the role of host and home government authorities, government and NGO representatives and CSR consultants raised a number of related issues that affect industry. These include the need for companies to develop an in-depth understanding of the complexities of Peruvian society; mistakes of many types made by companies; the need for industry to broaden its view beyond its own culture and fully participate in its surroundings; an emphasis on the moral obligation to use good CSR practices; the need to extend CSR to medium-sized mining, and the need to address the artisanal and informal mining issue.

### **5.1.7. Reflections**

The perspective of NGO representatives, and even some government respondents, on the actual roles played by governments was fairly negative in that they tended to identify gaps rather than achievements. Areas of concern related to leadership, capacity, enforcement of existing legislation, and lack of resources. As mentioned in an earlier section, such expressions of concern are at the same time suggestions for important government roles.

In summary, suggestions for additional government roles generally fit within the general scheme described in Section 1.7.

The NGO respondent who made the suggestion of focusing on *GSR* also commented that the use of the word “corporate” in CSR unfairly insinuates that corporations are “guilty” in some unspecified way – a very perceptive observation and corporations may be surprised to see it made by an NGO. A government focusing on *GSR* would lead by example, and important aspect of the leadership and vision category as shown in Figure 7.

It is perhaps not surprising that most suggestions related to framework were made by government and NGO respondents and involved a control aspect, however light. The framework-related industry suggestion focused more on an overall mining policy that would provide a suitable context for business and help make the population more mining-friendly. It would likely also give companies much discretion on how to approach CSR initiatives.

It is not surprising that both government and industry respondents made suggestions with respect to capacity building within government, as capacity gaps affect their daily operations. It is interesting that a CSR consultant made a well-reasoned suggestion for adult education. The social focus of his work with mining companies appears to have given him an appreciation of the benefits to be gained that has escaped the attention of company managers and government officials.

## **5.2. Mining and CSR in Peru – Communities Visited**

### **5.2.1. Introduction**

In the Piura Region, interviews were conducted in the city of Huancabamba (capital of the Province of the same name), in Sapalache (capital of the District of Carmen de la Frontera) and surrounding settlements – areas affected by the Río Blanco exploration project -- and in the city of Piura, the Region's capital. I conducted interviews with campesinos and local NGOs, in the towns of Huancabamba and Sapalache and surrounding settlements, and had five informal conversations with professionals and government authorities in the city of Piura. Four informal conversations with merchants and members of the public in Huancabamba provided additional points of view.

In Ancash interviews were conducted in the city of San Marcos, capital of the District of the same name, and in the communities of Carhuayoc, Huaripampa, Santa Cruz de Pichiu, and Huancayocu. The former two are within half an hour's drive by car from San Marcos, while the latter two are some three hours' drive away, close to the Antamina mine.

Table 2, Chapter 2 provides detailed information on the numbers of interviews and conversations in both Piura and Ancash.

### **5.2.2. Community characteristics**

The population of Huancabamba province is approximately 124, 000. Local respondents estimated the population of the city of Huancabamba to be about 10, 000 and that of Sapalache about 3, 000.. The entire district of Carmen de la Frontera has about 13, 000 inhabitants (Table 5, Section 4.4.4)

Huancabamba has a quiet and clean appearance. Houses are made from either adobe or a type of brick. Many are old, and reasonably well maintained. Most of the streets are paved with cement, cars are generally old, and three-wheel moto-taxis are a very affordable and common means of transportation within town. At the edges of town, the streets were not paved and the houses look less well maintained and all houses are made of adobe, whereas in the other parts of town there are more brick houses. Interestingly, up the steep slope right next to this neighbourhood, there are a number of brick dwellings. Living on these slopes is probably dangerous, as the likelihood of landslides in the rainy period is high and Huancabamba is sometimes called “the town that moves. While there is frequent landslide damage, so far no lives appear to have been lost. “

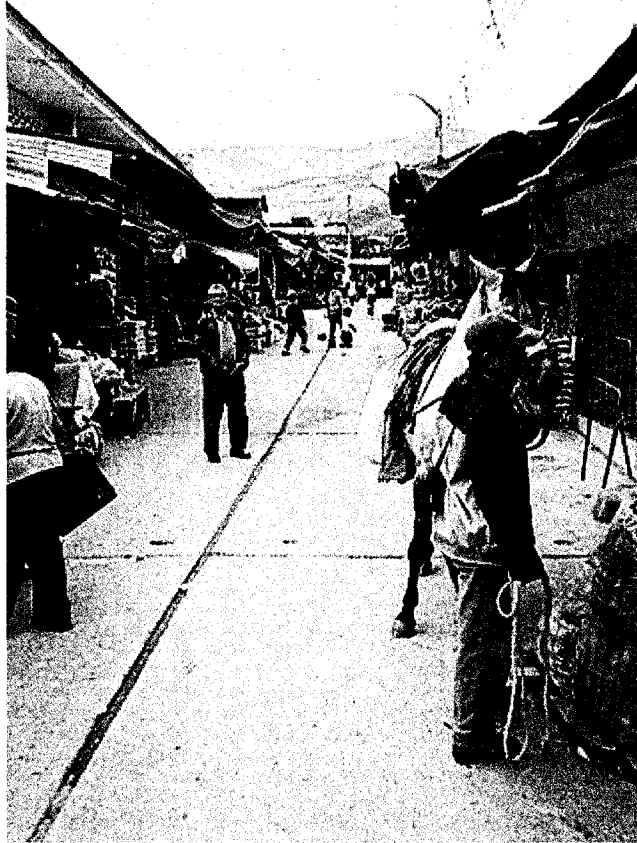
The photographs below show some of the landscape and the towns.



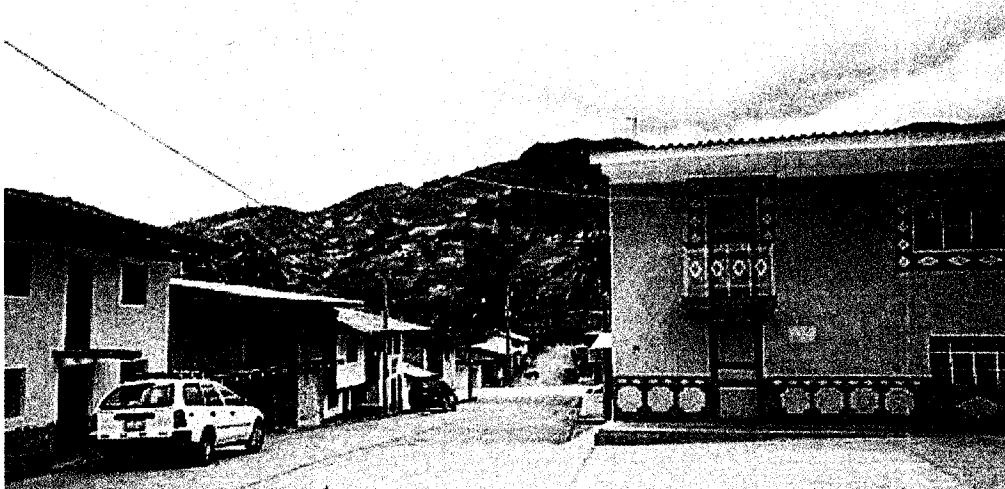
**Photograph 2. Main road into the city of Huancabamba**



**Photograph 3. Huancabamba main square**



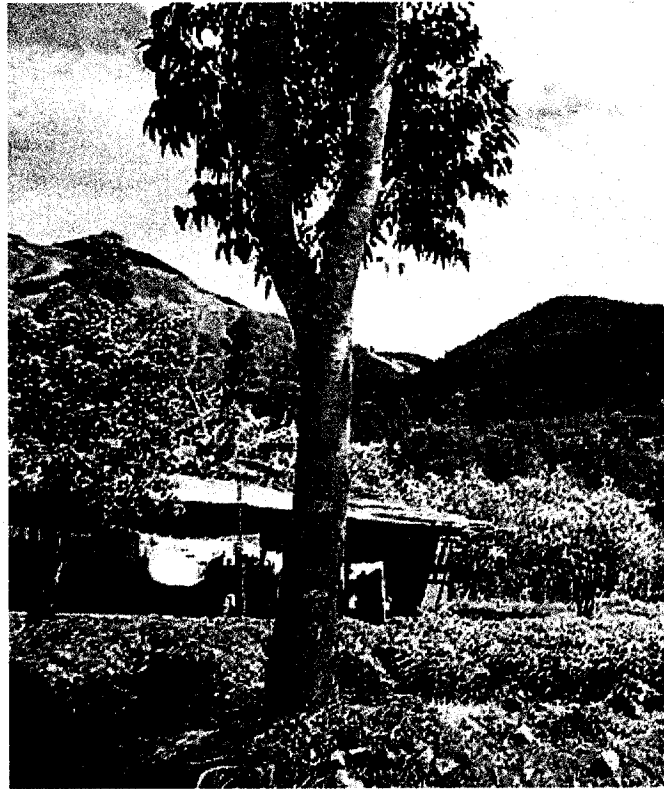
**Photograph 4. Market street in Huancabamba**



**Photograph 5. Sopalache Main Street and municipal building**



**Photograph 6. Sapalache and surroundings**



**Photograph 7. Sapalache area farm house**

According to respondents, the vast majority of the residents of this region are campesinos engaged in subsistence agriculture and cattle farming; other occupations include professionals, teachers, taxi drivers, merchants/businessmen and civil servants. Campesinos with whom I spoke say that most work small plots of land (chacra) that are not contiguous and they start the often long walk to their chacra well before dawn. Their days are spent in hard physical labour from dawn to dusk. According to a Huancabamba merchant, the agrarian reforms of the 1970s had a negative impact on local agriculture. The campesinos received small lots and did not have the resources and knowledge to develop these well, and the town never found its former swing. He believed that it should have been possible to bring up the level of expertise and transfer technology to increase agricultural production and create greater surpluses for national and international markets. In informal conversations residents told me that, while the air may be clean and it is safe and quiet in Huancabamba, life is very difficult without employment.

The soil is fertile, and there is sufficient rain. About half of agricultural production goes to market (city of Piura). While life is hard, the perspective of four out of the five campesinos with whom I spoke could be summarized as: “we are all poor, but nobody goes to bed hungry.” While government programs do supply a form of welfare to the very poorest, one NGO respondent commented that the S/ 100 monthly contributions provided to the very poor (a sub-set of the campesinos) by the state have created dependency and the state has not managed to convert this program into a development tool.

While the Río Blanco Project is located in the Province of Ayabaca, (see the maps in Appendix 2 for location details), Huancabamba city, the town of Sapalache and the settlement of Segunda y Cajas, all in Huancabamba Province would be very much affected by a mine. It is an early-stage exploration project that employs between 30 and 40 staff.

Of the four respondents who commented on community organizations three considered the Rondas Campesinas (see section 4.4.3) to be the most important, that are very influential and provide a sense of security and social stability. According to a respondent in the services sector, the establishment of the Rondas 20 years ago has made theft and vandalism disappear, and Huancabamba and Sapalache are quite safe now. The influence of the Rondas Campesinas was illustrated by the fact that I had to obtain their prior permission to conducting interviews with campesinos, to ensure my physical safety. Other community organizations mentioned include the “Vaso de Leche Committee” (that administers a state social program), a “comedor popular” committee (that provides cheap meals) and the Mothers Society. The Catholic Church is the only religious organization in the zone. According to various respondents it plays an important role in the community and is held in high esteem. It has organized an elaborate network to take care of pastoral

and social work in the towns and surrounding settlements and has founded the local cooperative, two colleges (now lay institutions), and the Centre for Production and Capacity Building.

When people have a general question, need or problem they talk to the Ronda, the Church, the municipality, the director of prosecutions, the judge of the peace or the police, depending on the case (arranged in decreasing order of response frequency). One respondent commented that the Ronda Campesina is not “for sale” as opposed to the police force that he did consider being for sale.

### **Ancash**

In Ancash, interviews were conducted in the city of San Marcos, capital of the District of the same name, and in the communities of Carhuayoc, Huaripampa, Santa Cruz de Pichiu, and Huancayocu.

The 2007 population of the San Marcos district was 12, 737 and that of Huari Province was 70, 544, and there were 27, 714 people in CMA’s zone of influence in 1998 (Sanborn et al. 2007: 44). According to local respondents, Huancayocu in the Ayash valley has about 5, 000 inhabitants distributed over 9 sectors. Numbers vary between sectors (reaching up to 700), and local estimates of the total number of inhabitants of the valley varied between 3,000 and 7, 000<sup>iii</sup>. With very few exceptions respondents classified the population distribution as “young”.

The major occupation in the zone, as in the Huancabamba area, is subsistence agriculture, with some campesinos also producing handicrafts. There are a small number of municipal and teaching jobs, and one respondent in Carhuayoc mentioned a micro-enterprise that is providing services to the mine. Very few people are on the mine’s payroll and many respondents reported that there are little or no employment opportunities. However, the District of San Marcos is using its copious canón minero funds to provide rotating employment in public works projects.

Community organizations that exist in San Marcos and surrounding settlements mentioned by respondents include a roundtable for achieving community compromise (mesa de concertación), health and environment committees, association of young leaders, sports club, sprinkling irrigation committee, and drinking water committees. One respondent reported that there are 18 community organizations in Carhuayoc alone and most people belong to at least one of these. There are no community organizations in Santa Cruz de Pichiu.

In terms of religious composition, locals estimate that 80% of the population belongs to the Roman Catholic Church and 20% to the Christian Evangelical Church, in contrast to Huancabamba where the Catholic Church is the only religious organization. One respondent commented that, as the Christian Evangelical Church does not allow participation in fiestas, some people may have joined it to escape the rotating burden of having to organize the local fiesta at often great cost.

When people have general problems, depending on their need, they seek local recourse (in order of frequency of response) from the local municipal governing authority, justice of the peace, police, local organizations, the health post, and the Church. One respondent in an outlying settlement commented that the traditional obligation of community members to provide mutual support still exists. Another respondent from that same community mentioned that a full general assembly of the community is also used to help resolve issues. The local governance authority seems to play a much more “direct” role than in Canada. As seen below, the long line-up in front of the mayor’s office building when he holds audience a few times a week demonstrates this point.



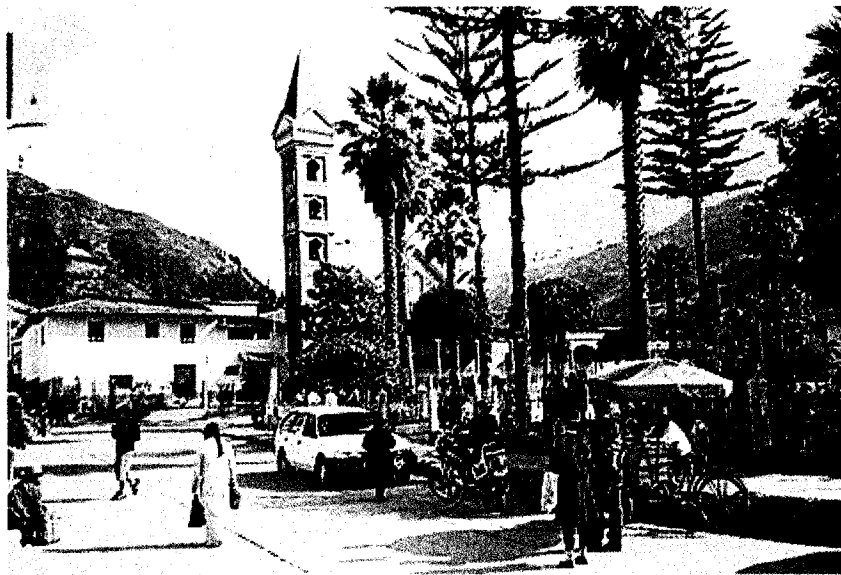
**Photograph 8. The mayor of San Marcos holds audience**

In the city of San Marcos there was much new construction, in which brick (“material noble”) was used rather than mud. In the outlying settlements, almost all houses are constructed using “tapial”, a construction method in which mud is taken from the hillside, wetted, and pounded into a wooden mould about one metre wide, one metre deep, and two metres long. Once the mud is dry, the mould is pulled up and the process is repeated. Local eucalyptus trees are felled to provide beams and rafters, and the roof is covered with roof tiles or corrugated metal.

One restaurant in San Marcos would not look out of place in Banff, whereas in Huancabamba such places did not exist. San Marcos had more, newer taxis than Huancabamba, and there were no moto-taxis. There were also more and newer half-ton trucks on the road than in Huancabamba and more people in San Marcos than in Huancabamba dress in “Western fashion”. Huancabamba women dress in dark-coloured skirt, dark-coloured vest or sweater, and black hat. They may have a braid, but many don’t, and they don’t wear a pollera. Huancabamba men wear dark jackets and pants, and a black hat. This contrasts with the traditional San Marcos dress: felt hat, braid, brightly coloured sweater, pollera (skirt with petty-coats) and tights, a woven shoulder sling to carry goods and/or a baby worn by many women; and felt hat, dark pants, jacket and shoulder sling worn by men.



**Photograph 9. House in Carhuayoc being constructed using the tapial method**



**Photograph 10. San Marcos main square**



**Photograph 11. Street in San Marcos**



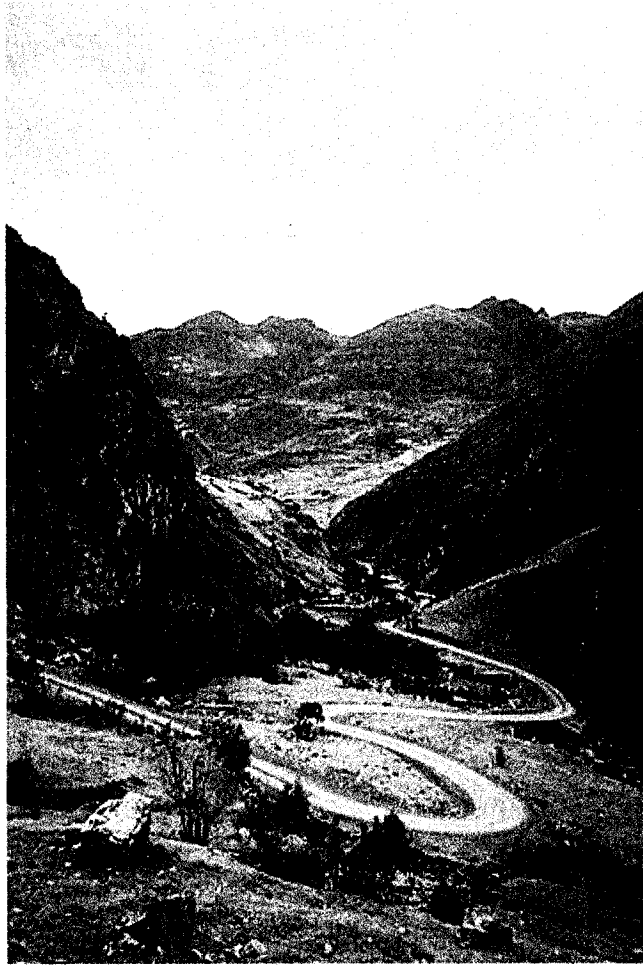
**Photograph 12. Carhuayoc Main Street and thoroughfare**



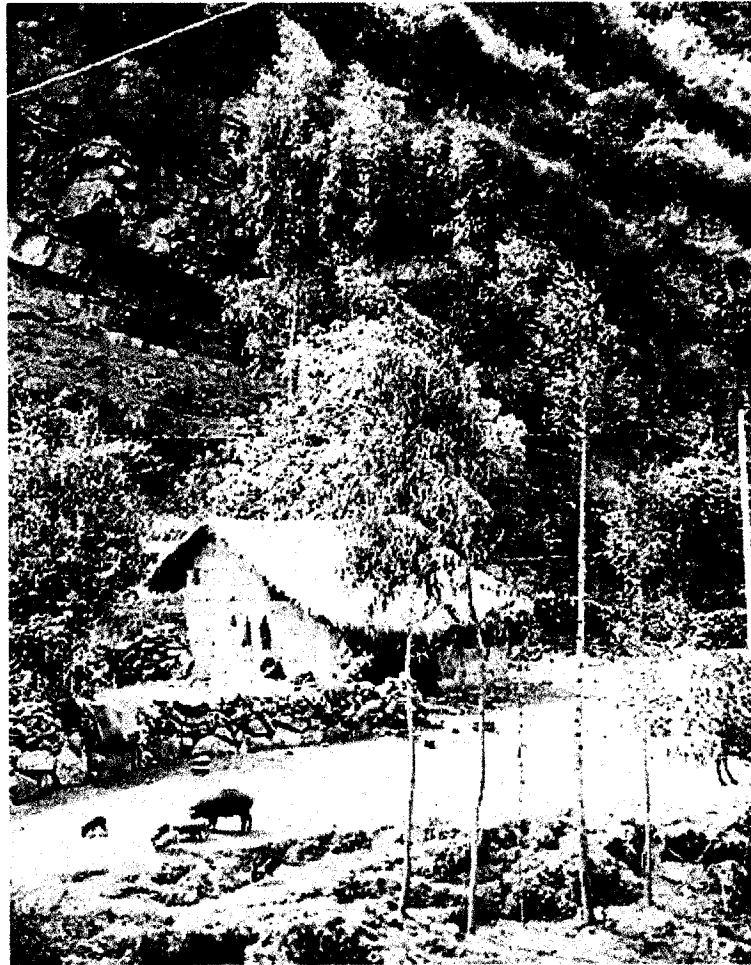
**Photograph 13. Carhuayoc and surroundings**



**Photograph 14. Huaripampa farmyard**



**Photograph 15. Entry into the Ayash valley**



**Photograph 16. Farmhouse in the Ayash valley**

I was advised not to talk to rural women without their husband being present whereas this was less of an issue in Huancabamba. San Marcos appeared less clean and organized than Huancabamba and in the outlying settlements extreme poverty was more apparent. Especially in the Ayash valley, people projected a sense of desperation. I remember an interview with a campesino in one of the smaller sectors of Huancayocu. The bench on which we were sitting was a plank placed on two boulders, propped up against the wall of his mud house. We were facing the town square: a meadow surrounded by some other mud houses. Poverty looked us in the face. He quietly talked about the decrease in yields, the reduced amount of water in the river, and the bleak prospects for the future. He said that many fervently hoped to be relocated to an area with better prospects – a kind of “promised land”.

The San Marcos area appears to be drier than the Huancabamba area, and the fields less green.

In summary, Huancabamba and San Marcos and their surrounding settlements are similar in size. With respect to community organizations, the main difference is the presence of Rondas Campesinas in the Huancabamba area that seem to provide a sense of unity and identity. While San

Marcos showed outward signs of greater prosperity (construction, vehicles, fashion), the surrounding settlements showed greater poverty than those in the Huancabamba area, possibly because of lower agricultural productivity.

### **5.3. Mining and CSR in Peru – Mining Activity and Community**

#### **5.3.1. History**

As discussed in section 4.4.3, the Rio Blanco project is at the early exploration stage and only a small number of exploration holes have been drilled. Campesinos with whom I spoke recalled that there has been strong opposition to the project that is inspired by people's fear of the environmental contamination that a mine would cause, thereby endangering their livelihood. There were some differences of opinion about the number of people who were in favour of a mine. Also, there was lack of information on what was being done and on what the impact of a mine would be, and the company did not involve the local population much. The march on the exploration camp that resulted in the death of a campesino who was killed by a police tear gas canister was an event that many remembered, as was the local consultation exercise that resulted in a resounding victory for the "no mine" vote

While most campesinos and some citizens expressed a strongly negative opinion about the Río Blanco project, and a professional representative questioned the tactics of the company and the project's legal and environmental aspects; government, business, professional and service respondents drew attention to the benefits a mine could bring. Some of those opposed to the project appeared unclear about its nature.

Unfortunately, no company representatives were available for interviews during August 2008.

The Antamina copper prospect had been known for centuries, and had been worked by artisanal miners and small mining companies. The prospect passed into the hands of Centromin, the former Peruvian state mining company that sold it to two Canadian companies in 1996. They invested US\$ 2.3 billion and as a result the Antamina mine is one of the largest copper producers in the world. It is now owned by a consortium of mining companies from Australia, Canada, Switzerland, and Japan.

Observations on the history of the Antamina mine common to respondents include its timing: purchase of the prospect by Canadian companies in 1996, start of construction in 1999, completed in 1992, and start of operations in 2003. The project raised sky-high expectations of employment, development, and prosperity that unfortunately did not realize. There was no strong opposition to the

mine, but people felt ambivalent about it. Many complained that they had not received sufficient information about what to expect, and CMA made a number of ill-thought out land deals that rankle people to this day and the consequences of which have not yet been fully addressed.

In addition to these common observations, different actors paid attention to different additional aspects:

Campesinos are closest to the land which may explain why bad land deals, road diversions without consultation, non-compliance with agreements and promises, the tailings pond in the Ayash River close to the community, cattle diseases, decreasing amount of water in the river, contamination of water and land, decreasing productivity and the results of blood analyses of community members were foremost on their minds.

Professionals and businessmen focused more on the strategic aspects, with one considering CMA to have become an ally in development. Specific aspects of note included: the fact that San Marcos was not prepared at all and the misunderstanding of the population that a mine has an obligation to develop.

Very few campesinos in the San Marcos area commented directly on the question about their overall view of the mine and most responses were provided by business, professional and mine representatives. There was not much meaningful differentiation in the replies. The San Marcos responses showed a strong degree of frustration with the mine, but no strong overt opposition. Mine representatives commented that, while social aspects are now completely integrated into the culture and practices of CMA, errors do occur. Particularly interesting was their comment that Peruvian culture permeates the company and that it therefore cannot escape the ubiquitous suspicion of anything Peruvian held by the population.

### **Huancabamba and San Marcos areas compared**

There is a considerable difference between the Río Blanco project and the Antamina mine in terms of what is alive in respondents' memories. The short history of the former is full of open conflict, with violent episodes, whereas the history of the latter is marked by an undertow of frustration rather than by much open conflict. The reasons for these differences will become clear from the responses to the following questions and will be elaborated upon later.

### **5.3.2. Economic, environmental, and social impacts**

#### **Economic impacts.**

The Río Blanco project, being at an early exploration stage with a small number of staff cannot be expected to have had a strong economic impact. This was confirmed by the campesino

respondents who either did not know or were of the opinion that there has been no or very little economic impact.

In contrast, the Antamina mine has been in operation since 2003 and one would expect there to be an economic impact of some kind.

Campesinos mentioned a number of economic impacts which they attributed to the mine. These include (in order of frequency of occurrence in responses):

- Decrease in agricultural production through natural causes or through contamination, and because sale of land to the mine
- An increase in the cost of living caused by the influx of canón minero and other funding into the area
- Creation of only a few jobs, with benefits going only to those working in the mine
- Work going to people from other regions, not to locals
- Few contracts with the mine, temporary construction jobs through subcontractors
- Purchase of land at too low a price
- Public works economic activity through canón minero projects organized by the District authorities
- Malnutrition, (indirectly attributed to the mine through the use of canón minero funds described below)

An NGO representative mentioned that the financial support CMA has given to the state and local governments (in addition to the canón minero taxes and royalties) has not yet produced visible results, other than having “bought peace” and allowing the mayor to claim credit. CMA’s CSR initiatives at macro and meso levels have not been successful and attempts are now being made at the micro level.

A CMA representative remarked that the District is using canón minero funds to hire campesinos on small public works projects, which is leading to abandonment of the fields and a decrease in agricultural production.

While other categories of respondents saw decreased agricultural production caused by people switching to work on canón minero projects as a concern, campesino comments on the use of canón minero funds did not touch on this issue. Perhaps this is not surprising, as the availability of relatively well paying work helps address a survival problem for campesinos.

I interviewed three professionals in the San Marcos area. I cannot describe their specialties, as this would risk revealing their identities. Professional respondents’ comments on the economic impact of the mine included:

- The establishment of small enterprises that serve the mine
- While canon minero funds are not being used very strategically now (mainly for small public works project without a long-term impact, and a large proportion of the funds remains unused), there is potential for using them to create jobs and important infrastructure in the medium term
- When the Canadian mine managers were replaced by Peruvians, the latter hired people from Southern Peru rather than from the local area – a missed opportunity for local development.
- The NGOs that executed CMA's CSR projects could have done a better job. Their lack of knowledge of this zone led to the failure of projects.
- Large development projects are needed and could increase agricultural production (e.g. irrigation systems)

The fact that a world-class mine that sells hundreds of millions of dollars worth of metals each year has had only a relatively minor economic impact on the zone may seem surprising at first. However, as was mentioned in Chapter 4, it is not uncommon to find prosperous mines in developing countries surrounded by people living in great poverty. It is beyond the scope of this thesis to speculate on which of the factors mentioned by Davis and Tilton (2005: 237-240; Section 3.1 of this thesis) are at play in the San Marcos area. However, the fact that a hi-tech mine employs only few, highly specialized people and does not generate much local employment; the difficulty of implementing successful CSR initiatives (remember that Shell had a success rate of only 30% in Nigeria); inappropriate use of canon minero funds; and local lack of capacity in many areas probably all contribute to the problem

#### ***Huancabamba and San Marcos areas compared***

The difference between the Huancabamba and San Marcos responses is considerable, as one might expect. The Río Blanco project is still at the exploration stage and is not yet generating a revenue stream. It is somewhat surprising that the huge size of the Antamina mine and of the canon minero fund have not led to a greater local economic impact. Reasons for this may include a lack of capacity to wisely invest canon minero funds, the high technology intensity of the mine that reduces labour requirements, and the lack of highly qualified personnel to work in a high-tech mine. The abandonment of the fields looks like the beginning of the "Dutch disease", a term that derives its name from the consequences of the discovery of natural gas in the Netherlands in the 60s that led to a wholesale shift of economic resources and activity into the gas sector and to neglect of important other economic sectors.

## **Environmental effects**

All respondents perceive there to have been only a small environmental impact so far. However, there is an almost “holy fear” of contamination of soil, water and air that would occur if a mine were to be put into operation. This fear is inspired by mining’s bad environmental legacy in other parts of the country. The local opinion contrasts with that of a national government representative in Piura who, based on a presentation by the company, does not foresee environmental problems with respect to a Río Blanco mine. Bebbington et al. report that the environmental damage caused by the proposed mine is unlikely to be as extensive as feared by its opponents, because the mine would be located on the Atlantic side of the watershed whereas most campesinos’ fields are located on the Pacific side. Also, the proposed technology and rock characteristics are much less polluting than those of many existing mines (Bebbington et al., 2007: 52). However, they point out that a Río Blanco mine would “open the floodgates” for many more mining projects in the zone, which would strain the zone’s water resources (Bebbington et al., 2007: 50).

Environmental effects of the Antamina mine mentioned by campesinos from Carhuyaoc, Huaripampa, Santa Cruz de Pichiu Atash and Huancayocu included water, air, and soil contamination and climate change. Many believed that this has led to decreased agricultural production and only one respondent suggested that there might be a natural cause for the latter. Concerns were also expressed about health effects, cattle disease and contaminated vegetables.

Other respondent categories commented on the disappearance of trout, certain insects and frogs. Environmental monitoring was considered to be weak but CMA found it impossible to get a community environmental sampling program going. The changes in landscape morphology and the dust from the explosions may have effects in the long term. According to one respondent, a baseline for blood chemistry data has to be established to understand the effects (if any) of the mine (this opinion was confirmed by an expert on metals in the environment who works at the Geological Survey of Canada). Concerns were also expressed about the disappearance of artesian wells and about removal of water from the ecosystem through the mineral concentrate slurry pipeline. While these are likely all very legitimate concerns, one respondent pointed out that s/he believed that the environment is often used as a “cover” to achieve other goals in negotiations.

Campesinos in the San Marcos area had a stronger perception of significant environmental impacts and their effects than had other categories of respondents because would be more directly and immediately affected by contamination. Current decreases in the productivity of agriculture and cattle farming are having an immediate effect on their livelihoods and even though a clear link

between these changes and mining activity has not been demonstrated, it is natural for them to be concerned.

Professionals and NGO representative had varying opinions as to the causes of environmental changes with some ascribing them to natural causes and others to the mine.

In view of the small size of the Río Blanco project as compared to the Antamina mine, it is not surprising that campesinos in the area of the former had not yet seen any environmental impacts. In spite of its huge size, the Antamina mine does not (yet?) appear to have produced the kind of environmental devastation so feared by the people in the Huancabamba area.

### **Social effects**

With one exception most campesinos said that conflict in the community had increased with the advent of the Río Blanco project. Some of the comments suggest that these conflicts originate either from differences of opinion on the desirability of having a mine in the area, or from confrontations between Río Blanco Copper personnel and opponents of a mine. It is interesting to note that the police estimate of the proportions of the population in favour and against a mine is 70/30, quite different from other respondents' estimates and from the results of the local consultation exercise that was described in the previous chapter. This may confirm the wisdom of the Spanish saying that nothing in this world is true or false – everything depends on the colour of the glass through which you look (“En este mundo nada es verdad ni mentira – todo depende del color del cristal con que se mira”). Both the local consultation exercise and respondent comments suggest that the proportion of people in favour of a mine is relatively low. At the same time, it appears to be high enough to cause considerable tension in the community. In his analysis of the conflict, Díez Hurtado (2008, n.d.) attributes this tension to the high degree of polarization on the issue, the tactics used by both the Rondas Campesinas and the exploration company, and the types of media coverage. It is unfortunate that time and circumstances made it impossible for me to identify people in favour of a mine to obtain their perspectives for this study.

Most campesinos in the San Marcos area reported that there are conflicts with the mine, not amongst themselves. However, there have been very few direct confrontations but rather an ongoing friction caused by drawn-out unresolved situations. In the words of an NGO representative: “a sort of invisible suspicion (“desconfianza”) has taken hold.” Professional/NGO/business/CMA respondents cited a complex mix of circumstances affecting the community. These include lack of unity (influenced by a rift between two powerful family groups), community dynamics (e.g. people are

quiet and don't speak their minds), the polarizing effect of the inequitable flow of canón minero funds into the community, disparities in the distribution of wealth, the arrival of newcomers, lack of preparation, and party politics (APRA against non-APRA). The San Marcos area definitely cannot be called "happy".

In addition to echoing many of the observations above, specific comments made by NGO and professional respondents referred to quite obvious changes in the social and economic environment related to the presence of the mine. Material indicators mentioned include increased car ownership, Internet, telephone, increased cost of living and income disparities. While really being economic indicators, these were mentioned by respondents because of their social "overtones". Social changes mentioned include increased egoism and everyone battling for himself or herself; a consumer mentality; and little attention being paid by the general population to education and health. Challenges for the local communities that were identified include lack of cultural preparation for dealing with money; lower priority being given to water and sanitation than to fashion and cars; conflicts about work, money and opportunities with the authorities in the settlements (mostly resolved locally); and a sense of entitlement rather than a sense of responsibility.

Another professional respondent commented that party political polarization made it impossible to establish a "mesa de concertación" and to establish Rondas Campesinas. One professional made the very interesting comment that CMA is influential and that, by setting an ethical example, it might help stem the tide of ethical deterioration in Peruvian society.

### ***Huancabamba and San Marcos areas compared***

The social environment is important, both because its quality affects the ability of community members to achieve their potential and because it is an important determinant of development. It constitutes one of the most important components of identity, which plays an important role in economic performance (Akerlof and Kranton, 2000; Akerlof, 2008)

Both the Río Blanco project and the Antamina mine have had significant but very different impacts on the social environment of the surrounding communities. Relations between the Río Blanco project and the surrounding communities are characterized by a high degree of polarization that has penetrated the community, that has had a considerable effect on social peace, and that has violent manifestations (for example, the granting of a recent "Decreto Supremo" by the state that allows Río Blanco Copper S.A. to expand its mining concessions in the provinces of Huancabamba and Ayabaca along the entire border between Piura and Ecuador is reported to have caused the company's office in the District of Carmen de la Frontera to be set on fire on January 5, 2009 – El Comercio, La República, Piura 06/01/2009).

The relations between CMA and its surrounding communities are completely different in nature. There is hardly any polarization and while the relations between the mine and the communities are not cordial, they are not overtly hostile either. However, there is an undertow of frustration with the mine and a strong feeling that it has not met its obligations. The relation is ambivalent: people speak badly about the mine and its managers, but at the same time they will do anything to procure employment for their offspring in the mine...

The situation in the Huancabamba area is much less complex because of the small size of the Río Blanco project and the higher degree of unity, and the presence of more powerful community organizations may have contributed to more overt conflict between Río Blanco Copper and community members, and between community members with different opinions on the desirability of a mine.

Also, the difference in Río Blanco Copper and CMA tactics may be a contributing factor. Río Blanco Copper's tactics are reported to have involved a confrontational style, the company has been accused of dishonesty, and its management team is reported to have zero credibility in the community. In contrast, while CMA has made mistakes, it has publicly recognized its errors and sought ways to improve. The Canadian management team that started the mine was held in high esteem, and so is CMA's present CEO.

An additional factor is the difference in histories: the communities in the San Marcos area had high expectations of development and prosperity – a reason to support a mine, whereas the communities in the Huancabamba area have low expectations – they fear that the environmental effects of a mine might wipe out their livelihoods. An explanation of the difference in expectations is beyond the scope of this thesis.

### **5.3.3. Interaction between the community and the company**

The quality of the interaction between an exploration or mining company and the communities in its zone of influence is exceedingly important to both sides.

From a community perspective it is important because it affects the community social environment, as demonstrated above. However, it also serves to resolve conflicts and to create synergies that benefit both sides. For example, when interaction is good and productive, it is much easier for a community to articulate its concerns about company approaches it thinks may cause damage, or about opportunities it perceives to exist, and develop creative joint approaches to maximize benefits and minimize the downsides. It will also allow the community to effectively learn from the company while it is still there and use the skills thus gained for sustaining itself after the mine closes.

From a company perspective, good interactions with the communities in its zone of influence create operational stability and flexibility, essential ingredients for commercial success. It also enhances the company's reputation with its attendant benefits.

A company's approach to communities is governed by its CSR strategy, and I decided to gather communities' and other actors' opinions on CSR. Interestingly, few respondents in either the Huancabamba or San Marcos area knew or used the expression "Corporate Social Responsibility", and the few who did thought that the companies did not practice it or only practised it at certain levels. This observation illustrates the challenge of communicating between entirely different cultures, in this case the global mining culture and the Peruvian (mostly) community culture.

In the Huancabamba area, most campesinos believed that there is no communication between the company and the community. Related comments concerned the lack of provision of information and the difference in education level between company people and community members. One campesino accused Río Blanco Copper of selective communication only with community members in favour of the project.

Others (NGO representatives/merchants) were of the opinion that the company sought confrontation rather than communication and questioned its judgement and truthfulness. They accused it of lacking humility and not recognizing its errors and believed it now has an absolute lack of credibility. The change in ownership presented an opportunity to rebuild the relationship with the community that unfortunately was not used.

Various professionals in the city of Piura commented on the need for the Río Blanco project to have a local management team. One of them pointed out that there are huge cultural differences between and within regions and that managing the Río Blanco project even from the city of Piura would be a risky proposition, let alone managing it from Lima as is currently being done.

Unfortunately, no company officials were available for an interview. As a second best, I visited the Río Blanco Copper display in the city of Piura. It is well laid out and includes an instructive scale model of the zone surrounding the proposed mine area. The model clearly shows that drainage from the mine would flow towards the Atlantic and not the Pacific, therefore the water quality in Huancabamba and Sapalache would not be affected. However, the pipeline transporting the mineral concentrate to a Pacific port would run through El Carmen, Sapalache, and Canchaque, parallel to a road and a river for quite some distance. The water used to make the mineral slurry would be lost from the local ecosystem. While the display suggests that the mine would be surrounded by a 10,000 ha natural reserve, recent reports indicate that Río Blanco Copper S.A. intends to extend its

exploration zone thereby confirming its projection of a mining district (Todo Sobre Majaz, 2008d). While the display shows CSR project pictures (green crops, smiling children, people at work), the company's CSR strategy was not clear. Creation of employment was mentioned, although no information on the number of jobs to be created was provided. Not surprisingly, there was no mention of resistance to the project.

In the San Marcos District, all campesinos reported that there was communication between the mine and local communities, but many expressed frustration about the lack of results (i.e. they felt that the company is not living up to its commitments). One mentioned that frequent personnel changes at the mine are detrimental and that it would be better to have managers from Ancash or foreign managers.

Company representatives commented that the relationship with the community is not smooth and that there is not yet an ongoing interaction structure. However, CMA has programs that inform people about the mine and about upcoming activities such as aerial geophysical surveys of which they should be aware so as not to be surprised when an aeroplane starts crisscrossing overhead.

Others (professionals/business/NGOs) commented that most communication takes place through the communities' authorities and that, while communication is not intense, there is no animosity (not all campesinos might agree). One believed that the CMA community relations office is not deeply involved in the community.

A professional respondent considered CMA and NGOs to be guilty of unhealthy paternalism.

Respondent comments suggest that in the Huancabamba area, the Rondas Campesinas and the Catholic Church acted as rallying points for community action with respect to the Río Blanco project, with support from District and Provincial authorities. A respondent's remark that the Rondas Campesinas provided protection against the state was particularly interesting.

According to most respondents in the San Marcos area, communities commonly organized themselves for dealing with the mine through general assemblies in which the community arrived at a consensus as to the position to be taken by the local authority (mayor or president) in his negotiation with the mine.

The San Marcos area cannot really be viewed "as a whole", because it is not "a community". First, there is a considerable difference between the city of San Marcos and the surrounding settlements. Second, San Marcos itself is divided and appears to lack a coherent social fabric, and its present leadership has not been willing or able to change this situation. Finally, the settlements and

San Marcos have not coordinated their approaches to the mine. This may explain both the absence of major conflicts with the mine and the undertow of unease and frustration.

In the Huancabamba area, respondents were proud of the local consultation exercise that proceeded well and produced clear results, and of their success so far in thwarting the company's plans. On the other hand they knew that success (as they define it) is not assured and that it will be necessary to address organizational weaknesses. Campesinos identified both internal (division, lack of skills) and external (national government unwillingness to dialogue and violation of the law) challenges, as well as the difficulty of dealing with deaths resulting from confrontations.

Other respondent categories mentioned defending the environment; maintaining a sense of community; respecting the poor; and development using the community's own resources as challenges. Some drew attention to the huge power asymmetry between the community and the company (created by lack of education). Perhaps not surprisingly, the police considered lack of personnel to be a major issue.

It is interesting to note the difference in the perspective taken by campesinos and "non-campesinos" This is probably related to campesinos "are being the community", whereas other respondents form a small distinct subset of the community which makes it easier for them to "look in from the outside".

Issues mentioned by campesinos in the San Marcos area included (in order of frequency): little or no results; lack of dialogue and agreement with the company; the greater difficulty of dealing with the present set of managers as opposed to the previous foreign managers; deception of senior executives by their managers; employment; and community divisions and their effect on making joint demands. Only one mentioned a success: the establishment of a micro-enterprise in Carhuayoc to serve the mine.

Successes or strengths mentioned by other categories of respondents included the *canón minero* funds; the micro-enterprise referred to above for which CMA provided the equipment; the contribution of the mine to Peru; and establishment of well-functioning drinking water management systems in the settlements. Challenges or failures that were mentioned included understanding what a mine is; lack of qualified personnel; corruption; lack of employment; internal divisions; lack of success of CMA's CSR initiatives; CMA's lack of commitment to deal once and forever with the claims of the campesinos in its zone of influence; spending *canón minero* funds wisely (e.g. to build a good hospital, schools or a university). Interestingly, the NGO representative who mentioned that CMA's CSR initiatives had not been successful suggested that working with individuals rather than

with authorities or organizations might improve the success rate, an observation made by a CMA employee.

There was no clear consensus on the successes the community has achieved in its dealings with CMA. Campesino responses seemed to be somewhat more negative than those of other respondent categories, probably because their daily survival is more precarious and because the arrival of the mine exposed them much more to risk than it did members of other categories. They may have accepted the risks in return for the anticipation of a better future that they do not see arrive. They identified both internal (such as internal divisions, making joint demands) and external (employment, the mine) challenges. Other respondents' comments were less specific and also related to both internal (lack of qualified personnel, wise use of *canón minero* resources, corruption) and external factors (employment).

### *Huancabamba and San Marcos areas compared*

While in the Huancabamba situation two solitudes appear to be at war, in the San Marcos situation there appear to be bridges that could be widened and strengthened.

First, community characteristics (greater community unity and stronger organizations in the Huancabamba area) may partly explain the difference. When things get off on the wrong foot the Huancabamba circumstance may exacerbate the situation. On the other hand, when things start out well the same circumstance may lead to great success. Internal community division was considered to be a challenge in both the Huancabamba and San Marcos areas, as was lack of skills or qualifications. However, a business respondent and a professional respondent in San Marcos noted that there is a clear distinction between urban and rural areas and that there is not much understanding between the various communities in the zone, issues that were not raised in the Huancabamba area

Second, the difference in appropriateness of company tactics (reported ineptitude of Río Blanco Copper versus recognition of past mistakes and perceived positive attitudes at executive levels of CMA) may also play an important role.

Third, the Tambogrande precedent (discussed in chapter 4) undoubtedly influenced the stances taken by the various actors in Piura, whereas such a precedent did not exist in Ancash.

A fourth difference likely is the inherently greater complexity caused by the presence of a giant operating mine. As there already is a mine in the San Marcos area, this is not an issue to fight about with the national government. The development issues are also different: in Huancabamba it is still possible to think about endogenous development, whereas the presence of a foreign-owned mine in

the San Marcos area and its accompanying canon minero funds are important exogenous factors in development.

#### **5.3.4. Hopes and expectations**

Most campesino respondents in the Huancabamba area would like the company to leave but they were not certain about what will actually happen. One commented that, with better organization, the Rondas Campesinas might win yet, and another thought that the national government will decide the outcome. If the company would stay, more confrontations were expected to occur

Other Huancabamba area hopes revolve around dreamed-about changes in company behaviour that would include increased openness and honesty, deep dialogue with and respect for campesinos, and admission of mistakes. It was suggested that the only road to a “yes” vote in the local consultation exercise would be to start all over again, and for the company to dismiss the present management team. With respect to what might actually happen, a Huancabamba respondent considered there to be a high risk of a battle in which the national government would side with the company, and of consequent destruction of the community.

Professional and regional government respondents in the city of Piura believed the government would use legal and other mechanisms to make the mine happen and that with time and patience, there might be a mine a generation from now. Regional government officials expressed the belief that, while the Region does not have a mining tradition, mining would be very important for economic development of Piura. It would change the future of the country in terms of economy, infrastructure and advancement. An activist policy involving all levels of government that would include along with mine development infrastructure projects such as irrigation canals and social projects such as schools would be accepted by the communities. The president of the Region wrote a letter to this effect to the prime minister, in which he proposed the implementation of a sustainable development plan for the provinces of Huancabamba and Ayabaca through a Social Trust fund (Trelles Lara, 2006). However, the suggestion was not taken up by the national government. In the opinion of these officials, the dispute surrounding the Río Blanco project has become political, and opposition to the project has become a vote-getter. They considered communication and capacity building to be very important and believed that it may take a long time to overcome the resistance against the mine.

Campesino respondents in the San Marcos area have accepted the presence of the mine and most of their desires relate to what the mine can or ought to do to improve present and future aspects of their lives. They were ambivalent about whether their desires might come true, with a fair number expressing cynicism and frustration.

Desires of others included joint development efforts with the community; increased participation of people in projects and income; large-scale sustainable development projects; strengthening of capacity; and more contracting in the zone. Some noted that changes are occurring.

Compañía Minera Antamina sees development of tourism, agriculture, nutrition, and primary education as priorities and considers sustainability to be important. It has made a long-term commitment to CSR and has concluded that it needs to become involved at the micro level of the communities, as efforts at the macro and meso levels have not been successful.

### **5.3.5. Reflections**

Are there any lessons to be drawn with respect to the potential or actual roles of governments? The municipal and district authorities are close to community members and as such they cannot but be affected by community-company interactions. It is not surprising then that local authorities do get intimately involved in this interaction, and the subject has been a local election platform issue in both the Huancabamba and San Marcos areas. In an ideal world, the role of local authorities in company-community interactions would be linked to their intrinsic responsibilities for local social peace and prosperity. It is also important in terms of their political (and, perhaps regrettably, sometimes also personal) future prospects. Therefore the local authorities are an active and important component of the community-company interaction. The provincial authorities' role would focus on those aspects of community-company relations as they affect province-wide issues. Huancabamba provincial authorities presumably reasoned that agriculture is a more sustainable development option than mining.

A similar reasoning would apply to authorities at higher levels. On the assumption that governments at the regional and national levels are hoping to promote mining as an engine for development while maintaining social peace, they stand to gain from community – company interaction patterns that support the achievement of these goals. In fact, national government officials must have been thinking along these lines when they drafted decree 042 that calls for companies to establish propitious relations and maintain a dialogue with and provide relevant information to the population in the project's area of influence. How would they go about it? A possible approach could be similar to that used by the PERCAN (Peru-Canada) program when it organized a workshop for industry and government people in cooperation with a university in which participants learned about community-company relations (Díez Canseco Carrasco, 2008). The above observations would suggest a number of actions for authorities to contemplate: early involvement; creation of capacity

and opportunities for dialogue; respect; flexibility; creativity in developing options; and tailoring approaches to local circumstances.

#### **5.4. Mining and CSR in Peru – The Authorities**

The local perspectives on the roles of host and home government authorities were solicited in three areas: communication between authorities, communities and companies; *actual* contributions made by authorities; and additional contributions authorities *could* have made.

##### **5.4.1. Communication**

###### **Communication with communities**

Most campesinos in the Huancabamba and Sapalache area believed that there is communication between the community and the authorities at the municipal, district, and provincial levels. Most believed there is little or no communication at the regional level and a number of respondents made a point of stating that the regional government supports the Río Blanco project. No campesino respondent believed that there is any communication with authorities at the national level. Additional comments about this level included that the state got it all wrong; that it is absent; that it is defrauding the community; and that it supports the Río Blanco project. It is interesting that “supporting the Río Blanco project” was associated with not communicating, an indication of a high degree of polarization.

Other categories of respondents (NGO, merchants, and police) in Huancabamba were of the opinion that there is communication with the state. However, during a meeting of community representatives with the Prime Minister they concluded that a real dialogue was not possible and the delegation walked out. Their action was triggered by the refusal of the Prime Minister to put the results of the local consultation vote on the agenda. A national government respondent in the city of Piura commented that the Rondas Campesinas have too much coercive power, and another respondent in this city remarked that free trade agreement negotiations with China are affecting the attitude of Peru’s President towards the Río Blanco project (the majority shareholder of the project is now a Chinese consortium). He also pointed out that the communication of decisions on the awarding of mineral concessions through El Peruano (the Peruvian equivalent of the Gazette) is not effective, as campesinos don't have access to this state publication.

In summary, in the eyes of campesinos, communication between authorities and the community gets progressively worse going up the governance hierarchy, and a fault line appears to separate the

regional and national levels from the municipal, district, and provincial levels. The comments by other respondent categories seem to confirm the absence of real communication at the national level.

In the San Marcos area a similar picture emerged as in the Huancabamba area: the higher the hierarchical level of government, the less its authorities were perceived to communicate with the community. However, the fault line at the regional level seems to be less sharp in the San Marcos area than in the Huancabamba area, and more areas for improvement were suggested for lower-level authorities. It is to be expected that communication decreases with increasing hierarchical distance. However in the Huancabamba case, animosity creeps into the comments (also in replies to other questions) about the regional and national levels. This may be a consequence of the polarization spiral accompanying the Río Blanco project in which “otherness” has come to overshadow commonality (as illustrated by campesino comments like: “the state is defrauding the community” and a national government representative’s comment about “putting ideas into campesinos' heads”).

### **Communication with companies**

Perceptions of communication between the authorities and Río Blanco Copper S.A. were a reverse mirror image of those between the authorities and the community (albeit not as clearly cut): the higher the hierarchical level, the more communication between the company and the authorities. This is not entirely surprising, as authorities up to the provincial level are opposed to the project, while those at the regional and national level are in favour. It is always easier to talk with friends than with enemies.

An interesting specific comment was made by a respondent who mentioned that the company believes it doesn’t need to pay attention because it has the support of the national government. Alan García’s (the President of the Republic) public statement that opponents of a mine are like dogs in a manger, while it inflamed many people in the Huancabamba area, seems to support this contention.

Campesinos in the San Marcos area do not present a clear picture of the communications between the authorities and CMA: opinions vary widely, possibly because each of the leaders of the settlements and San Marcos interacts with CMA in ways particular to his constituency’s circumstances, and because there is only scarce information about the interactions at higher levels. The lack of results from communications with CMA mentioned by some campesinos echoes the comments they made when asked about the communication of the company with the community. This is not surprising, as their main communication channel was through the authorities.

A number of respondents in other categories suspected that CMA influences local leaders through privileged treatment of family members. In the words of one respondent: “the

communication between the authorities and the mine is *too good* at the municipal and district levels: the authorities seem to have gone over to the other side”. A mine employee commented that CMA handles its relations with authorities through a series of formal agreements.

#### ***Huancabamba and San Marcos areas compared***

There is a large difference between the Huancabamba area and San Marcos area responses. The picture presented in the former corresponds to a different stage in the mining cycle: there is no big company that has established a series of separate relationships with settlements and communities, and with the power to dispense favours and influence the local economy. Instead, a relatively small group of employees (albeit backed by strong foreign capital) and a structured community form the cores of two polarized camps: municipal, district, and provincial authorities have joined the “community camp” and regional and national authorities have joined the “mining camp”. Naturally this leads to a difference in communication patterns.

#### **5.4.2. Contributions (or mistakes) made by the authorities**

##### **Host governments**

Campesino responses in the Huancabamba and Sopalache area largely followed the same pattern as that of communication between the authorities at the various levels and the community, with a fault line at the provincial-regional hierarchical boundary with support received from authorities on one side of the fault line and no support from authorities on the other side. It is noteworthy that the interview question about the contribution of the authorities was interpreted as referring to the attitude of the authorities with respect to a mine and that being opposed to a mine was equated with support of the community and a contribution to the cause. This further illustrates the existing polarization. Other categories of respondents basically took the same position, explaining it as an outcome of politics at the municipal and regional levels. Other than “support”, specific issues related to contributions made or not made include: failure to take into account the risk of contamination; lack of provision of information on the consequences of a mine; unsuccessful meetings; and that the national and local levels are too far apart. An NGO respondent commented that the regional government had become entrapped in APRA politics.

As their complexity made it difficult to summarize the responses of campesinos in the San Marcos region in prose, they are summarized in Table 6. As the Table shows, there is no clear pattern and the tone of the remarks is rather “grumpy”, in line with the undertow of frustration to which I referred earlier. At the municipal level, positive contributions mentioned include negotiation, conflict resolution, meetings, agreements, establishment of an enterprise and obtaining facilities. Gaps were

identified in capacity building, provision of information and coordination. Various respondents blamed the mine for the lack of progress. Opinions progressively worsened with increasing hierarchical level without the break at the provincial-regional boundary that was seen in the responses to the questions on communication.

The comments by other categories of respondents, which focused mainly on district authorities, were rather critical and mentioned corruption; favouritism; lack of leadership, vision and strategy, incompetence; capacity gaps; and prevalence of personal agendas and power considerations over community interests. The comment on corruption supported the observation by a CSR consultant in Lima who mentioned that *canón minero* funds divert the authorities' attention away from CSR initiatives and act as a magnet for corruption as they are easier to manipulate.

The following citations of some specific comments illustrate the general tone:

“The mayor's function is viewed as the maximum authority, he (or she) is like the father (or mother) of the community. Unfortunately, the city is really being run by the city manager, who is a Lima refugee from justice; it is not possible to work with any authority in a disinterested way. All have to pay their election debts and all seek personal advantage; the establishment of the ‘voluntary contribution fund’ by the national government was a ridiculous abdication of its responsibilities; money corrupts, and mining money has corrupted many; there is no mayor who does not steal.”

#### ***Huancabamba and San Marcos areas compared***

Not surprisingly, there is a large difference between the responses in the Huancabamba and San Marcos areas. Most of this difference is a consequence of the difference in mining cycle stage and in community characteristics. In the Huancabamba area, the camps are strongly polarized on the issue of whether there should or should not be a mine, and opinions are framed within this polarization. The actions and attitudes of the authorities are judged in terms of their choice of camp – an epic battle between good and evil, with each camp painting the other as evil.

In the San Marcos area there is an operating mine with its accompanying power and inflow of money and increased risk of corruption, and the community's social fabric is weaker. The

**Table 6. Campesino responses to question 3.5.: With respect to issues related to the Antamina mine, what have the authorities (including the local mayor) contributed (or what mistakes did they make)?**

	#26	#29	#25	#22	#31	#28	#27	#24
<b>Interview /authority</b>								
<b>municipal</b>	President obtained premises and cafeteria. Has done much.	Could have done more. List of probes from 3.3 applies	President has not been able to contribute much, because mine didn't give	President suggested to establish a micro-enterprise – accepted and done	Support. Don't meet commitments. Lack of professionals. Provide little information. Not building capacity, little co-ordination. Negotiate, consult, handle conflicts	Mine has been too astute	Meetings, negotiations, agreements	Yes
<b>district</b>	Canón minero funds, skills	Could have done more. List of probes from 3.3 applies	Projects through canon funds	Nothing	Support. Don't meet commitments. Provide little information. Not building capacity, little coordination. Negotiate, consult, and handle conflicts.	Mine has been too astute	Little	No
<b>provincial</b>	Canón funds, skills	Could have done more. List of probes from 3.3 applies	Nothing	Nothing	Support, not present. Don't meet commitments. Provide little information. Not building capacity, little co-ordination. Provided legal stamp of approval.	Worse	Little	No
<b>regional</b>	Canón funds, skills	Could have done more. List of probes from 3.3 applies	No support	Nothing	Not present; recently support; political affiliation different from lower levels -> entrapment; Don't meet commitments. Provided little information. Not building capacity, little coordination.	And worse	Little, partial towards mine	Notary public from Huáraz contributed
<b>national</b>		Could have done more. List of probes from 3.3 applies	No support	Nothing	Not present: don't meet commitments; Provide little information. Not building capacity, little co-ordination. Only investment incentives.	And even worse	Nothing	Police never on our side

actions and attitudes of the authorities are judged in terms of their development outcomes, and many respondents appeared to be concerned by what they observed.

There appears to be significant scope for government authorities to improve the world by starting close to home. One interviewee asked himself the rhetorical question that can be paraphrased as “who will build whose capacity and how?”

### **Home governments**

Campesinos in the Huancabamba and Sopalache area believed that contributions had been made to the local consultation exercise by authorities from Belgium, the U.S. A. and Europe, specifically the U.K. One campesino mentioned that otherwise only NGOs had provided support.

An NGO commented that NGOs and Argentine, German and British governments had provided support, and that the creation of the Ministry of the Environment was spurred by the pressure of foreign governments and the negotiations of a Free Trade Agreement with the U.S.A.

A campesino in the San Marcos area commented that the former foreign mine managers were much better than the present Peruvian mine managers.

In other interviews in both the Huancabamba and San Marcos areas respondents either did not know or give an answer to this question, or said that foreign authorities had not made contributions. Foreign government actions, if any, do not appear to have been very visible in either the Huancabamba or San Marcos areas.

### **5.4.3. Suggestions for additional contributions by government authorities**

#### **Host governments**

As there were very few non-campesino responses in the Huancabamba and Sopalache area it is not possible to compare responses by category. Suggestions for additional useful contributions by authorities include capacity building; improved bottom-up dialogue, facilitation, public consultation; provision of information; better organization; and avoidance of confrontations. At a policy level, increased investment in cattle farming, agriculture and reforestation were considered desirable and a restructuring of the distribution formula for canón minero funds was advocated.

Many campesino respondents and a tradesman in the San Marcos area made comments covered by the list of probes provided in the interview guide (question 3.3, see Appendix 3), or specifically referred to this list: presence; support; impartiality; infrastructure investment; transparency; provision of information; seeking internal and external expertise; co-ordination of effort; negotiation; mediation; facilitation; conflict resolution; capacity building; regulation, incentives and sanctions for

companies; consultation; provision of legal frameworks (e.g. for agreements, CSR, community action); intervention with the company; intervention with other levels of government.

Other categories of respondents made more strategic suggestion that included: a vision; development of a joint strategic plan by the community, the authorities and the private sector; improved preparation of the community and the authorities; and large projects. Additional suggestions included pushing CMA harder to meet some of its commitments and a “governance school”.

### ***Huancabamba and San Marcos areas compared***

While covering some of the same points, the list of suggestions made in the Huancabamba area was much shorter than that in the San Marcos area. As with responses to other questions, this is to be expected because the issues are quite different in the two areas. In the former, the dynamics of the debate surrounding the choice of whether “to mine or not to mine” is the issue, whereas in the latter case it is development.

### **Home government authorities**

In both the Huancabamba and San Marcos areas, suggestions for additional useful contributions by foreign authorities fall into the following main categories:

- Strategic approaches (includes knowledge and technology transfer; markets, and changes in trade rules)
- Capacity building (includes education; preparedness for environmental and climate change; provision of scholarships abroad)
- “Supervision” of “its” companies (includes problem solving, especially in health ; interventions; arbiter of last resort; company audits; and representatives that verify company behaviour)
- General support (includes consultations; building a healthy mentality; problem solving, especially in health).

### **5.4.4. Development and CSR**

In terms of the conceptual model shown in figure 2, the Huancabamba area has chosen for an agricultural development path. However, there was no strong evidence of a well-articulated strategy that considers the tools, infrastructure and stakeholder networks necessary for socio-economic development, i.e. the community has not achieved the readiness short-term outcome. Respondent comments in the San Marcos area indicated that a development strategy is “in the works”, but it appears not to have been publicized or publicly debated as yet. While the canón minero funding is

being used for infrastructure projects, a number of respondents complained that these projects are not strategically linked to an overall strategy and some consider them to be designed the mayor's chance of reelection. Therefore, San Marcos has not achieved the readiness short-term outcome either.

With respect to the companies (see figure 3), Río Blanco Copper S.A.'s web site contains only a broad outline of a strategy and no information about implementation plans or achievements. Descriptions of the company approach in the literature and participant comments suggest that the company may not yet have fully integrated CSR into its management systems and therefore it does not appear to have achieved the internal readiness stage. However, changes of staff and ownership, and the inability able to meet with Río Blanco Copper S.A. officials make it impossible to draw definitive conclusions. CMA has incorporated its CSR strategy into its management systems and has achieved the internal readiness short-term outcome with respect to its own operations. It has selected target domains but appears to be running into problems with stakeholder engagement at macro- and meso-levels that are presently preventing it from moving to the external readiness short-term outcome. In addition, alignment between the company and community strategies is frustrated by community initiatives that lead to campesinos abandoning their fields, thereby working at cross-purposes with the company strategy of addressing malnutrition through improved agricultural production.

## **5.5. Mining and CSR – a Home government view: Opinions of Canadian Federal Government Officials**

The interviews took place in Ottawa in September and October. Participants were employees of Natural Resources Canada (NRCan) and the Department of Foreign Affairs and Trade (DFAIT) and were drawn from various levels in these organizations. Two of the interviews were conducted in a group setting, and two were with individuals (see Table 2 for details). The interview guide can be found in Appendix 3.

The responses were analyzed by interview guide question in terms of both consistency between departments and individuals, and in terms of content using spreadsheet summaries of responses as mentioned in the Methodology section.

### **5.5.1. CSR concept**

While different interviewees mentioned different aspects of CSR, there were no conflicting views and the total picture “adds up” to a view of CSR as a voluntary industry activity that goes beyond regulation, and that aims to meet international social, environmental, and human rights norms

and standards and to avoid doing harm. Interestingly, “doing no harm” is not found in many literature definitions.

Participants listed as benefits of CSR economic outcomes for communities; good practices; obtaining a social license to operate; and risk mitigation. They emphasized the need to adapt to specific local situations and to earn local government support

All participants believed that CSR has staying power. Reasons for their belief included increased expectations that have affected jurisprudence and precedence, and have led to a revision of benefits agreements and provincial mining laws - the terms and conditions of social acceptance have changed. Also, the ideas behind CSR have already existed for a long time and have been applied in Canada since the opening up of the North. Developments over the past 20 years such as the Internet and other tools, the “brand phenomenon” and globalization have made CSR mainstream and more organized.

Most participants were of the opinion that aspects of CSR will become regulated with time, and that both regulation and CSR will continue to evolve. Regulation is often driven by factors other than CSR and it will sometimes be difficult to trace it back to its origins. One participant cautioned that it is difficult to legalize prescriptive approaches for obtaining community assent and delivery of community benefits and that leaving some flexibility lowers risk. CSR is becoming commonplace, which in practice leads to “marketplace penalties” for non-adherence to standards that are becoming generally accepted. Through its effect on liability interpretations, CSR is also changing the legal landscape.

### **5.5.2. Government and CSR**

Participants held the view that in a narrow sense government’s role in CSR should not go beyond legislation and its application. However, they believed that the need for government to respond to citizen concerns results in a much broader role that includes promoting best practices, supporting industry initiatives, facilitation, dispute resolution, and capacity building. It was suggested that the government should not regulate on the international scene. Additional suggestions made in this respect relate to benchmarking, principles, information sharing, expectations related to investment support provided by government, government-to-government interactions, and consistency of company operations at home and abroad. There were no great differences of opinion between participants, and comments were complementary.

Government support for and involvement in industry initiatives such as the development of CSR codes by the Prospectors and Developers Association of Canada and the Mining Association of Canada was a specific example. Another was the series of public roundtables on CSR in the activities

of Canadian mineral exploration and mining companies abroad that was organized by a number of government departments and a multi-stakeholder advisory committee.

Participants contrasted a legalistic interpretation of the boundary between CSR and government responsibilities in which it is clearly defined by legislation and regulations with the reality that there is a huge gray area in which approaches are a balancing act that is strongly influenced by the particularities of a situation. They pointed out that there are gaps and overlaps on both sides, and that community expectations affect the position of the boundary in real situations. Institutions such as Export Development Canada and pension funds can influence companies to shift the boundary through their requirements for investment or investment support. As in previous questions, respondents' opinions were consistent and complemented each other.

Illustrative comments included the observations that, where government leaves a gap, companies are often expected to assume government-like roles; gaps also occur when companies are unaware of or deaf to community concerns, or when governments fail to enforce regulations thereby forcing companies to "self-enforce"; and that companies cannot fill certain gaps such as failure to ensure equitable distribution of benefits.

Participants were of the opinion that federal and provincial governments in Canada can do more to promote dialogue, update statutes and support industry in codes and standards, and that the various governments in Canada should improve their coordination. Matters related to securities regulations; materiality considerations and money raising practices should also be better coordinated. Somewhat surprisingly one of the participants commented that this is not a government role, which seems to be inconsistent with other responses to this and previous questions.

Participants believed that CSR offers advantages to governments. Some are intrinsically positive while others would be viewed negatively by non-government actors. The former category includes a complementary fit between regulation and CSR initiatives that makes mining more sustainable; filling capacity gaps and service to countries and peoples; and home country reputations. In a more pragmatic vein, CSR helps reduce the number of letters governments receive from NGOs. Examples of CSR aspects that only benefit governments and politicians included political benefits of CSR initiatives that make host governments look good, and allowing governments to shirk their responsibilities. The latter may have long-term nefarious consequences. The comments of participants were very consistent.

On the positive side there is an opportunity for productive synergy between CSR and regulations while on the negative side CSR may tempt governments to abandon some of their responsibilities.

### **5.5.3. CSR in the Canadian mineral exploration and mining industry**

Participants believed that CSR benefits from the regulatory and social infrastructure that is in place in Canada and that most Canadian companies perform reasonably well in CSR. Successes they specifically mentioned include Impact Benefit Agreements (in which companies negotiate a series of benefits with communities – these are confidential), Exploration Agreements (in which exploration companies sign agreements with communities that are tailored to the specifics of the case), and Memorandums of Understanding with first nations. For example, the PDAC and the Assembly of First Nations have signed an MoU in which they agree to work together in a number of areas of common interest). Weaknesses related to company reporting and disclosure and federal-provincial and inter-provincial issues and differences. Responses were consistent and complementary.

With respect to CSR in the overseas mineral exploration and mining activities of Canadian companies, especially in developing nations, participants remarked that situations can be very complex and open to many interpretations. Canadian companies are probably reasonably good but not world leaders in CSR (with a specific weakness in reporting). Also, the government considers it important to maintain Canada's reputation and will support companies to help achieve this goal. The definition of what makes a "Canadian company" was considered to be an important issue. Interestingly, some participants saw a role for the Government of Canada in ensuring that companies fulfil their promises and that their CSR projects are sustainable. This contrasts with the opinion of a participant who saw no role for government in CSR.

### **5.5.4. International dimensions of the role of the Government of Canada in CSR**

All participants agreed that it is possible to extrapolate Canadian CSR approaches abroad. However, various cautions apply. While Impact Benefit Agreements, Conservation Agreements and Exploration Agreements could be extrapolated, Canadian models were developed to address Canadian issues and therefore not all may be exportable. Also, it is necessary to "live through" the experience for an approach to "take hold". One should export only the processes and adapt them to local circumstances. An example is the aboriginal mining toolkit that is now being adapted in Peru and in Mexico.

Many participants believed that their Departments do not have a responsibility for the social behaviour of Canadian companies overseas, but one participant was of the opinion that "we cannot wash our hands of it and there is a clear case for stating our expectations". Participants in one of the interviews clarified their position by stating that there is a *role* but not a *responsibility* for the Canadian government. The *role* consists of responding to questions and concerns of Canadian

citizens. The *responsibility* to act lies with the host government at the appropriate level. Agencies such as Export Development Canada could withdraw their support in case of violations.

Pragmatic considerations that come into play include protection of the Canada brand, protection of Canadian companies and investments under certain conditions, and our value system. “Canadian-ness” of companies also plays a role. One participant cautioned that expectations should be such that they can be met, that our standards need to recognize international standards, and that one should remember that companies need to make a profit. She also noted that the public roundtable process on CSR in Canadian mineral exploration and mining operations overseas has had an impact even though the government has not yet responded to the Advisory Committee report.

With respect to the future “overseas Canadian mineral exploration and mining CSR landscape”, both the legal and regulatory frameworks and CSR itself were expected to evolve, and company performance to improve. The legal and regulatory frameworks were projected to mature, and CSR to become as mainstream as a self-regulating profession. Its human rights and legal aspects will have matured, and CSR will have been affected by technological evolution. CSR issues were expected to continue to change. Commodity price fluctuations were anticipated to exert pressure on CSR efforts.

## **5.6. Suggested Home and Host Government Roles – a Summary**

The explicit and implicit suggestions regarding home and host government roles have been compiled in Table 7 below. As noted in the text, criticism of government actions, or lack of action, implicitly suggest desirable actions. Such criticisms were converted into suggestions for action for entry into the table. The suggestions map well onto the categories summarized in figures 4 to 10 in section 1.7, and many provide more detail. A number touch on the core of the social responsibility concept, such as the suggestion that *Government* Social Responsibility is as important as *Corporate* Social Responsibility, if not more so. Many others are more pragmatic such as the suggestions to invest in cattle farming, agriculture and reforestation. It was interesting to note that some of the suggestions for home government roles made by Canadian officials were very similar to those made by Peruvian respondents, such as facilitation, dispute resolution, and capacity building. Interestingly, while there was no consensus, a number of Canadian government officials saw a role for the Government of Canadian in ensuring that companies fulfil their promises and that their CSR projects are sustainable. This would sound like music to the ears of the campesinos in the San Marcos area that made similar suggestions. The breadth and number of suggestions indicates that respondents believe there to be an important role in CSR for both home and host governments. I believe the suggestions in the “Visions, strategy and goals” category to be among the most important, as none of the other suggestions has a chance of success without a vision, a strategy and corresponding goals.

Leadership is an additional key ingredient. The field is complex and in constant flux, and sustained leadership is essential for progress.

**Table 7. Government roles suggested by participants. The levels and types of government considered to be responsible for a suggested role are marked in the appropriate columns. M=Municipal, D=District, P=Provincial, R= Regional, N=National, H=Home**

Possible role	Host					H	Comments
	M	D	P	R	N		
<b>Vision, strategy and goals</b>	X	X	X	X	X		
Take a strategic approach							
Take stock, decide on critical goals (presumably interdependent goals such as macroeconomic stability and growth, development, poverty eradication, and social peace) and implement a corresponding strategy.					X		
Provide leadership, a vision, and goals				X	X		
Develop a joint strategic plan involving the community, the authorities and the private sector		X					
Undertake large development projects		X	X	X	X		
Transfer strategic knowledge and technology; provide markets, and change trade rules					X	X	
<b>Lead by example</b>							
Develop and implement a <b>Government</b> Social Responsibility strategy – improve the world, start with yourself	X	X	X	X	X		National and District government develop, all implement
Dedicate the same effort to CSR as to the structural adjustment programs of the 90s					X		
Pay attention to social aspects, attend to people's needs	X	X	X	X	X		
Recognize and assume responsibilities	X	X	X	X	X		
Eliminate corruption, favouritism, prevalence of personal agendas and prevalence of power over community interests.	X	X	X	X	X		
Be transparent	X	X	X	X	X		
<b>Framework conditions</b>							
Ensure that CSR initiatives contribute to development objectives	X	X	X	X	X		
At a policy level, increased investment in cattle farming, agriculture and reforestation				X	X		
Provide infrastructure investment		X	X	X	X		
Institutionalize social benefit structures in synergy with CSR		?	?	X	X		
Link CSR to participatory budget processes that provide an opportunity for co-financing of development by the private sector		X	X	X	X		
Stabilize institutions to provide continuity		X	X	X	X		
Provide leadership and coherent policies					X		
Use canón minero funds better so that companies don't need to replace the state		X	X	X			
Restructure the distribution formula for canón minero funds					X		
Enforce existing legislation for land and resource use planning and others		X	X	X			
Implement measurement and evaluation mechanisms					X		

Implement "light" monitoring and gentle persuasion					X	X	
Establish CSR certification schemes and provide incentives					X		
Exercise some type of control	X	X	X	X	X	X	
Supervise companies (includes problem solving, especially in health ; interventions; arbiter of last resort; company audits; and representatives that verify company behaviour)						X	
State the Government of Canada's expectations regarding the social behaviour of Canadian companies abroad. This is a role but not a responsibility.						X	
Set expectations related to investment support provided by government, and promote consistency of company operations at home and abroad						X	
Regulate as necessary, apply sanctions or provide incentives					X		
Provide legal frameworks (e.g. for agreements, CSR, community action) and legitimize			X	X	X		
Establish mechanism to ensure prior free and informed community consent					X		
Establish a mechanism to ensure that mines comply with agreements and promises					X	X	
Establish a comprehensive mining law that better integrates all mining-related activities (including CSR)					X		
Influence company CSR approaches through requirements for investment or investment support from institutions such as Export Development Canada and pension funds.						X	
Improve company reporting and disclosure						X	
Update statutes						X	
<b>Facilitation</b>			X	X	X	X	
Be present and impartial; provide support					X		
Explain results of blood analyses of community members		?	?	X	X		
Provide information relevant to level of government	X	X	X	X	X	X	
Facilitate communication between the company and the community	X	X	X	X	X		
Promote early involvement; creation of capacity and opportunities for dialogue; respect; flexibility; creativity in developing options; and tailoring approaches to local circumstances.		X	X	X	X		
Conduct a real dialogue with campesinos and in general, improve bottom-up dialogue				X	X		
Facilitate productive meetings		X	X	X	X		
Conduct public consultation	X	X	X	X	X		
Intervene with companies						X	
Intervene with other levels of government.			X	X	X		
Provide general support (includes consultations; building a healthy mentality; problem solving, especially in health).						X	
Support industry initiatives		X	X	X	X	X	
<b>Codes and standards</b>							
Establish databases and tracking mechanisms					X		
Support development of industry codes and standards					X	X	
Extrapolate Canadian CSR approaches abroad, with caution and adaptation						X	
Benchmarking, principles, information sharing						X	
Ensure that Canadian standards recognize international standards, and remember that companies need to make a						X	

profit							
Promote best practices					X	X	
<b>Research</b>							
Research and propose CSR models for informal, artisanal and small and medium scale mining				X	X		
Investigate possible synergy between CSR and enhancing the self-image of Peruvians?					X		
Research use of local radio stations for information dissemination and capacity building		X	X	X	X		
Research the relation between community social environment, identity building and socio-economic success					X		
<b>Capacity building</b>					X	X	
Increase companies' knowledge of culture and customs			X	X	X		
Build strategic and administrative capabilities	X	X	X	X	X		
Understand CSR and what it can do	X	X	X	X	X		
Fill capacity gaps in areas such as constitutional matters; public administration, general and project management, and general education		X	X	X	X		
Give high priority to building appropriate competencies	X	X	X	X	X		
Adjust canón minero regulations to allow funds to be used for capacity building					X		
Provide adult education (for immediate benefits)			X	X	X		
Prepare communities so they know what to expect		X	X	X	X		
Develop qualified personnel locally for employment in the mine				X	X		
Develop general skills			X	X	X		
Teach understanding of development			X	X	X		
Provide cultural preparation for having and using money ( to avoid problems such as those associated with Antamina land purchases)		X	X	X	X		
Pay attention to health, including prevention of illness		X	X	X	X	X	
Develop meeting facilitation skills	X	X	X	X	X		
Seek internal and external expertise	X	X	X	X	X		
Establish a "governance school".					X	X	
Develop preparedness for environmental and climate change					X	X	
Provide scholarships abroad						X	
<b>Coordination</b>							
Establish a government policy of coordination between programs				X	X		
Set up a system for coordination of social programs with company CSR initiatives	X	X	X	X	X		
Establish associative partnerships	X	X	X	X	X		
Improve linkages between CSR initiatives and the use of canón minero funds		X	X	X	X		
Establish mechanisms for coordination between host and home governments - development of joint audit mechanisms; joint standards development; and adaptation of home country approaches to the Peruvian situation.					X	X	
Promote understanding between the various communities in the area of influence	X	X	X	X	X		

Better coordinate securities regulations; materiality considerations and money raising practices (that have an impact on company CSR strategies)							X	
<b>Conflict agenda</b>								
Institute an effective impartial arbiter function							X	
Seek peace with the higher level governments	X	X	X	X				
Develop a conflict management strategy (that could include a complaints office)				X				
Develop capacity for transforming conflicts				X	X			
Engage in dispute resolution			X	X	X	X		
Act as an arbiter of last resort							X	
Avoid confrontations	X	X	X	X	X			
Mediate				X	X			
Negotiate		X	X	X	X			

## 6. Conclusions and Suggestions for Action

This study aimed to obtain the perspectives of the actors on the role of host and home governments in the mineral exploration and mining industry and to gain insight into the effect of mining cycle stage and regional differences on these perspectives and on the dynamics surrounding exploration projects and mines, including the associated power relations. The narrative below summarizes the overall context, comments on the effects of mining cycle stage and regional differences and considers the power relations between the actors. This is followed by a summary description of the overall situation and suggestions for action that are informed by the results of my study.

Whether driven by ethics, risk management, or a desire to “take back” the agenda, the mineral exploration and mining industry appears to be coalescing around CSR as a survival issue, and the rate of industry participation is growing. The literature indicates that the interactions between the actors are affected by many factors including huge cultural differences, power imbalances, differences in motivation and internal community dynamics, leading to situations that can be very complex. In Peru, the idiosyncrasies of a conflictive society with a “trust deficit” are overlaid on this.

Many policy makers see a role for CSR in development and are acting accordingly. However, the literature indicates that, while CSR can make a contribution, there are many drawbacks to CSR as it is currently practiced. These include its instrumentalist focus, incompatibility between company goals and development goals, the risk that government institutions are co-opted by industry and CSR’s current failure to consider the root causes that hamper development. In terms of strategy and implementation of CSR as a development tool, most companies have not yet moved beyond the internal readiness stage. However, progress has been made over the past decade.

In countries with weak governments that lack capacity, mineral exploration and mining companies often have no choice but to engage in CSR activities that are really the state's responsibility, because they cannot operate otherwise. The state is often all too happy for companies to take this on as they address some issues that otherwise would go unattended. However, this approach is not sustainable beyond mine closure and it undercuts the legitimacy of state institutions.

My findings indicate that mining cycle stage has a profound effect on both the perceptions of the role of governments and on the dynamics of the situation. In the early stages of the cycle, communities perceive that they can influence outcomes, which gives them hope – one of the strongest drivers of human action. This creates a powerful incentive for concerted action. Whether or not such action materializes depends on community characteristics.

National and international NGOs also perceive that they can influence outcomes, albeit not always in the same direction the communities have in mind.

Companies face a host of technical, political and financial uncertainties (will the exploration expenditure identify a sufficiently attractive deposit? Can we continue to raise funds on the stock exchange to keep us going? Will a sudden drop in metal prices shut us down? How do we navigate through the political, community and NGO minefield?). As they enter unknown territory, there is a high risk of making technical/geological, social or political mistakes and different companies hedge against these risks in different ways.

Local governments often don't know what to expect and may make decisions they come to regret later. The national government's attitude towards early stage exploration, like the communities' attitude, is also driven by hope, in its case for royalties and foreign exchange.

In the Río Blanco case, the communities identify with agriculture and they perceive the exploration project and subsequent mine as a threat to their livelihood. They hope to avert disaster and have mobilized accordingly. Local authorities' initial decisions were based on an incomplete understanding of what was at stake. They have since decided in favour of agriculture and against a mine. Río Blanco Copper/Majaz's strategy for obtaining a social licence to operate was not well thought out. Its former parent company paid the price when it sold the prospect to Zijin well below resource value, and the operators are paying the price by having to operate in a hostile environment. NGOs and the Catholic Church have aligned with the local authorities and the communities against a mine. The national government is determined to reap royalties and foreign exchange and, with the company, is gambling that it will be able to override local opposition by whatever manoeuvres are needed. The word "gamble" probably best characterizes the dynamics surrounding early stage projects: the company and the national government are gambling that they will strike it rich, the communities, local authorities, Catholic Church and NGOs are gambling that they will be able to

stop the tsunami in its tracks. Perceptions of the roles of governments are correspondingly influenced. Community members, the Catholic Church and NGOs expect governments to oppose a mine or to enter into a deep dialogue if they have problems with this and keep options open.

In later stages of the cycle the picture is quite different. A mine exists, it is generating income, taxes and foreign exchange, and the company has become a powerful actor locally and nationally. Communities and their allies have less influence on the future and less hope. The gambling aspect has disappeared. Battles (if they exist) are now about containing the company and extracting benefits. In the Antamina case, the communities initially accepted the prospect of a mine, driven by the hopes of employment and prosperity. Now the mine is well-entrenched and the communities are still figuring out how to deal with it. Expectations of local government relate to support with containing the company, and negotiating with the mine for various types of support and employment. For this reason, candidates for the mayor's position tend to run on an anti-mine platform that most drop once they get elected. Expectations of higher levels of government also relate to containment (through environmental and other types of regulation) and to ensuring that the mine meets its commitments.

With respect to regional differences, my study shows that the difference in characteristics between the communities surrounding the Río Blanco project and those surrounding the Antamina mine appears to have had a profound effect on the course of events. In the Huancabamba area, the existence of the powerful Rondas Campesinas has acted as a rallying force for the opposition to the Río Blanco project and, when combined with inept company tactics, has led to a highly polarized situation with violent overtones. In the San Marcos area the social fabric is much weaker and communities are divided amongst each other and internally, and they have not been able to provide an effective counterbalance to the mine. Ironically, the absence of coherent community structures has negatively affected company CSR initiatives that relied on actors at the macro and meso levels. For example, it was impossible to establish a community environmental monitoring team.

Organizations such as the Catholic Church and the Rondas Campesinas occupy a prime place in the power structure of communities, with the quasi-legal nature of the latter conferring considerable coercive power. They project this power outside the community by effectively interfacing with companies and authorities and by tapping into national and international networks of NGOs (for example, general assemblies of the Carmen de la Frontera Ronda Campesina are regularly attended by representatives from NGOs from Lima). They constitute formidable opponents. Communities in Peru have traditionally had problems drawing the attention of the national or regional governments and road blockades have become a routine tactic to garner such attention. The Piura Sierra has seen many road blocks and the promulgation of a Supreme Decree that has the effect of quadrupling Zijin/Río Blanco Copper's mineral concessions will likely result in more blockades to come.

Peru has many NGOs that are working on mining matters that employ talented and internationally recognized experts, and whose sophisticated communications strategies and international allies enable them to mount credible and often effective campaigns. They are a factor to be reckoned with, and the national government implicitly recognized their power when it proposed legislation that will limit the freedom of expression of international support organizations and that appears to be purposely vague to allow the government leeway to shut down NGOs it does not like (Fedepaz, 2008a).

In theory, governments ultimately derive their power from the electorate. In reality however, much of their power derives from overt and covert alliances and relationships that may be lubricated by funds skimmed off government revenue streams. The national government sees the law as an instrument of power and often relies on legal manoeuvring to achieve its goals (such as contesting the claims of illegality of Río Blanco Copper's occupation of mineral concessions by the Defensoría del Pueblo), or through the use of the national police force (that sometimes is overwhelmed by demonstrators).

Companies backed by international capital that have a proven prospect have considerable power over a national government that needs taxes and foreign exchange. Their power over local communities partly derives from being backed by the national government in a legalistic sense (e.g. obtaining access to land), but can be a drawback in a psychological sense. Their real power over local communities starts once they begin generating revenue (remember that up to five years of work and considerable investment precede production): their economic power allows them to influence (some would say "buy") their surroundings. They also derive power from the education and skills of their staff, and from their technical and legal know-how. Large mining companies also exercise their power through intense lobbying at regional, national, and international levels.

The literature review and the participant responses paint a picture of a situation in perennial flux, an intense dance in which the many participants, while dancing to often different tunes, still exert an enormous influence on each other's steps. Many types of dance are going on simultaneously, quite a few likely akin to the dance of anger described by Lerner (1985). A veritable endlessly shifting field of inequalities (Dirks and Ortner, 1993: 7), determined by an endlessly shifting dance pattern of power relations between: Río Blanco Copper and the Rondas Campesinas of Carmen de la Frontera, the mayor of San Marcos and community rabble rousers, San Marcos two family clans, Antamina and Santa Cruz de Pichiu, the national and regional governments and the Rondas Campesinas, the Huancabamba radio stations aligned with different camps, the San Marcos radio stations and the mayor, those who live in Huaripampa Alta and those who live in Huaripampa Baja, the national police detachment and the Rondas Campesinas, the Catholic Church and Río Blanco Copper, the

Piura Regional government and the national government, the urban and rural zones of the District, the pro and contra mining community members, environmentalists and developers, and on and on goes the dizzying power merry-go-round. A complex situation indeed that requires flexibility, creativity, attention to social interactions, adaptability, perseverance, patience, in short, any virtues one can muster. As the literature review and participant responses indicate, governments are active, important dance partners of which other dancers expect much. Also, if their dance is not well choreographed and they make a “faux pas”, they are as likely to step on their own toes and hurt themselves as they are to hurt others.

So what are host governments to do? The list of literature suggestions and participant expectations is long and choices have to be made. It is beyond the scope of this thesis to speculate on whether a government should regulate more or less, what kind of legislation it should pass, or what governance models it should adopt, as decisions on such matters involve political choices that are inspired by a government’s political situation and goals.

However, the context of CSR in Peru creates certain boundary conditions that need to be taken into account by any approach, and it is necessary to be fully aware of this context. It is clear that CSR is not well understood by officials in most levels of government and it appears that obtaining such understanding should be the first order of the day, as it would be needed to inform any of the other actions governments may take in this area. They also have to establish a presence, both to keep their finger on the pulse of the ever changing CSR landscape and to enhance their image and effectiveness as players.

Second, it would be good if they could develop a vision and goals for CSR, and identify leaders who could drive their implementation at various levels. Some of this has been started through the PERCAN program. Leadership has to start at home and, as the various levels of government in Peru have contributed (perhaps unwittingly) in a significant way to the conflictive environment in mining, the return on investment in putting its own house in order, i.e. implementing a Government Social Responsibility Strategy, could be very high indeed.

Third, governments are not alone in the world –their mandates and actions are interdependent. While it would be wonderful if all levels of government could work in synergy and achieve great things, this is unlikely to happen. However it should be possible to avoid working at cross-purposes. Land use planning and regional development strategies appear to be fruitful areas for cooperation that would benefit all, and to which company CSR initiatives could make constructive contributions. It would be important to establish appropriate coordination mechanisms to make this happen.

Fourth, they should use any and all means available to build and retain capacity at all levels both to improve governance and execution and to increase stability. Metal prices won't stay high forever and it would be important to dedicate sufficient resources now and obtain assistance from appropriate external agencies. The PERCAN program is partly addressing this, even though a participant commented that bureaucratic red tape has prevented Peruvian resources from being dedicated to this task.

Fifth, with the above more or less in hand, the national government can start to build a firmer contextual framework for CSR, and develop and implement a conflict management strategy. Section 1.6.2 mentions some of the benefits of a firm regulatory framework as a context for CSR that have been described in the literature.

Sixth, the above approaches should be institutionalized into stable structures with built-in continuity to ensure that meets the needs of the 15-year "CSR cycle".

This may improve the image and capacity of governments sufficiently for them to assume an effective facilitation role, but the task will not be easy. The challenges faced by CSR are strongly linked to the idiosyncrasies of Peruvian society as it has been shaped by history. Elected governments and the institutions they control form an integral part of this society and therefore, even if they would want to change the status quo (which is not certain) it may be difficult for them to escape the present paradigm. However, if they put their mind to it and embrace the ideas embodied in CSR with the same zeal previous governments embraced neo-liberal reform, they could make a substantial difference. CSR properly implemented may change popular attitudes to mining and various industry respondents linked the difference in poverty rates between Chile and Peru to the greater acceptance of mining by Chilean society. A lecture presented by George Akerlof, 2001 economics Noble laureate, at Carleton University suggests an alternative explanation (Akerlof, 2008). Akerlof and Kranton introduced identity into economic analysis (Akerlof and Kranton, 2000), and Dr. Akerlof argued in his lecture that, all other factors being equal, groups with a strong sense of identity generally show better economic performance<sup>iv</sup>. The pervasive lack of trust in Peruvian society indicates weak identification with Peru and its institutions. Many of the conversations with respondents did indeed suggest that they have a low opinion of the society that surrounds them. If Akerlof's hypothesis holds for Peru, governments may be wise to seek synergy between CSR and improving the self-image of Peruvians, regardless of how they go about this politically.

There is no easy way out and there will be many twists and turns in the road, and adjustments will have to be made continually. One example is the *canón minero* that, in the context of decentralization, was intended to bring the benefits of mining to the communities affected by mining. The recent violence surrounding the *canón minero*-related dispute between the provinces of Tacna

and Moquegua illustrates the need for continual adaptation (Púlar, 2008). Because of decentralization and a CSR model in which complex webs of relationships are being built between local and regional governments, NGOs, communities, and companies, the conflicts will likely play out at more local levels and this should be taken into account (Arellano-Yanguas, 2008).

As regards home governments, their actions will be informed by what they perceive to be in their national interest. For the Canadian government officials interviewed, this means supporting Canadian companies, while at the same time maintaining the Canada brand and paying attention to the opinions of the Canadian public. Some official even did not entirely rule out some Canadian government involvement in ensuring that Canadian companies overseas follow up on their promises and that their CSR initiatives are sustainable. A recent United Nations report (Ruggie, 2008) appears to support this kind of approach, setting out a framework for involvement of home governments in the actions of their companies overseas. However, the interviews indicated that there is some reluctance to move far in this direction. I would argue that, in a globalizing world, a strategic long-term view should include a more aggressive stance towards extraterritorial application of Canadian laws and principles. Considerations supporting such an approach include its moral value, the opportunities flowing from “being ahead of the pack” such as the ability to influence the direction and shape of international governance and international reputation and international reputation, and increased acceptance of Canadian mineral exploration and mining companies in developing nations.

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## **Appendix 1**

### **Codes, Technical Standards, and Indexes**

**Table 8. Major international codes, technical standards, and indices related to CSR (based on Nuñez, 2003: 51-60, relevant web sites and PDAC, 2007)**

Codes						
Name	Type	Main Mission	Scope	Other Characteristics	Participants	Reference
Convention 169 on Indigenous Peoples (1989)	Principles/Directives	Protect tribal and indigenous peoples from exploitation	The articles cover general policy; land; recruitment and conditions of employment; vocational training, handicraft and rural industries; social security and health; education and communication.	By 2003, ratified by 17 countries. International legal instrument with influence far beyond actual ratifications.	ILO and tribal and indigenous peoples	www.ilo.org
Equator Principles	Principles/Directives	Social and environmental sustainability framework for management of bank financing projects	Allows the banking industry to evaluate environmental and social risk of investment projects > \$ 10 million. 10 process principles categorization and review, assessments, standards, plans and	Reference IFC performance standards and World Bank and IFC guidelines. Financial industry benchmark for developing members' internal standards and	Most international banks have joined	www.equator-principles.com

Name	Type	Main Mission	Scope	Other Characteristics	Participants	Reference
Extractive Industries Transparency Initiative (EITI, 2005 implementation)	Principles/Directives	Create the transparency and accountability around payments that companies make to governments to help eliminate the corruption, conflict and poverty often associated with oil, gas and mining developments	12 principles that relate to use of natural resource wealth and its management, price dependency of revenue streams, public understanding, transparency and corresponding laws, public financial management and accountability, disclosure, application to all companies in a given country, multi-stakeholder approach	Managed at the nation level, according to criteria including publication of payments, audits, independent reconciliation of information, and application to all companies including state-owned enterprises, involvement of civil society, and work plan by host government. Detailed handbook	Countries, companies, and civil society organizations. Initiative led by UK Government.	www.eitransparency.org

Global Compact (2000)	Principles/Directives	Build the social and environmental pillars needed to sustain the global economy	10 principles, related to human rights, labour, environment, and anti-corruption	and reporting templates Voluntary, UN-supported, promotes accountability and sustainability. 1000s of members	Corporations, UN agencies, labour, civil society	<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a>
Global Reporting Initiative (1997)	Principles/Directives	High-quality, consistent economic, environmental and social reporting that meets generally accepted standards	Companies publicly report information on economic, environmental and social performance, following standards based on principles, characteristics and indicators	Voluntary, UN-supported, promotes accountability and sustainability. 1000s of members. Tool for companies, measuring it against the 10 Global Compact principles	Corporations, UN agencies, representatives from labour, environmental, human rights, accountability groups, governments and business associations	<a href="http://www.globalreporting.org">www.globalreporting.org</a>
<b>Name</b>	<b>Type</b>	<b>Main Mission</b>	<b>Scope</b>	<b>Other Characteristics</b>	<b>Participants</b>	<b>Reference</b>
International Finance Corporation (IFC) Policy on Social and Environmental Sustainability and accompanying	Principles/Directives	Manage social and environmental risks and impacts; enhance development opportunities in its private sector financing.	10 performance standards: Social and environmental; labour and working conditions; pollution; community health, safety and	Each performance standard is described in detail, and financing is dependent on meeting the	IFC	<a href="http://www.ifc.org/ifcext/Enviro.nsf/Content/SustainabilityPolicy">www.ifc.org/ifcext/Enviro.nsf/Content/SustainabilityPolicy</a> <a href="http://www.ifc.org/ifcext/Enviro.nsf/Content">www.ifc.org/ifcext/Enviro.nsf/Content</a>

Performance Standards			security; land issues; biodiversity and sustainable natural resources management; indigenous peoples, cultural heritage	standards		<a href="http://www.oecd.org/PerformanceStandards">nt/PerformanceStandards</a>
OECD Guidelines for Multinational Enterprises (2000)	Principles/Directives	Improve business practices, strengthen government-business relations and increase business contribution to sustainable development	Labour, environment, anti-corruption, technology transfer and adherence to reasonable operational practices	Supported by governments of 28 subscribing countries who expect "their" companies to adhere. Official National Contacts	Government officials, business organizations, labour and NGO representatives	<a href="http://www.oecd.org">www.oecd.org</a>
Universal Declaration on Human Rights	Principles/Directives	International protection of human rights			Governments, business, NGOs, UN	<a href="http://www.un.org/Overview/rights.html">www.un.org/Overview/rights.html</a>
Voluntary Principles on Security and Human Rights (2000)	Principles/Directives	Guide resource companies in maintaining safety and security of their operations while respecting human rights and fundamental freedoms	Principles address risk assessment, interactions between companies and public security, and interactions between companies and private security	In 2006, participation was opened to additional companies, NGOs and host governments, if existing membership approves.	Governments of Norway, the Netherlands and the UK, companies in the extractive sectors, NGOs	<a href="http://www.voluntaryprinciples.org">www.voluntaryprinciples.org</a>

**Technical Standards**

Name	Type	Main Mission	Scope	Other Characteristics	Participants	Reference
AccountAbility 1000	Norms and Technical Standards/Technical Consulting	The non-profit Institute of Social and Ethical Accountability (ISEA) promotes social, organizational and ethical accountability as a means of achieving sustainable development	Focuses on processes, and consists of a planning-accounting-auditing and reporting cycle that is built around stakeholder engagement and embedded in the organization	Pays much attention to developing and certifying expertise, and on ensuring that auditors act independently. Considers transparency, responsiveness and compliance to be the key components of accountability. Does not set performance levels	ISEA, business, government, civil society, individuals	www.accountability.org.uk
ISO 14000	Norms and Technical Standards	Provision of environmental management standards to increase the capacity of business to manage environmental risks and impacts and improve	Focus on corporate environmental aspects: management systems, auditing, performance evaluation, and product life cycle	Consensus based on voluntary business environmental management standards. Also includes banking institutions. Does not	Primary standards for national standards organizations	www.iso14000-iso14001-environmental-management.com/

			environmental performance	management. Suggests environmental management systems	set performance levels		
<b>Name</b>	<b>Type</b>	<b>Main Mission</b>	<b>Scope</b>	<b>Other Characteristics</b>	<b>Participants</b>	<b>Reference</b>	
SA 8000	Norms and Technical Standards	Improve working conditions in the world through promotion of humane work standards and of verification and public reporting systems	Nine key areas: Child labour; Forced labour; Health and safety; Freedom of association and collective bargaining; Discrimination; Disciplinary practices; Working hours; Compensation; Management systems.	Based on widely accepted labour standards promulgated by ILO	Companies and their suppliers, commercial associations, unions, workers, auditing firms, NGOs, governments, multilateral organizations	<a href="http://www.sa-intl.org">http://www.sa-intl.org</a>	
<b>Indexes</b>							
Dow Jones Sustainability Indexes (1999)	Index	First global index to track financial performance of businesses leading in sustainability	Defines a series of criteria and weightings used to evaluate the opportunities and risks derived from the economic, social and		About 300 businesses	<a href="http://www.sustainability-index.com">www.sustainability-index.com</a>	

Name	Type	Main Mission	Scope	Other Characteristics	Participants	Reference
FTSE4Good Index series(2001)	Index	Measures the degree of adherence to sustainable development across the stock market.	Criteria include environmental sustainability, stakeholder relations, and respect for human and labour rights	FTSE works in association with EIRIS, the Ethical Investment Research Service, to research company corporate responsibility performance. FTSE4Good indices are reviewed semi-annually in September and March, by the FTSE4Good Policy Committee.	Tobacco, weapons and nuclear power sectors are excluded. The FTSE4Good Index Series encompasses four tradable and five benchmark indices, representing Global, European, US, Japan (benchmark only) and UK markets. The FTSE4Good benchmark indices include all companies in the broad market index, or starting	<a href="http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp">http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp</a>



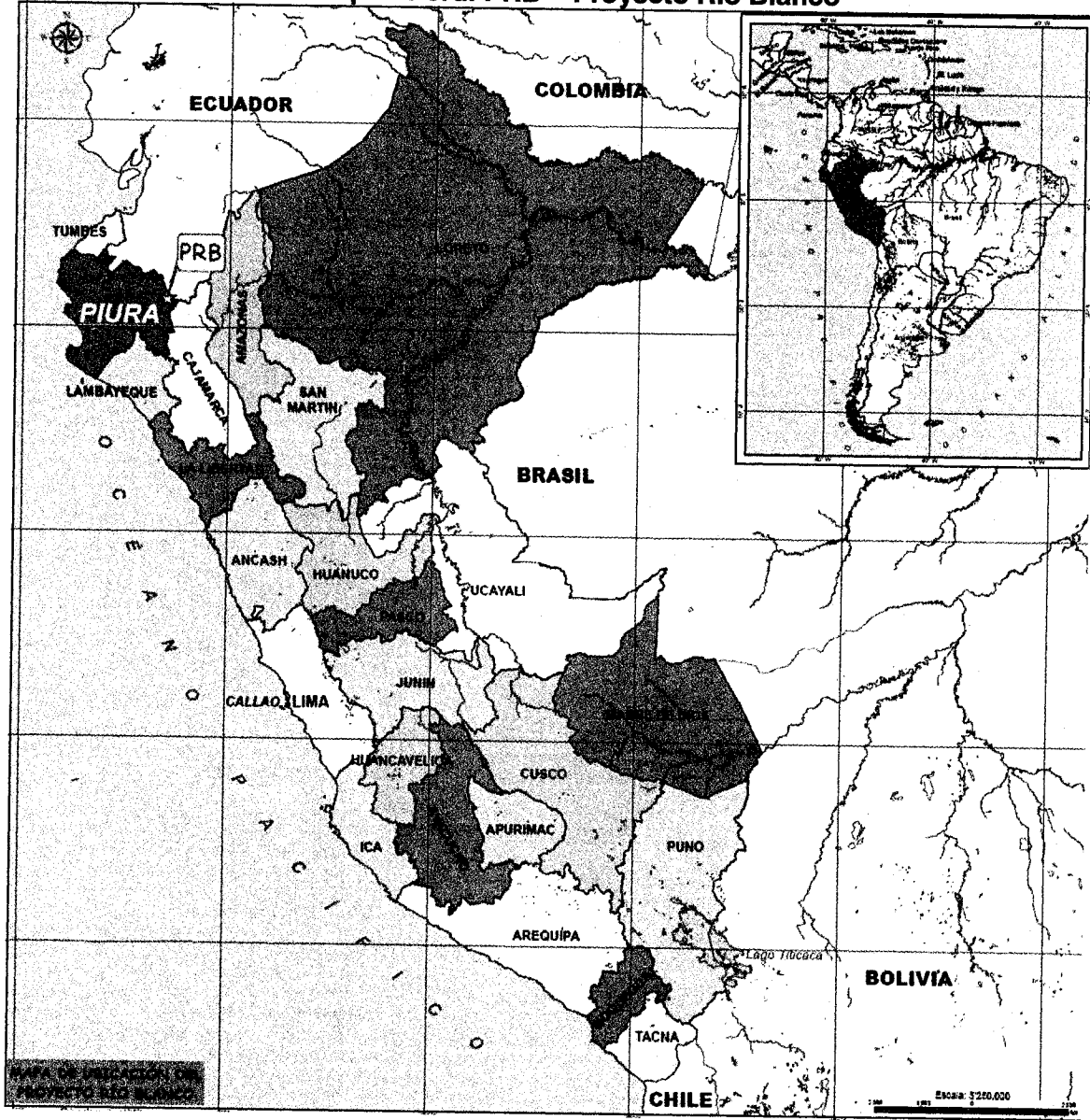
## **Appendix 2**

### **Location Maps**

**Río Blanco Project**  
**Perú**  
**Piura**  
**Comunidades Campesinas**

**Antamina Mine**  
**Part of Ancash Region**  
**Altitude map of mine area**

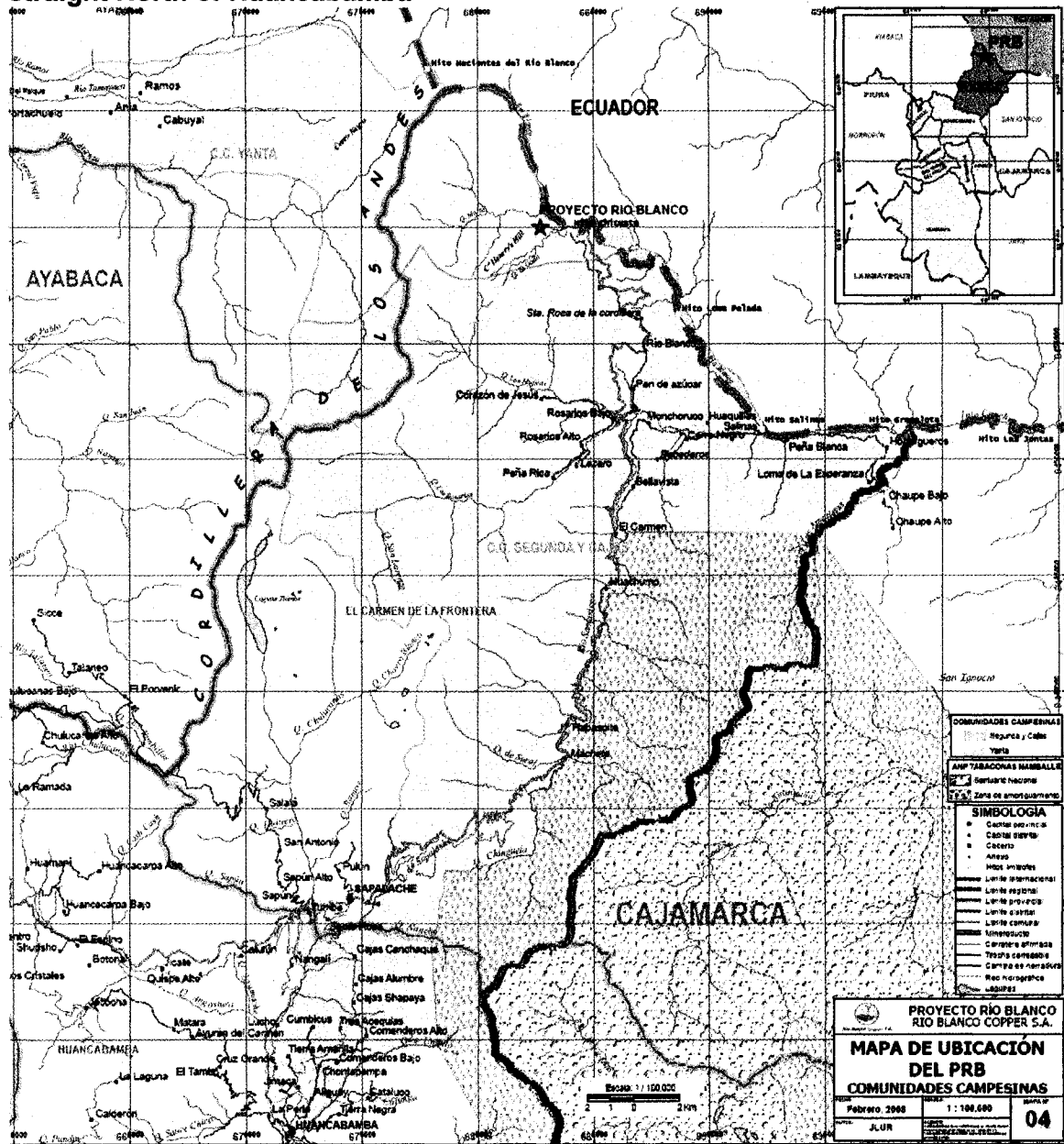
Map of Peru. PRB = Proyecto Río Blanco



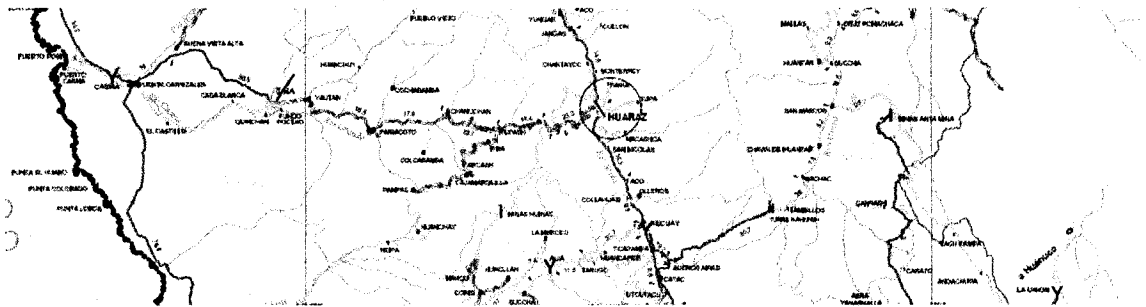




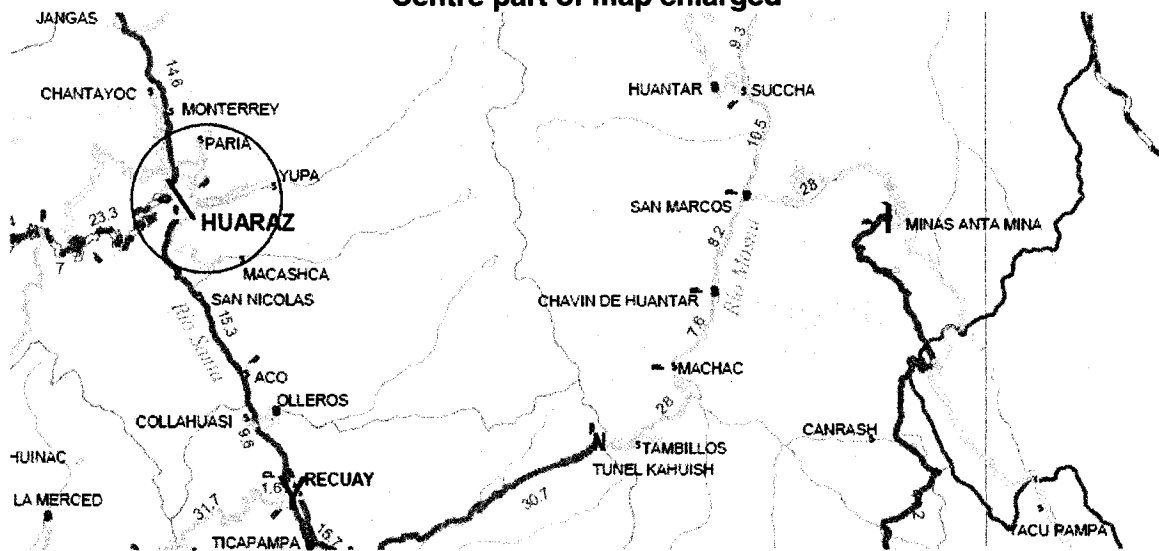
**Map of Comunidades Campesinas. Río Blanco Project location is indicated by a star. The city of Huancabamba is at the bottom centre, the town of Sopalache is almost straight North of Huancabamba**



**Map of part of the Ancash Region. Huáraz, the capital, is marked with a circle. San Marcos is situated East of Huáraz, and the Antamina mine is located East of San Marcos ("Minas Antamina").**



**Centre part of map enlarged**



**Relief map of mine area. Low altitude is blue, high altitude red**



**Appendix 3**  
**Interview Guides**

#### **4.1. Interview guide for key members of communities in the vicinity of the Rio Blanco mineral exploration project, Piura region, and the Antamina mine, Ancash region, Peru.**

##### **Suggested topics**

##### **1. You and your community**

###### **1.1. You**

- Have you lived here for a long time?
- What do you do for a living?

###### **1.2. How would you describe your community?**

###### *Probes*

- number of inhabitants
- occupations
- sources of income
- employment opportunities
- neighbourhoods
- age structure
- community organizations
- church
- ethnic groups
- rich people, poor people

###### **1.3. Who do you go and see when you have a question, a problem or a need?**

###### *Probes*

- within the community
- outside the community

##### **2. Could you tell me what the Río Blanco project [Antamina mine] is?**

###### **2.1. Do you know its history?**

###### *Probes*

- When did it begin?
- Who started it?
- How were local people involved?
- Who supported the project?
- Who opposed the project?
- Which organizations were involved?
- Important events

###### **2.2. Has the Río Blanco project [Antamina mine] had an economic impact?**

###### *Probes*

- on your family
- on others in the community

- livelihoods
- employment
- contract opportunities
- cost of living
- infrastructure
- agricultural production...
- ownership of the land on which the project is located
- compensation?

2.3. Have there been any environmental effects?

*Probes*

- land, water, air, noise
- agriculture
- health
- food
- lifestyle activities

2.4. What does the term “community social environment” mean to you?

2.4.1. Has it changed since the Río Blanco project [Antamina mine] began?

*Probes*

- unity
- changes in the influence of certain groups
- conflicts
- lifestyle
- outside influences

2.4.2. Have you heard the term “Corporate Social Responsibility” before and if so, could you explain your understanding of what it means?

2.4.3. Do you believe that there is communication between the people of the Río Blanco project [Antamina mine] and the people in your community?

2.4.4. If there is communication, how is it done?

*Probes*

- through people or institutions or both?
- which people or institutions?
- company newsletter, or TV and radio programs?
- public meetings – who organizes these?
- liaison committee or similar dialogue space?
- NGO involvement?
- employment offers
- corporate social responsibility initiatives such as provision of infrastructure, training...)

2.4.5. How does the community as a whole handle issues related to the Río Blanco project [Antamina mine]?

*Probes*

- community organizations
- committees/meetings
- NGOs
- Defensoría del Pueblo
- legal approaches
- selection of representatives
- expertise inside the community
- expertise from outside

2.5. In dealing with the issues related to the Rio Blanco project [Antamina mine], in which areas do you think the community has done really well and in which areas has it been less successful?

2.6. What would you like to see happen in relation to the Río Blanco project [Antamina mine] over the next two [five] years?

2.6.1. What do you expect may actually happen?

*Probes*

- agreement to proceed?
- without agreement
  - forced settlement (government decree?)
  - deterioration of the conflict
  - community cohesion
  - lifestyle
  - are there other options

[*Probes*

- relations between the mine and the community
- mine expansion
- employment
- development programs
- modification of agreement between the mine and the community]

2.7. What factors have been most challenging for your community and why?

*Probes*

- lack of resources
- lack of skills in certain areas
- opposition from certain groups
- community divisions
- lack of co-operation and support (from any of the actors)
- cultural differences
- lack of time

3. In this section of the interview I will ask you some questions about your perceptions of the role of the municipal, district, provincial, departmental, and national authorities.

3.1. Do you believe that there is communication between the authorities and the people in your community?

- 3.2. And between the authorities and the people of the Río Blanco project [Antamina mine]?
- 3.3. With respect to issues related to the Río Blanco project [Antamina mine], what have the authorities (including your mayor) contributed (or what mistakes did they make)?

*(Probe for differences between municipality, district, province, department, and national authorities, as appropriate).*

*Probes for possible contributions:*

- presence
- support
- impartiality
- infrastructure investment
- transparency
- provision of information
- seeking internal and external expertise
- co-ordination of effort
- negotiation
- mediation
- facilitation
- conflict resolution
- capacity building
- regulation, incentives and sanctions for companies
- consultation
- provision of legal frameworks (e.g. for agreements, CSR, community action)
- intervention with the company
- intervention with other levels of government

3.4. Have foreign authorities made contributions (or mistakes)?

3.5. What additional useful contributions could or should the authorities have made?

*(Probe for differences between municipality, district, province, department, and national authorities, as appropriate)*

3.6. What additional useful contributions could foreign authorities have made?

**4.2. Interview guide for NGOs in the vicinity of the Rio Blanco mineral exploration project, Piura region, and the Antamina mine, Ancash region, Peru.**

**Suggested topics**

**1. Your organization and the community**

1.1. Please describe your organization (Name of organization)\_\_\_\_\_

*Probes*

- mission
- approximate annual budget
- number of people involved
- organizational structure
- funding sources
- linkages with other organizations

1.2. What is your role in the organization?

1.3. How would you describe the relation between your organization and the community?

1.4. How would you describe the community?

*Probes*

- number of inhabitants
- occupations
- sources of income
- employment opportunities
- neighbourhoods
- age structure
- community organizations
- churches [religious organizations?]
- ethnic groups
- rich people, poor people

1.5. Who do people go to when they have a question, a problem or a need?

*Probes*

- within the community
- outside the community

1.6. Who or what organizations or agencies do you contact when dealing with issues?

*Probes*

- within the community
- outside the community
- levels of government (including foreign)

2. Could you tell me what the Río Blanco project [Antamina mine] is?

2.1. Do you know its history?

*Probes*

- When did it begin?
- Who started it?
- How were local people involved?
- Who supported the project?
- Who opposed the project?
- Which organizations were involved?
- Important events

2.2. What have been the impacts of the Río Blanco project [Antamina mine] on the local economy?

*Probes*

- on individuals and families in the community
- livelihoods
- employment
- contract opportunities
- cost of living
- infrastructure
- agricultural production...
- ownership of the land on which the project is located
- compensation?

2.2.1. Has your organization attempted to deal with some of the economic issues related to the Río Blanco project [Antamina mine]?

2.3. Have there been any environmental effects?

*Probes*

- land, water, air, noise
- agriculture
- health
- food
- lifestyle activities

2.3.1. Has your organization been attempted to deal with some of the environmental issues (if any) related to the Río Blanco project [Antamina mine]?

2.4. What does the term “community social environment” mean to you?

2.4.1. Are you in a position to judge if it has changed since the Río Blanco project [Antamina mine] began and if so, how has it changed?

*Probes*

- unity
- changes in the influence of certain groups
- conflicts

- lifestyle
- outside influences

2.4.2. Has your organization done work related to the social environment of the community?

2.4.3. Have you heard the term “Corporate Social Responsibility” before and if so, could you explain your understanding of what it means?

2.4.4. Do you believe that there is communication between the people of the Río Blanco project [Antamina mine] and the people in your community?

2.4.5. If there is communication, how is it done?

*Probes*

- through people or institutions or both?
- which people or institutions?
- company newsletter, or TV and radio programs?
- public meetings – who organizes these?
- liaison committee or similar dialogue space?
- NGO involvement?
- employment offers
- corporate social responsibility initiatives such as provision of infrastructure, training...)

2.4.6. Is there communication between your organization and people from the Río Blanco project [Antamina mine]

2.4.7. If there is communication, how is it done?

2.4.8. How does the community as a whole handle issues related to the Río Blanco project [Antamina mine]?

*Probes*

- community organizations
- committees/meetings
- NGOs
- Defensoría del Pueblo
- legal approaches
- selection of representatives
- expertise inside the community
- expertise from outside

2.5. In dealing with the issues related to the Rio Blanco project [Antamina mine], in which areas do you think the *community* has done really well and in which areas has it been less successful?

2.6. In dealing with the issues related to the Rio Blanco project [Antamina mine], in which areas do you think *your organization* has done really well and in which areas has it been less successful?

2.7. What would you like to see happen in relation to the Río Blanco project [Antamina mine] over the next two [five] years?

2.7.1. What do you expect may actually happen?

*Probes*

- agreement to proceed?
- without agreement
  - forced settlement (government decree?)
  - deterioration of the conflict
  - community cohesion
  - lifestyle
  - are there other options

[*Probes*

- relations between the mine and the community
- mine expansion
- employment
- development programs
- modification of agreement between the mine and the community]

2.8. What areas have been most challenging for your organization and why?

*Probes*

- lack of resources
- lack of skills in certain areas
- opposition from certain groups
- community divisions
- lack of co-operation and support (from any of the actors)
- cultural differences
- lack of time

3. In this section of the interview I will ask you some questions about your perceptions of the role of the municipal, district, provincial, departmental, and national authorities.

3.1. Is there communication between your organization and the authorities?

3.2. If so, how is it done?

3.3. Do you believe that there is communication between the authorities and the people in the community?

3.4. And between the authorities and the people of the Río Blanco project [Antamina mine]?

3.5. With respect to issues related to the Río Blanco project [Antamina mine], what have the authorities (including the local mayor) contributed (or what mistakes did they make)?

*(Probe for differences between municipality, district, province, department, and national authorities, as appropriate).*

*Probes for possible contributions:*

- presence
- support
- impartiality
- infrastructure investment
- transparency
- provision of information
- seeking internal and external expertise
- co-ordination of effort
- negotiation
- mediation
- facilitation
- conflict resolution
- capacity building
- regulation, incentives and sanctions for companies
- consultation
- provision of legal frameworks (e.g. for agreements, CSR, community action)
- intervention with the company
- intervention with other levels of government

3.6. Have foreign authorities made contributions (or mistakes)?

3.7. What additional useful contributions could or should the authorities have made?

*(Probe for differences between municipality, district, province, department, and national authorities, as appropriate)*

3.8. What additional useful contributions could foreign authorities have made?

### **4.3. Interview guide for local government officials in the area of the Rio Blanco mineral exploration project, Piura region, and the Antamina mine, Ancash region, Peru.**

#### **Suggested topics**

#### **1. Your agency and the community**

1.1. Could you describe your agency (agency name)\_\_\_\_\_

*Probes*

- mandate
- annual budget
- number of people involved
- organizational structure
- relation to other entities at the same level of government
- funding sources
- linkages with other organizations

1.2. What is your role in the organization?

1.3. How would you describe the relation between your organization and the community?

1.4. How would you describe the community?

*Probes*

- number of inhabitants
- occupations
- sources of income
- employment opportunities
- neighbourhoods
- age structure
- community organizations
- church
- ethnic groups
- rich people, poor people

1.5. Who do people go to when they have a question, a problem or a need?

*Probes*

- within the community
- outside the community

1.6. Who or what organizations or agencies do you contact when dealing with issues?

*Probes*

- within the community
- outside the community

- levels of government (including foreign)

2. Could you tell me what the Río Blanco project [Antamina mine] is?

2.1. Do you know its history?

*Probes*

- When did it begin?
- Who started it?
- How were local people involved?
- Who supported the project?
- Who opposed the project?
- Which organizations were involved?
- Important events

2.2. What impact has the Río Blanco project [Antamina mine] had on: the local economy?

*Probes*

- individuals and families in the community
- livelihoods
- employment
- contract opportunities
- cost of living
- infrastructure
- agricultural production...
- ownership of the land on which the project is located
- compensation?

2.2.1. Has your organization attempted to deal with economic issues related to the Río Blanco project [Antamina mine]?

2.3. Have there been any environmental effects?

*Probes*

- land, water, air, noise
- agriculture
- health
- food
- lifestyle activities

2.3.1. Has your organization attempted to deal with environmental issues (if any) related to the Río Blanco project [Antamina mine]?

2.4. What does the term “community social environment” mean to you?

2.4.1. Are you in a position to judge if it has changed since the Río Blanco project [Antamina mine] began and if so, how has it changed?

*Probes*

- unity
- changes in the influence of certain groups

- conflicts
- lifestyle
- outside influences

2.4.2. Has your organization done work related to the social environment?

2.4.3. Have you heard the term “Corporate Social Responsibility” before and if so, could you explain your understanding of what it means?

2.4.4. Do you believe that there is communication between the people of the Río Blanco project [Antamina mine] and the people in your community?

2.4.5. If there is communication, how is it done?

*Probes*

- through people or institutions or both?
- which people or institutions?
- company newsletter, or TV and radio programs?
- public meetings – who organizes these?
- liaison committee or similar dialogue space?
- NGO involvement?
- employment offers
- corporate social responsibility initiatives such as provision of infrastructure, training...)

2.4.6. Is there communication between your organization and people from the Río Blanco project [Antamina mine]

2.4.7. If there is communication, how is it done?

2.5. How does the community as a whole handle issues related to the Río Blanco project [Antamina mine]?

*Probes*

- community organizations
- committees/meetings
- NGOs
- Defensoría del Pueblo
- legal approaches
- selection of representatives
- expertise inside the community
- expertise from outside

2.6. In dealing with the issues related to the Río Blanco project [Antamina mine], in which areas do you think the community has done really well and in which areas has it been less successful?

2.7. In dealing with the issues related to the Río Blanco project [Antamina mine], in which areas do you think your organization has done really well and in which areas has it been less successful?

2.8. What would you like to see happen in relation to the Río Blanco project [Antamina mine] over the next two [five] years?

2.8.1. What do you expect may actually happen?

*Probes*

- agreement to proceed?
- without agreement
  - forced settlement (government decree?)
  - deterioration of the conflict
  - community cohesion
  - lifestyle
  - are there other options

[*Probes*

- relations between the mine and the community
- mine expansion
- employment
- development programs
- modification of agreement between the mine and the community]

2.9. What areas have been most challenging for your organization and why?

*Probes*

- lack of resources
- lack of skills in certain areas
- opposition from certain groups
- community divisions
- lack of co-operation and support (from any of the actors)
- cultural differences
- lack of time

3. In this section of the interview I will ask you some questions about your perceptions of the role of the municipal, district, provincial, departmental, and national authorities.

3.1. Is there communication between your organization and the authorities?

3.2. If so, how is it done?

3.3. Do you believe that there is communication between the authorities and the people in the community?

3.4. And between the authorities and the people of the Río Blanco project [Antamina mine]?

3.5. With respect to issues related to the Río Blanco project [Antamina mine], what have the authorities (including the local mayor) contributed (or what mistakes did they make)?

*(Probe for differences between municipality, district, province, department, and national authorities, as appropriate).*

*Probes for possible contributions:*

- presence
- support
- impartiality
- infrastructure investment
- transparency
- provision of information
- seeking internal and external expertise
- co-ordination of effort
- negotiation
- mediation
- facilitation
- conflict resolution
- capacity building
- regulation, incentives and sanctions for companies
- consultation
- provision of legal frameworks (e.g. for agreements, CSR, community action)
- intervention with the company
- intervention with other levels of government

3.6. Have foreign authorities made contributions (or mistakes)?

3.7. What additional useful contributions could or should the authorities have made?

*(Probe for differences between municipality, district, province, department, and national authorities, as appropriate)*

3.8. What additional useful contributions could foreign authorities have made?

#### **4.5. Interview guide for national organizations, government agencies, and Canadian embassy in Lima**

##### **Suggested topics**

Your organization.

1.1. Your organization (Name of organization)\_\_\_\_\_

- When was the organization established?
- What is its mandate?
- Could you describe how is it funded?
- How would you describe your role in the organization?

2. How would you summarize mining in Peru?

##### *Probes*

- economic aspects
- social aspects
- environmental aspects
- challenges
- necessity
- major influencing factors

3. Could you explain your views of the corporate social responsibility concept with respect to the mineral exploration and mining industry in Peru?

##### *Probes*

- definition
- major actors
- goals to which it can contribute
- importance
- relation to development
- strengths
- weaknesses
- boundary between corporate social responsibility and government responsibility
- voluntary aspect

4. What do you think are the attitudes of municipal, district, provincial, departmental and national authorities and of politicians towards the “corporate social responsibility movement”?

##### *Probes*

- links to policies and their implementation
- resources
- governance
- sovereignty
- reputation

5. What is your perspective on the types of interaction that presently occur in Peru between governments and the other “corporate social responsibility actors”?

*Probes*

- alliances
- adversarial
- conciliatory
- regulatory

6. What are your views on the roles of the authorities in “host” government and in a company’s “home” government in making corporate social responsibility initiatives more effective?

*Probes*

- incentives and/or sanctions
- provision of a contextual framework
- facilitation/mediation/conflict resolution
- supervision
- capacity building
- arbiter of last resort
- alignment with policy objectives
- provision of templates
- legitimization of agreements

7. In your view, how will the role of the authorities (both “host” and “home”) in corporate social responsibility evolve over the next few years?

*Probes*

- will it become more/less involved
- will its influence wax or wane
- will it complement CSR with regulations
- will it “legalize” some of the voluntary rules

## 4.6. Interview guide for federal officials in Ottawa

### Suggested topics

1. Your organization. (Name of Organization)\_\_\_\_\_

#### 1.1. Your organization

- What is its mandate?
- Could you describe how is it funded?
- How would you describe your role in the organization?

2. How would you and your organization define “Corporate Social Responsibility (CSR)”?

2.1. How do you and your organization view the role of government with respect to CSR?

2.2. Where should the boundary between CSR and government responsibilities lie?

2.3. Would you agree with some literature reports that see CSR as an intermediate stage towards a new regulatory framework?

2.4. Do you believe that the “CSR movement” has staying power?

2.5. In your opinion, what advantages does CSR present to governments?

3. What are your and your organization’s perspectives on CSR in the mineral exploration and mining industry in Canada?

#### *Probes*

- practices
- codes
- credibility
- degree of adoption
- strengths
- weaknesses

3.1. And on the actual and desirable roles of federal and provincial governments in this respect?

4. What are your and your organization’s perspectives on CSR in the overseas mineral exploration and mining activities of Canadian companies, especially in developing nations?

#### *Probes*

- practices
- codes
- credibility
- degree of adoption
- strengths
- weaknesses

- Canada's international reputation
  - "home front" perceptions and potential political consequences
5. Do you think it is possible to extrapolate CSR approaches taken within Canada abroad and if so, how?
  6. What are your and your organization's perspectives on the responsibilities of the Government of Canada with respect to the social behaviour of Canadian companies overseas?
  7. What kind of pragmatic considerations would come into play?

Probes

- what is a "Canadian company"?
  - how do ongoing acquisitions and mergers affect government approaches?
  - how important is the "Canada brand", both in terms of foreign policy and in terms of the competitive advantage of Canadian companies?
  - burden on Canadian embassies caused by local complaints and disputes
  - extraterritoriality considerations
8. Could you paint a picture of what the "overseas Canadian mineral exploration and mining CSR landscape" might look like five years from now? 15 years from now?

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<sup>i</sup> a Google search of "ethical investing" returned two million hits

<sup>ii</sup> During my literature study I kept track of issues that I judged to be amenable to government action. I used FreeMind software (<http://freemind.sourceforge.net>) to organize my notes.

<sup>iii</sup> However, it was not always clear what people included in their estimate. It is impossible to obtain actual numbers, as only a fraction of the population is officially registered ("empadronado")

<sup>iv</sup> It could be argued that the stronger community structure in Huancabamba helps explain why people in the zone seem less desperate than those in the San Marcos area, but this subject is beyond the scope of this thesis