

# **Barrick Gold and CSR: Dynamics of Canadian Extractive Capitalism in Peru**

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# Abstract

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This thesis examines the role that CSR plays in the relationship between mining and development and asks whether and (if so) how CSR works as a possible means of pacifying opposition to mining. The research focuses on a case study of a tripartite partnership project implemented by Barrick Gold, World Vision and the Canadian government near Barrick’s Lagunas Norte mine in Peru. Interviews were conducted with community members from Chuyugual, Sauco, Coina, and Quiruvilca, as well as representatives from the three implementing partners. The study finds—and my thesis is—that the tripartite partnership project does serve to discourage local grassroots opposition to mining despite significant concerns in the communities for environmental degradation and the superficial nature of these projects. This was found using three indicators: a significant division of opinion within the communities, a decrease in organized resistance to the project, and an increase in support for the project.

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# Abbreviations

**ACC** – Alto Chicama Commitment

**ALBA** – Bolivarian Alliance for the Peoples of Our America

**AMAS** – Asociación Marianista de Acción Social

**ARI** – Andean Regional Initiative

**BMZ** – Federal Ministry for Economic Cooperation and Development (Germany)

**CAOI** – Coordinadora Andina de Organizaciones Indígenas

**CCODP** – Canadian Catholic Organization for Development and Peace

**CECI** – Centre for International Studies and Cooperation

**CESO** – Canadian Executive Service Organization

**CIDA** – Canadian International Development Agency

**CSR** – Corporate Social Responsibility

**DFAIT** – Department of Foreign Affairs and International Trade (Canada)

**DFATD** – Department of Foreign Affairs, Trade and Development (Canada)

**DFID** – Department for International Development (United Kingdom)

**ECLAC** – Economic Commission for Latin America and the Caribbean

**FDI** – Foreign Direct Investment

**GVC** – Global Value Chain

**HDI** – Human Development Index

**ICMM** – International Council on Mining and Minerals

**IFI** – International Financial Institution

**IMF** – International Monetary Fund

**ISI** – Import Substitution Industrialization

**IUCN** – International Union for Conservation of Nature

**MAC** – Mining Association of Canada

**MBZ** – Dutch Ministry of Development Cooperation

**MEM** – Ministry of Energy and Mines (Peru)

**NATO** – North Atlantic Treaty Organization

**NGO** – Non-governmental Organization

**NSI** – North South Institute

**PDAC** – Prospectors and Developers Association of Canada

**PERCAN** – Peru-Canada Mineral Resources Reform Project

**SAP** – Structural Adjustment Program

**SIDA** – Swedish International Development Agency

**TSX** – Toronto Stock Exchange

**UK** – United Kingdom

**UN** – United Nations

**UNDP** – United Nations Development Program

**UNEP** – United Nations Environment Program

**US** – United States

**USAID** – United States Agency for International Development

**WCS** – World Conservation Strategy

**WITS** – World Integrated Trade Systems

**WTO** – World Trade Organization

**WUSC** – World University Service of Canada

**WWF** – World Wildlife Fund

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## Chapter 1

# Introduction

This thesis focuses on the Canadian government's funding of Corporate Social Responsibility (CSR) initiatives with Canadian mining companies. Specifically, it examines the collaboration between Barrick Gold (from here on referred to as 'Barrick'), World Vision, and the Canadian government to carry out CSR activities near the Lagunas Norte mine in Peru. The central question of my research examines whether and (if so) how the partnership (and its associated CSR activities) manipulates local opposition to mining. The purpose of this research is to understand the specific CSR activities involved in this project, the effects of these activities, as well as local community members' perceptions of these activities and of the organizations that implement them. This research will contribute to the academic debate on CSR and will help to develop a better understanding of the relationship between CSR and opposition to mining.

In recent years, the Canadian government has placed an emphasis on CSR as a development priority. *Building the Canadian Advantage: A Corporate Social Responsibility (CSR) Strategy for the Canadian International Extractive Sector* is a key report published by the Canadian government in 2009 which highlights CSR as an international development strategy, a strategy which the Canadian government had identified as an important focus. Pilot projects that build on this strategy were introduced in September 2011 when the Canadian International Development Agency (CIDA)<sup>1</sup>

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<sup>1</sup> The Canadian department responsible for international development has recently changed within the Government of Canada. In the 2013, the Canadian government officially amalgamated the Canadian International Development Agency (CIDA) with the Department of Foreign Affairs and International Trade

announced a new initiative that created the opportunity for Canadian NGOs to partner with Canadian mining companies operating in developing countries in order to ‘benefit’ communities living in mining areas. The three pilot partnerships funded by CIDA were (i) the World University Service of Canada (WUSC) and Rio Tinto Alcan in Ghana, (ii) Plan Canada and IAMGOLD in Burkina Faso, and (iii) World Vision and Barrick Gold in Peru. The Canadian government’s stated mandate of these partnerships is to “strengthen[] local governments’ and communities’ capacity to implement sustainable development projects for the well-being of people living near extractive operations, and improve dialogue between communities and the private sector” (CIDA, 2011).

My research examined the effectiveness and the limitations of the pilot project near the Lagunas Norte mine in Peru, where the Canadian government and Barrick Gold have co-financed CSR projects, each contributing a maximum of \$500,000 for World Vision to carry out these projects (CIDA, 2011). These types of partnerships, created for the implementation of development projects, mark a new international development strategy for Canada. While providing support to the private sector itself is nothing new for CIDA, official partnering with specific mining firms to fund international development projects has never before happened in CIDA’s history. CIDA explains that this project in Peru intends to “leverage the economic impact of mining operations in Peru by increasing income and standard of living for nearly 1,000 families” (CIDA, 2011), saying that “[b]eneficiaries will receive funding for small income-generating projects in agriculture. Local authorities will also be able to diversify economic development and access funding from mineral operations revenues from national

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Canada (DFAIT) to form the Department of Foreign Affairs, Trade, and Development Canada (DFATD). For many, this is a clear representation of the Canadian government’s shift in development priorities. For example, see Swiss (2013b), Hossein (2013), Mackrael (2013) and Reilly-King (2013).

government” (CIDA, 2011). While this is a new endeavour for CIDA (and now DFATD), Barrick and World Vision have a history of working together in Peru. In 2003, World Vision began carrying out CSR projects at Barrick’s only other Peruvian mine (also gold), Pierina, and began a partnership for the Lagunas Norte mine shortly thereafter in 2007.

### **Central and secondary research questions**

The central question of my research is: In what ways (if any) does the tripartite partnership between CIDA, Barrick Gold and World Vision in Peru discourage local grassroots opposition to mining? My research seeks to identify how discouraging opposition is a direct and/or indirect cause of this partnership by looking at changes in community sentiments towards mining and organized political activity within the community.

My study also includes the following secondary question: Can the conclusions of this study be applied to mining companies’ use of CSR strategies in general? This question speaks to the validity of the research in that it asks whether the case of this partnership in Peru is a unique case or a typical case.

### **Hypothesis and rival hypothesis**

My hypothesis comes out of a thorough literature review (see Chapter 2) and an analysis of other available documents. It states that: In the tripartite partnerships between Barrick, World Vision, and CIDA, World Vision carries out CSR work in the name of international development, which ultimately has the effect of discouraging local

grassroots opposition to mining. This is done by providing alternatives to political action that are determined by World Vision (and its funders) rather than by local communities. These alternatives, while unsubstantial and superficial, help to ameliorate the public image of Barrick in the eyes of some local community members and divide communities. The discouragement of local grassroots opposition ultimately has the effect of benefiting Canadian mining interests.

Furthermore, I have determined that there is a prominent rival hypothesis to my question, which is also the rationale given by the Canadian government for their support of these types of partnerships, and echoed by the NGOs and mining companies involved. The rival hypothesis states that in the tripartite partnership between Barrick, World Vision, and CIDA, the members of this partnership are not concerned with the political action of local communities, but instead attempt to help mitigate the negative impacts of mining and empower the local population through community development and the creation of jobs. If opposition to mining decreases, this is due to positive social and economic changes within the targeted communities.

## **Methodology**

My field research consists of a qualitative study. An in-depth discussion of my research question requires a qualitative approach since I wanted participants to explain their perceptions in detail without limiting their answers. I conducted open interviews with community members and leaders in Quiruvilca – the main town targeted by this project – as well as members and leaders of other communities surrounding the Lagunas Norte mine and representatives from World Vision Peru, Barrick Peru, and the Canadian

Embassy in Peru. All interviews were completed in June and July of 2013. The Asociación Marianista de Acción Social<sup>2</sup> (AMAS), a Peruvian grassroots organization, took me to some of the communities surrounding the Lagunas Norte mine, specifically Chuyugual, Sauco and Coina, and they helped me to set up some interviews. I then was able to travel to Quiruvilca with an independent Peruvian researcher to speak with various people living in the community. The World Vision interview was conducted at their office in Trujillo, and the Barrick and Canadian Embassy interviews were conducted in Lima.

To supplement my interviews, I also completed an extensive analysis of various publicly available documents including reports on social conflict from Peru's national ombudsman, CSR reports and other publications from Barrick, reports from World Vision, as well as talking points and other documents from CIDA regarding this project and other mining-related 'development' projects in Peru (some of which were obtained through the Access to Information and Privacy Act). My research is both descriptive and explicative since it describes the nature of the tripartite partnership and the relationship between the NGO and the community (little in-depth academic work has been on this topic), as well as explains the motivations for and consequences of this relationship in relation to the predicted discouragement of local opposition to mining in the community.

### **Theoretical framework**

The hypothesis to my research question was derived from the conclusions obtained in a literature review (see Chapter 2). While proponents of these partnerships may suggest

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<sup>2</sup> AMAS is a Catholic organization based in Otuzco, Peru with the mission of pursuing human development and environmental sustainability. View their website here: <http://marianistasamas.blogspot.ca/>

that a decrease in resistance is simply due to community satisfaction with the mining company's CSR initiatives, the literature suggests that CSR can discourage local grassroots opposition to mining without achieving significant community development. This is because CSR may simply create the appearance that community needs are being addressed through the use of specific discourse about sustainable development and CSR, and the power that they have to set the development agenda through implementing voluntary CSR initiatives, becoming the main provider of social services, and partnering with international NGOs.

Conversely, the rival hypothesis reflects the dominant neoliberal ideology in which the private sector can bring about solutions for development through CSR. NGOs in these partnerships may be seen as part of the private sector since they are not related to any level of local government and are directly funded by private mining companies and the Canadian government. However, proponents of this hypothesis would argue that NGOs are actually part of local civil society, representing the voices of local community members, and that therefore CSR incorporates civil society into the implementation of its initiatives, creating a holistic approach to development. In developing my hypothesis, I concluded that there is a stronger theoretical argument in the academic literature supporting my hypothesis than the theoretical argument that supports the rival hypothesis.

### **Limitations of the study**

I chose to complete a single-case study due to limitations of time and resources available. A comparison of this case to the other two CSR pilot projects implemented by the Canadian government in Ghana and Burkina Faso, however, could provide interesting

additional insight. Furthermore, since the announcement of these three pilot projects in 2011, many more have been implemented, especially in Latin America as part of the Andean Regional Initiative (ARI), including another one at the Lagunas Norte mine with CARE (another Canadian NGO) supported more generously by the Canadian government with a budget of \$1 million (as opposed to the \$500,000 budget towards the partnership with World Vision). Comparisons between the pilot project in Peru and these projects would also help to develop a deeper understanding of the relationship between mining-related CSR projects funded by the Canadian government and opposition to mining.

Within my chosen case study, I was able to complete twelve interviews with community members and leaders from Chuyugual, Sauco, Coina and Quiruvilca. I interviewed people who happened to be available when I was in their communities and I made a conscious effort to include participants with differing socioeconomic backgrounds, genders, careers and levels of political community involvement. While this gave me a sense of how the project and the partners in this project are viewed by the communities, the sample size limits the conclusions that can be drawn from my research. Ideally, a more comprehensive study involving several more participants would have been conducted. However, I was limited by time, financial resources and contacts within the communities.

### **Justification**

This thesis provides an in-depth analysis of one of the principal pilot projects of the Canadian government's new approach to international development. Independent research on this strategy is important since, like all development projects, this strategy

has real impacts on individual lives and communities as a whole. The fact that the Canadian government is rapidly implementing this private-sector focused CSR approach to development throughout the region and in other areas of the world means that current, evidence-based academic research is urgently needed to address a number of concerns that have been brought up in academic and activist circles both in Canada and abroad. While there is often a large gap between research and policy mainly due to government politics, hopefully more research on this topic can help motivate changes to improve the impacts of Canadian development aid.

### **Thesis statement**

Through the completion of my research I found that the tripartite partnership project between Barrick, World Vision, and the Canadian government does serve to discourage local grassroots opposition to mining since there is significant division of opinion within and between the communities near the Lagunas Norte mine, organized resistance to the project has decreased somewhat, and some opponents have become supporters of the project. This can be explained due to the fact that since Barrick is essentially in charge of the communities' development and the state has a strong reputation for ignoring rural peasant communities in Peru, it may be hard for some members of the communities to see the possibility of development without the mine. Community members are therefore willing to accept the mining company despite a concern for environmental damages and both low quality and quantity of the projects.



## **Structure of the thesis argument**

This first chapter of this thesis provides an introduction to the topic as well as an explanation of the methodology used to carry out this study. Chapter 2 consists of a literature review which highlights the academic debates surrounding mining and development, the concepts of sustainable development and CSR, and the role of Non-Governmental Organizations (NGOs) in development. Chapter 3 provides a historical overview of the political economy of mining in Peru and examines the current development issues facing Peru. Chapter 4 looks at the role of Canada in global mining, including Canadian government policy and the power of the Canadian mining industry. Chapter 5 summarizes the arguments in favour of this project put forth by the members of the tripartite partnership: Barrick Gold, World Vision, and the Canadian government. Chapter 6 analyzes the community response, focusing on the community of Quiruvilca – the main target community of this tripartite partnership project – but also including responses from members of other small communities located near the Lagunas Norte mine (Chuyugual, Saucó, and Coína). Chapter 7 provides a discussion and a conclusion of the results found in my research, contextualizing them within the CSR debate. Together, these chapters demonstrate an independent analysis of a highly politicized and controversial international development project, and help to fill a small piece of the gap in academic research by addressing aspects of the relationship between CSR and opposition to mining.

## Chapter 2

# The Relationship between Mining and Development: A Literature Review

There is extensive literature on the relationship between mining and development, as well as the concept of extractivism, which refers to national policies focused on resource extraction including mining, oil and gas. This chapter reviews the literature relevant to my main research question which is: In what ways (if any) do partnerships between mining companies and development NGOs discourage local grassroots opposition to mining? This chapter begins by highlighting three schools of thought on mining and development: neoliberal ideals of mining where mining is mainly a positive economic activity; the neostructural view which acknowledges the resource curse and related theories and argues that mining can become a positive economic activity under certain specific conditions; and the environmental view where mining's environmental and social consequences outweigh any potential economic benefit. The second part of this chapter gives an overview of various aspects of CSR in relation to mining. The third section looks at the role of NGOs in development. Finally, the conclusion identifies the main working ideas that I have derived from a review of the literature and have used to develop my theoretical framework.

## **Debates on mining and development**

Debates on whether mining can contribute to development can be organized into three main schools of thought. The first, the neoliberal view, is that mining is an economic driver that will contribute to the economic development of a country, and ultimately to poverty reduction. The second, the neostructural view, acknowledges that mining has not always benefited the communities in which it is carried out and can often make things worse. However, subscribers to the neostructural view believe that there are solutions that, if properly implemented, would make mining an important source of economic development. The third view, concerned with and focused on the environment, does not see mining as a beneficial source of development. On the contrary, subscribers to this view argue that any potential economic benefits, if they exist at all, are invalidated by the significant social and environmental costs of mining.

### *The neoliberal view*

Neoliberalism refers to a set of concepts derived from neoclassical economic theory, as well as policy prescriptions including privatization, deregulation and liberalization (Petras & Veltmeyer, 2001). In the early 1990s, in the context of what was then described as a 'New World Order', a post-Washington Consensus on the virtues of free market capitalism, neoliberalism, and globalization emerged as the dominant ideology of development, in other words, as a belief system used to mobilize action and prescribe policy in the direction of a definable set of economic and political interests.<sup>3</sup> In recent decades, this ideology is behind the notion that mining leads to economic development.

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<sup>3</sup> On the ideology of neoliberal globalization, which served as an economic doctrine and model that has governed development thought and practice for the past three decades, see George (1999) and Harvey (2005).

In neoliberal discourse, the term ‘inclusive growth’ is used to describe development in which the private sector (i.e. multinational corporations) is put in the driver’s seat of the economic engine (House of Commons, 2012).

Neoliberalism spread throughout Latin America (and many other parts of the world) in the 1980s, mainly due to the conservative governments of Reagan in the United States (US) and Thatcher in the United Kingdom (UK) and their control over International Financial Institutions (IFIs), including the World Bank and the International Monetary Fund (IMF) (Bello, 2005; Bienefeld, 2014). One of the main assumption of neoclassical economics on which neoliberalism is based – that the free market is the most efficient allocator of resources (Hunt, 1989: 316) – conflicts with the fact that the private sector is concerned mainly with making a profit, meaning that often the provision of affordable services to the poor is not lucrative. Furthermore, neoliberalism instated a devaluation of domestic currencies under the notion that it would improve trade deficits, but the generalized effect of this action was instead a dramatic increase in inflation which caused an unaffordable increase in the relative prices of basic necessities for many people (Hunt, 1989: 306).

Neoliberalism promotes a ‘from the outside and from above’ (top-down) approach in which reactivating the economic growth process is the first priority, with the ‘private sector’ as the catalyst and the free market as the key institution. Most of the money gained though economic activity goes to the richest sector of the economy, but the theory promoted by neoliberals is that the wealth will eventually ‘trickle-down’ through job creation. Critics of neoliberalism argue that the problem is that neoliberal development is not in fact attempting to better the living conditions of the poor in the Global South, but is

instead concerned with expanding global markets that will benefit the Global North. Hart-Landsberg (2006) asserts that “neoliberalism functions as an ideological cover for the promotion of capitalist interests, not as a scientific framework for illuminating the economic and social consequences of capitalist dynamics” (2).

Davis and Tilton (2005) explain that the conventional view of extractivism grew out these neoliberal principles:

The positive relationship between mining and economic development advanced by the conventional view rests on neo-classical economics and in particular the concept of the production function. ... The conventional view sees mineral reserves that can be mined profitably as part of a country’s stock of natural capital, along with agricultural land, forests, and other natural resources (234).

Under the doctrine of neoliberalism it was argued that Latin American countries should specialize in the production of goods in which they have a comparative advantage in export markets (i.e. the extraction of natural resources) and export them in primary commodity form. Neoliberalism sees mining as economic potential, but has little consideration for the environmental and social consequences of mining.

#### *The neostructural view*

In contrast to the neoliberal view, the structuralist school of development, which emerged out of the Economic Commission for Latin America and the Caribbean (ECLAC), emphasized the importance of the state rather than foreign corporations occupying the role of the principle agent of development (Kay, 1990: 27). Developmentalism, which

came out of this school of development, proposed increased state financing for and control over economic, social, and political development due to the damage caused by unrestrained capitalism, but did not go as far as to recommend socialism or revolutionary change (Kay, 1990: 28). Perhaps the most notable early critique of primary commodity exports as a strategy of national development was proposed in 1950 by the structuralists Raúl Prebisch, the first Secretary-General of ECLAC, and economist Hans Singer. The Prebisch-Singer thesis<sup>4</sup> does not address extractive products exclusively, but rather argues that, in general, primary goods (produced by countries of the periphery) have decreasing terms of trade in comparison to manufactured goods (produced by countries of the centre). This led to an era of Import-Substitution Industrialization (ISI) in many parts of Latin America in order to try to build a strong local manufacturing sector without having to compete with the better developed manufacturing sectors of more advanced economies.

The neoliberal policies that replaced failed ISI policies in Latin America in the 1980s meant that the 1990s saw an expansion of capital flows to Latin America in the form of Foreign Direct Investment (FDI). This capital took the predominant form of FDI directed towards non-traditional or modern manufacturing, high-tech information-rich services, and natural resource extraction (Veltmeyer, 2014).<sup>5</sup> While ‘resource-seeking’

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<sup>4</sup> The economist Hans Singer came to the same conclusion as Raúl Prebisch regarding the idea that primary commodity exports led to underdevelopment on the periphery of the capitalist system because of a trend for the terms of trade to deteriorate for exporters of primary commodities relative to exporters of manufactured goods, hence the ‘Prebisch-Singer thesis’.

<sup>5</sup> The 1990s saw a six-fold increase in the inflows of capital in the form of FDI in the first four years of the decade and then another sharp increase from 1996 to 2001, which tripled, in less than 10 years, the foreign capital accumulated in the region in the form of foreign-company subsidiaries (ECLAC, 2012: 71). Another major inflow, according to Veltmeyer (2014), occurred in the first decade of the new millennium, under conditions of a primary commodities ‘boom’ that worldwide affected primarily South America. Veltmeyer & Petras (2014) explain that in 2009, according to the Metals Economics Group, “Latin America received 26 percent of the capital invested globally in mineral exploration; a 2010 bonanza in world market prices

foreign investments in mineral extraction continued to expand in the late 1990s and into the 21<sup>st</sup> century within the neoliberal policy framework, and spurred on by the growing demand for natural resources, including minerals and metals, on the global market the accompanying social conflicts and environmental devastation became harder and harder to ignore. In many resource-rich countries, a reliance on natural resource extraction and mining, and the export of primary commodities, actually had the opposite effect of neoliberalism's predictions: negligible economic growth and an increase in poverty.

According to Collier and Venables (2011), both of them World Bank economists, this is largely the result of poor resource management, but also due to excessive exploitation or plundering on the part of mining companies. However, others (Acosta, 2009; Auty, 2001; Norman, 2009; Sachs & Warner, 2001) see the failure of resource-rich countries to benefit from their country's riches as a 'resource curse' (natural resource extraction is more of a curse than a blessing). As Auty (1993) explains, "a growing body of evidence suggests that a favourable natural resource endowment may be less beneficial to countries at low- and mid-income levels of development than the conventional wisdom might suppose. ... [N]ot only may resource-rich countries fail to benefit from a favourable endowment, they may actually perform worse than less well-endowed countries" (1).

Auty (1993), the academic who first coined the term 'resource curse', sees the problems of mining as economic rather than environmental. This is shown in his explanation of how to achieve sustainable development with regards to mining: "The sustainable development of mineral economies lies in successful diversification into

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led to another increase of 40 percent in investments related to mineral exploration and mining, with governments in the region, both neoliberal and post-neoliberal, competing for this capital" (34).

competitive non-mining tradeables. The mineral sector should not be regarded as the backbone of the economy; instead it should be viewed as a bonus with which to accelerate economic growth and healthy structural change” (258). Auty does not view mining as a negative activity in itself, but rather sees *dependency* on mining as a major destructor of economies.

Davis and Tilton (2005) believe that both the resource curse theory and the neoliberal view of mining fail to summarize the experiences of all countries. They believe that the potential benefits of mining depend strongly on the particular country’s situation and the particular project:

Asking whether mining should or should not be encouraged implicitly presumes that the correct policy choice is the same under all conditions and for all developing countries. Yet, as we have seen, there is a widespread consensus that mining can promote economic development, and has actually done so in some countries. Even in countries where mining on balance does not promote growth, selected projects may. If we want to help developing countries and reduce poverty, to discourage mining where it promotes these goals is clearly counterproductive. It impedes poor countries from mobilizing their mineral wealth — a capital asset that for some accounts for a significant portion of their total wealth — in their struggle to develop and to shed poverty (240).

Acknowledging many of the failures of extractive industries to foster development, as outlined in the resource curse thesis, academics and policy makers alike have justified a new concentration on primary commodity production by emphasizing



better governance through more state control. This concept is part of a neostructural view of development and is known as ‘the new extractivism’ which is “based on postneoliberal governance in which renewed state activism is combined with a resource-based growth strategy in order to increase social inclusion” (Veltmeyer, 2013: 59). Neostructuralism can be seen as somewhere in between structuralism and neoliberalism:

Neostructuralism gives more importance to market forces, private enterprise and foreign-direct investment as compared to structuralism but argues that the state should govern the market. However, in neostructuralist thinking the state no longer plays the pivotal developmental role that it did under structuralist ISI as state enterprises are largely limited to provide essential services like health and education but no longer undertake direct productive activities through ownership of industrial enterprises or otherwise. Also the ability of the state to steer the economy is limited as protectionism and subsidies are used only in a restricted and sporadic fashion in stark contrast to the ISI period (Kay & Gwynne, 2000: 62).

The neostructural development policies that include the new extractivism involve a return to primary resource production with stronger state involvement are known as ‘the new developmentalism’ or ‘inclusive development’ (Veltmeyer, 2013:71). Under the policies of the new developmentalism, mining and other extractive industries become an integral part of development. Some countries have adopted this idea of strong state involvement and ownership and have implemented nationalization policies where national governments own and operate mines within the country, as opposed to

transnational mining companies. Countries that have implemented this policy include Bolivia, Zimbabwe, and Mongolia.

*The environmental view*

The more radical position, referred to here as the environmental view, is that mining, and extraction in general, should be limited due to the vast environmental and social harms it causes. This theory emerges out of the environmental movement of the 1980s. While mining involves a depletion of non-renewable resources, environmental concerns go much further, especially with the increased visibility of climate change. Bebbington and Bury (2009) point out that resource extraction accounts for approximately 20 percent of global greenhouse gas emissions that contribute to global climate change (17296). Moody (2007) summarizes the contradiction in advocating for sustainable development through mining:

Whatever the justifications for digging up more and more minerals, their stock is continually going down and the rate of depletion has been accelerating over many decades. Natural resource extraction per se cannot be reconciled with long-term sustainability. For industry spokespeople to claim (as they often do) that there is such a thing as ‘sustainable mining’ is a transparent oxymoron. Nevertheless, whether mining can contribute to ‘sustainable development’ through jobs, paying taxes, building infrastructure and funding ancillary social services is another question (6).

The authors of a book entitled *Transiciones: Postextractivismo y alternativas al extractivismo en el Peru* (English translation: *Transitions: Postextractivism and Alternatives to Extractivism in Peru*) argue that the model of extractivism is inherently unsustainable and is causing environmental and social hardship in Peru. Just as many of those who subscribe to the resource curse thesis, these authors believe that a dependency on mining is not economically viable, but they add that the increased social and environmental impacts only serve to multiply the disastrous effects of mining.

The environmental and social consequences of mining specific to gold are discussed in the following section. Additionally, the discussion of sustainable development found later in this chapter helps to explain the disconnect between the discourse around environmental and social issues coming from proponents of both the neoliberal and neostructural views on mining and a true commitment to reducing the environmental and social harms caused by mining.

### **The gold value chain**

While this thesis attempts to analyze broader implications of extractivism and development, there are some differences in the processes and impacts of extraction from one resource to the next. Since my case study focuses on a gold mine in Peru, this section examines the specificities of the extraction of gold and the gold value chain. Other metals, minerals, oil, and hydrocarbons may have some similar environmental and social impacts, but involve different processes of extraction.

Gold is a rare, highly valued commodity. It is produced in all continents, although distribution varies among regions. The World Gold Council estimates that 55.3 percent of

gold produced globally in 2007 to 2011 was directed towards jewellery, 32.7 percent was directed towards investment, and 12 percent was directed to technology, such as electronic, industrial, medical and dental applications (World Gold Council, 2013b). Slightly different numbers are found in a 2004 Oxfam report, where the percentage of gold used for jewellery was estimated to be closer to 80 percent (Oxfam, 2004, p. 4). Demand for this product is spread throughout the globe, though unevenly. East Asia, the Indian sub-continent and the Middle East made up approximately 65 percent of consumer demand in 2011 (World Gold Council, 2013a). Moody (2007) points out that these statistics show that gold mining is far from a necessity:

The World Gold Council ... is keen to tell us ... that the metal is essential to electronics, computers, mobile phones, dentistry and certain alloys. The Council is less ready to point out that around 90 per cent of gold ever mined is theoretically available for reuse. In principle there is no reason to extract a single ounce more gold for utilitarian purposes. The metal is, however, stored in back vaults and rests in (or literally on) private hands. Only a transformation of the global monetary system, and a puncturing of the mythologies woven around gold's virtues as a 'store of value,' and a 'hedge against inflation', are likely to change that (5-6).

One framework for environmental and social impact analysis is known as the Global Value Chain (GVC) framework. The GVC framework attempts to analyze the various environmental and social impacts at all levels of production of a certain commodity. "GVC theory emphasizes that all economic transactions within a chain are in fact 'governed' (whether trade is deemed nominally 'free' or not) and that the power relations

within a chain are highly unequal (as opposed to existing on a relatively level playing field between ‘free’ market agents)” (Fridell, 2013: 28). GVC theory therefore helps to explain the relationships between communities, mining companies, NGOs, governments and consumers in the case of gold production.

The gold value chain can be broken down into a number of steps: exploration for gold deposits; creation of access; extraction; processing and refining; and exportation and use in final product, such as jewellery. First, formal exploration is conducted by mining companies. The possibility of exploration depends on the laws in place in the area of exploration and the degree to which these laws are enforced. Secondly, creating access to the gold deposits is necessary and may involve the construction of roads, the displacement of people, the clearing of land, and eventually, the construction of the mine. Like the exploration phase, this all depends on the decisions taken by the state, the mining companies, and the local communities, though power relations among these three actors are often highly unequal. Thirdly, extraction involves the actual process of removing the gold deposits from the ground, like the two previous phases it is carried out by mining companies and subject to the laws of the area. Environmental impacts become more noticeable here, with huge open-pit mines taking up land, and cyanide leaching, which can (and often does) easily contaminate the water and soil (Oxfam, 2004). Social movements might get more heavily involved at this stage, especially if prior consultation was not thoroughly conducted and incorporated into decision-making. The fourth stage includes processing and refining which often occur together and in many cases refineries are very close to major mining centers (World Gold Council, 2013a). This involves significant air pollution as the ore is heated to very high temperatures (Oxfam, 2004). The

sixth and final stage involves the transportation of gold worldwide to be purchased as gold itself or used in other products, such as technological items or jewellery. This is influenced by the success of the previous stages of the chain as well as consumer demand. Throughout all stages of the gold value chain, the power relations among these actors depends on the local context, but are often unequally balanced between communities, mining companies and governments.

This description of gold's GVC gives a context through which my case study can be examined. Although my thesis does not focus on every stage of the gold value chain, it is important to be able to situate the current activities at the Lagunas Norte mine within the context of the gold value chain and understand the various power relations at play.

### **Sustainable Development**

The term sustainable development came out of the environmental movement and was first introduced in the World Conservation Strategy (WCS) published in 1980 by the International Union for Conservation of Nature (IUCN), the United Nations Environment Programme (UNEP), and the World Wildlife Fund (WWF). This was followed by various international conferences and reports that popularized the idea of sustainable development. One notable report, called *Our Common Future* (also known as the *Brundtland Report*), published by the United Nations World Commission on Environment and Development (also known as the Brundtland Commission) in 1987, defines sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987: 37). Munro (1995) expands on this idea:

*Development* is any and all kinds of activities or processes that increase the capacity of people or the environment to meet human needs or improve the quality of human life. ... For development to be *sustainable*, it must continue, or its benefits must be maintained, indefinitely. This means that there must be nothing inherent in the process or activity concerned, or in the circumstances in which it takes place, that would limit the time it can endure. ... To characterize an activity as sustainable, or to refer to sustainability, is to predict the future—an activity that is risky at best (28).

Since extractivism involves the process of removing finite resources from the earth and includes a plethora of environmental consequences, one could easily argue that it is inherently unsustainable. This is especially true for gold which is mainly used for material purposes rather than practical applications that would improve our quality of life. Yet, restricting extractive industry activities in the name of environmental sustainability is, for obvious reasons, not the preferred option of extractive companies, even those who claim to be supporters of sustainable development. Instead, they believe that with various social projects and environmental impact mitigation measures, sustainable development can be achieved through mining. Several major mining companies have signed on to the International Council on Mining and Metals' (ICMM) sustainable development principles outlined in the table below. It would appear that these principles require major changes in mining company operations, but the concrete steps that are actually taken to address these principles include nothing that would significantly compromise extraction or profits.

ICMM's 10 Sustainable Development Principles	
1	Implement and maintain ethical business practices and sound systems of corporate governance.
2	Integrate sustainable development considerations within the corporate decision-making process.
3	Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
4	Implement risk management strategies based on valid data and sound science.
5	Seek continual improvement of our health and safety performance.
6	Seek continual improvement of our environmental performance.
7	Contribute to conservation of biodiversity and integrated approaches to land use planning.
8	Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
9	Contribute to the social, economic and institutional development of the communities in which we operate.
10	Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

*Table 1.* ICMM's Sustainable Development Principles. *Note.* Adapted from "Sustainable Development Framework: 10 Principles" by International Council on Mining and Metals, 2013b.

Most definitions of sustainable development adopted by international organizations, governments and private companies (including mining companies) are broad and portray development in its neoliberal sense, as economic growth, though they may disguise definitions as being more progressive. According to this view, mining is still first and foremost a potential source of economic wealth, but sustainability is achievable though the development of new technologies and strategies for better managing the environment and social conflict.

In explaining the biodiversity movement, Macdonald (2010) argues that the large actors who became a part of this movement in the 1980s were not motivated by the cause, but instead by the ability to use this movement as a political tool to propagate



nationalism, colonialism, and capitalism (516). The same can be said for the sustainable development movement: there are clear political goals that can be achieved through claiming to support and then redefining a sustainable development and the movement behind it. MacDonald (2010) gives an explanation of this seemingly progressive, yet strategically conservative action:

In essence, the rise of sustainability in the 1980s, can be understood as a function of its position as a compromise conceptual device meant to address the environmental crisis of consumption and the apparent contradiction of capitalism—the destruction of the physical environment upon which it depends for continued growth—without alienating the governmental bodies upon which conservation had come to depend. ... To a large extent, this was achieved through a language that sought to replace protest and conflict with consensus and consent by claiming that economic and environmental goals were compatible (517-518).

The sustainable development touted by the IMCC and the Canadian government, among others, is a far cry from environmentalists' original vision of sustainable development in the 1980s, as well as those who wish to see true progressive environmental action today.

### **Corporate Social Responsibility (CSR)**

In the late 1980s the evident failure of free market capitalism on lines of the Washington Consensus led economists associated with the UNDP and other UN agencies to design an alternative strategy based on the 'inclusionary activism' of the state and to incorporate

the private sector into the development process. In 2000, the UN developed the UN Global Compact, a strategy in which mining companies and other multinational corporations would agree to a set of good practices and standards of behaviour that would prevent and mitigate negative social and environmental consequence of their operations.<sup>6</sup> Rajak (2011) explains: “[I]nternational voluntary codes and conventions such as the Global Compact hold out the persuasive promise of a collective societal responsibility shared between all sectors of society and governed by global regimes of accountability and responsibility, thus removing the need for mandatory regulation” (42). This compact led to the elaboration of the doctrine of CSR (Rajak, 2011).

CSR comprises a number of goals and stated commitments to sustainable development, meaning a reduction of the social, economic and environmental harms caused by a corporation (Dashwood, 2012a). CSR is voluntary and is not regulated by states, but businesses are motivated to implement CSR policies with the idea that addressing social, environmental, and economic concerns will actually help their business. Sagebien and Lindsay (2011) explain that CSR “strategies conceptualized as a set of discretionary or voluntary actions originating within a company can provide firms with a strategic response to some of the risks that systemic dynamics present, especially in the developing world” (12). Despite the fact that these initiatives are not regulated by states, Dashwood (2012b) argues that they are not entirely voluntary: “CSR is not philanthropy, in the sense that companies can simply chose which charity they might support. CSR denotes an obligation companies have in the economic, social and environmental realms, the three pillars of sustainable development” (119). The definition given by DFAIT (now DFATD) in 2009 adds to the importance of addressing

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<sup>6</sup> See the UN Global Compact website for a list of the ten principles: <http://www.unglobalcompact.org/>

environmental, social and economic issues by tying it to Canadian values, though it is unclear what those are exactly. According to this definition, CSR is “the way companies integrate social, environmental, and economic concerns into their values and operations in a transparent and accountable manner. It is integral to long-term business growth and success, and it also plays an important role in promoting Canadian values internationally and contributing to the sustainable development of communities” (DFAIT, 2009).

In mining, CSR has been argued to be an effective tool of development in pro-corporate circles through the claim that it compensates local populations for mining’s negative impacts by providing various types of social, economic and environmental projects. Meza-Cuadra (2008) presents CSR initiatives in the mining sector as a significant step forward, but where there remains much room for improvement. She believes that “community programmes have been changing from a paternalistic approach to one of community development with a sustainable development angle” (Meza-Cuadra, 2008: 349-350). Other authors believe that there are several positive aspects to CSR, but that many downsides to CSR also exist. The table below, developed by Sagebien and Whellams (2010), shows the authors’ reasons why CSR is good for development and why it is bad for development.

Why CSR is Good for Development	Why CSR is Bad for Development
<ul style="list-style-type: none"> <li>• Maximizes spillover effects of foreign direct investment (FDI)</li> <li>• Addresses governance gaps</li> <li>• In some areas, corporations can have greater resources than governments</li> <li>• Decreases financial/regulatory burden of the state</li> </ul>	<ul style="list-style-type: none"> <li>• Ignores the structural dimensions of poverty and inequality</li> <li>• Usurps the proper role of government</li> <li>• Though formulation involves stakeholder dialogue, the effect of inherent unequal power relations is left unexamined</li> </ul>

<ul style="list-style-type: none"> <li>• Contributes to Millennium Goals and to sustainable development</li> <li>• Can introduce higher levels of performance than those required (or enforced) by local law</li> <li>• Promotes corporate/stakeholder cooperation and coordination towards development goals</li> <li>• Key component in the creation of supply chains that lead to inclusive markets</li> <li>• Reduces social and political conflict and prevents/remediates environmental damage</li> </ul>	<ul style="list-style-type: none"> <li>• Calls for change only within the current capitalist framework</li> <li>• Business and development have conflicting agenda</li> <li>• The business case for CSR is duplicitous</li> <li>• Accountability is needed</li> <li>• Corporations lack development expertise</li> <li>• Mainstream CSR agenda is North-driven and gender and race myopic</li> <li>• No matter how good, CSR cannot ever be sufficiently broad based or long lasting because it is voluntary and discretionary</li> <li>• In line with the strategic firms of the firm [<i>sic</i>], and not with the developments [<i>sic</i>]needs of communities/states</li> </ul>
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*Table 2.* Why CSR is good and bad for development. *Note.* Adapted from “CSR and development: Seeing the forest for the trees” by Sagebien and Whellams, 2010.

Many of the negative aspects of CSR in this chart not only outweigh the positive aspects, but also make them invalid. For example, can inclusive markets really be created if CSR disregards the structural dimensions of poverty and inequality, only works within a capitalist framework, and is gender and race myopic? Along the same lines, many would not consider reducing social and political conflict to be a positive thing if the needs of the communities are not met. This would mean that it is simply a strategy for silencing opposition.

Rajak (2011) gives a much more critical definition of CSR, writing that CSR “claims the happy confluence of economic value and ethical values packaged together in the new human (or humane) face of capitalism” (2). In other words, according to this author, no real solutions come out of CSR only the appearance of one.

*Discourse setting*

One of the many controversies around CSR is whether associated projects are truly beneficial or whether they simply serve to improve the public image of mining companies. Dashwood (2011) believes that while CSR activities are somewhat superficial, mining companies have taken a step in the right direction in the name of sustainable development:

The fact that mining companies have adopted sustainable development to frame their CSR policies is evidence of acceptance of the normative validity of sustainable development at the discursive level. While reference to sustainable development in their CSR reports may be dismissed as a mere public relations exercise, the acceptance of sustainable development at the discursive level is a significant development (34).

In contrast, Coumans (2011) believes that this discursive use of CSR (which includes sustainable development) is not a progressive move in the way that Dashwood (2011) suggests. Instead Coumans (2011) sees it as a strategic way of ensuring the success of the mining company while the advantages to the local communities are not evident:

As local conflicts have intensified, mining companies and their associations have more urgently emphasized the need for local-level ‘benefit-sharing’ and community-level development projects at their mine site within a context of voluntary corporate social responsibility. ... But the messaging effort is only part

of a more sustainable effort to counter local opposition and achieve a social license to operate by channelling ‘benefits’ to the local level (117).

In fact, Hilson and Haselip (2004) argue that these so-called benefits promised by mining companies do not exist:

[M]ultinational mining corporations, whilst capitalizing on these benefits, have made comparatively few contributions to local communities. Clearly, the majority of commitments made by multinationals with mining interests in the developing world toward such issues as enhanced community development, environmental protection and a social license to operate are unsubstantiated claims (42).

Several authors argue that the discursive shift towards CSR and sustainable development made by mining companies does not show an acceptance of social and environmental norms, but instead allows mining companies to define these norms themselves. Rajak (2011) says that CSR “has become a platform from which corporations can take an increasingly active role in setting, as well as implementing, the development agenda at a global level. The rise of CSR has established TNCs as more the solution to the challenges of global poverty and under-development, than the cause” (8). The fact that CSR is voluntary is another key factor that allows for mining companies to be able to set the discourse of CSR by deciding what it will include.

*Filling governance gaps or encouraging state retreat?*

Dashwood (2011) argues that states have been failing to implement CSR and mining standards and, therefore, the action taken by mining companies (and NGOs in some cases) is important: “[M]ajor mining companies have played a leading role in promoting global CSR standards. Mining companies, together with NGOs, have borne much of the responsibility for driving global governance in this area (with states lagging behind for the most part). Such global actors have filled some of the governance gaps with respect to CSR” (34-35). However, Clark and North (2006) argue that rather than filling governance gaps, CSR encourages the state to retreat (8). This means that while mining companies may be funding healthcare programs, for example, as the mining companies see fit, the state may withdraw its funding for healthcare or may not see a need to invest in healthcare in that community with the assumption that the corporation is taking care of the issue. Boon (2011) emphasizes this point: “CSR allows the state to shirk its responsibilities (‘it is playing dead’), thereby increasing the risk of unsustainable dependency on companies” (76). This is problematic since these social services provided by mining companies will disappear after the closure of the mine.

*The impacts and consequences of CSR*

Some authors have argued that CSR has not had any significant impact on development, or that CSR has actually been more harmful than beneficial to mining communities targeted by CSR initiatives. A comprehensive EU-funded study, looking at CSR at numerous companies (not just mining companies) throughout Europe, concluded that CSR as a tool for positive social, economic, and environmental change has not worked,

saying “there is no convincing evidence that there are significant improvements over time large enough to create change and reach major policy goals” (European Commission, 2013: 38). The report emphasizes the importance of measuring progress on the basis of impacts, but explains that “[i]n instances where companies do consider impacts, *they are rarely informed by the policy goals and agenda of the EU* in areas such as competition, environment and quality of jobs” (European Commission, 2013: 39, emphasis in original), pointing again to the fact that companies are able to choose what they implement as part of CSR whether or not those activities coincide with government objectives.

One potential reason for the failure of CSR to make a significant positive impact is outlined by Clark and North (2006) who point to the quantitative nature of CSR goals and evaluations: “implicit within [CSR] is the notion not only that corporate and community interests are compatible but also that the differences between them are strictly quantitative (that is a question of dollars and cents) rather than qualitative (that is, based on completely different visions of development)” (8). Effective CSR is not only a matter of creating sufficient projects and support for local communities, but also ensure that those projects and support are culturally relevant and demanded by the locals themselves.

Many of the projects that are a part of a mining company’s CSR strategy are considered economic development projects in which jobs are created for those not working in the mining industry. Contrary to companies’ stated goals, Denault and Sacher (2012) argue that these projects do not have positive benefits for local communities: “Overall, the record provides convincing evidence that ‘economic development projects’ often leave host countries worse, and not better off, than they were before” (2). Beyond



the idea of improving a company's public image, Lust (2014) explains that there is a much more substantial reason why mining companies would create a CSR strategy even if the projects had no impact or a negative impact for local communities:

The main objective of the social responsibility programs of (transnational) extractive capital is to break the unity within the communities or between the communities within a defined region. By benefiting certain groups within the community or dividing different communities within the area of operations, which the company can do by avoiding negotiations with the official representatives of those communities, extractive capital is able to advance its interests by converting some of its opponents into defenders of the mine (204).

The literature on CSR is divided between viewing CSR as a positive step forward and seeing it as an illusion of progress with a plethora of negative consequences (whether intentions are good or bad). Questions of discourse setting, governance, and impacts are often associated with political ideology.

### **Partnerships between mining companies and NGOs in the name of development**

Development NGOs have grown enormously in number and size over the last few decades and many have gained immense power and influence in an international development context. Development NGOs can be defined as “non-profit-making private organizations ... [whose] activities are directed to development and/or assistance efforts, which may be financed by state funds or international co-operation resources” (Arellano-Lopez & Petras, 1994: 559). Furthermore, *international* NGOs have a particular

relationship between donors and target populations where donors are mainly from the Global North and target populations are within the Global South. This could mean either an NGO based in the Global North and operating in the Global South, or an NGO based in the Global South that receives the majority of its funding from institutions in the Global North such as IFIs, the government of a Global North country, or a private corporation. NGOs have not always been prominent actors in development, as they now are. Compared to contemporary numbers, few international development NGOs existed prior to the 1980s. However, religious and colonial missions, which long predate neoliberalism, are arguably the roots of development NGOs, whether they are viewed as altruistic or imperialist.

Several authors argue that the ‘boom’ in the number of international development NGOs parallels the rise of neoliberalism as a doctrine of development in the 1980s, and that this correlation reflects a mutually beneficial relationship between the two, rather than a reactionary growth of NGOs in opposition to the rise of neoliberalism (Arellano-Lopez & Petras, 1994; Barry-Shaw & Oja Jay, 2012; Chapin, 2004; Petras, 1997). In other words, according to these authors development NGOs are not, as commonly seen, a leftist reaction to neoliberalism, but are instead agents of neoliberal development. Furthermore, as part of their role in the propagation of neoliberalism, NGOs have been used to suppress opposing movements: “There is a direct relation between the growth of social movements organized to challenge the neoliberal model and the growth of NGOs, used by the ‘overseas development associations’ to subvert these movements by providing the rural poor alternative forms of social action” (Petras & Veltmeyer, 2013: 104).

Under conditions created by IFIs, development NGOs have flourished. The legacy of Structural Adjustment Programs (SAPs) implemented in the 1980s and 1990s that changed national political-economic structures is still evident in many countries in the Global South. Under these conditions, national governments cut spending on social services and many were left without healthcare, education, housing or employment. This is where NGOs were seen to be necessary: “With a (sometimes radically) diminished state sector and a weak private sector, delivery of basic welfare services often fell into the hands of civil society, whether through family and community networks or constituted nongovernmental organizations” (Murray & Overton, 2011: 309). At the same time, international donors had created a huge fund of resources to address these lacking social services which led to a sudden plethora of new NGOs born out of the chance to access this new financial opportunity (Arellano-Lopez & Petras, 1994: 567). As Murray & Overton (2011) explain, IFIs and other aid agencies were in most cases content with this new sector getting involved in development. It meant that states that were seen by many Northern institutions to be inefficient and corrupt were forced to play a smaller role in the direction that development took, and that funders of development NGOs had a much larger voice.

Much as countries were forced to instate neoliberal policies by international institutions through SAPs, NGOs who seek funds from major donors are required to adhere to neoliberal ideology. Ervine (2007) writes about conditional funding based on adherence to neoliberal ideology as “disciplinary neoliberalism” (124). In other words, NGOs may not initially want to be propagators of neoliberalism, but they may be forced to choose between funding and principle. Ervine (2007) discusses disciplinary

neoliberalism in the context of states seeking funding from global environmental institutions, saying that “only those countries that have created an enabling environment for neoliberal policies and reforms will be eligible to receive what donors contend are scarce funds in high demand” (134). The same idea can be applied to NGOs involved in partnerships with mining companies.

In business circles, partnerships between private companies and NGOs have been argued to be beneficial for the private companies as well as local communities. Austin *et al* (2004) argue that “[s]elf-interest should not be confused with exploitation or opportunism, as both are very different things. ... [T]here is no tension between altruism and enlightened self-interest; on the contrary, both can reinforce each other” (33). Austin *et al* (2004) claim that all the partnerships analyzed in their book had positive impacts on the communities in which they were operating, writing that “[i]n all instances, their collaborations contributed [*sic*] significantly to the increased magnitude of these impacts” (146). However, it is worth noting that none of the companies in the authors’ case studies were mining companies. Several CSR programs, whether related to mining or another business, engage NGOs in carrying out the company’s CSR development initiatives, under the argument that NGOs are specialized in development issues and they may also have pre-existing relationships with the community.

Historically, some NGOs (and more grassroots organizations) have played a huge role in highlighting destructive social and environmental impacts of mining and creating public demand for progressive change. Dashwood (2011) explains that “[t]he literature on the dissemination of human rights norms shows that the initial pressure came from transnational advocacy networks of NGOs with a global reach based in the Global North.

The fact that early efforts to promote CSR on the part of mining companies came from those that were headquartered in the advanced industrialized economies bears this observation out” (33). Dashwood (2011) adds that “NGOs were able to adeptly use information technologies to raise awareness about mining company operations in far-off places, and to mobilize local community opposition to mining” (37). The creation of partnerships between mining companies and NGOs for the implementation of CSR, however, changes the role of NGOs and the nature of their relationship with mining companies. This can be seen as a positive change in that NGOs are able to make some contribution towards mitigating the impacts of mining is working in direct opposition to mobilized efforts to get rid of mining in certain communities. Alternatively, this new relationship can be seen in a negative light in that it reduces the ability of partnered NGOs to be critical of mining activities and diverts development efforts to mining areas from other areas. From the later view, these partnerships merely help to reduce the negative image of mining companies perpetuated by some NGOs. Barry-Shaw and Oja Jay (2012) write that “[c]orporate executives unveiled CSR partnerships with NGOs to demonstrate their newfound commitment to ‘sustainable development.’ Development NGOs became key allies in the campaign to put a human face on neoliberalism” (184-185).

When confronted with questions of political ideology or reasons for not targeting the global political structures that created poverty and underdevelopment in the first place, many NGOs claim to be apolitical. It is often necessary for those NGOs involved in partnerships with mining companies to act in an apolitical manner and claim that their only focus is development and poverty reduction. However, as Gligo (1995) argues, the

choice to remain apolitical is not about taking a neutral stance, but is itself a political action: “[A]politicism tends to distort the issue by failing to analyze the various costs and benefits to different social groups. There is no doubt that these costs and benefits are shared inequitably across society and that it is precisely this unequal distribution that converts the subject of the environment into one of political importance” (63).

International development NGOs rarely criticize neoliberalism or the neoliberal policies that they may be forced by their funders to implement or support. Ferguson (1994) adds that apoliticism also results in the depoliticization of a project:

By uncompromisingly reducing poverty to a technical problem, and by promising technical solutions to the sufferings of powerless and oppressed people, the hegemonic problematic of ‘development’ is the principle means through which the question of poverty is depoliticized in the world today. At the same time, by making the intentional blueprint for ‘development’ so highly visible, a ‘development’ project can end up performing extremely sensitive political operations involving the enrichment and expansion of institutional state power almost invisibly, under the cover of a neutral, technical mission to which no one can object (256).

In the context of Canadian international development NGOs, Barry-Shaw and Oja Jay (2012) point out that while some NGOs have criticized the World Bank and the IMF, Canadian NGOs have rarely taken on the Canadian government for its support of SAPs and other manifestations of neoliberal development policy (159). Additionally, Coumans (2011) points out that while mining companies have put out significant information (or

propaganda) on the CIDA-funded development partnerships, NGOs who have engaged in these partnerships have been generally rather quiet on this topic: “The lack of publicly available elaboration on the rationale for NGO partnerships stands in stark contrast to the large volume of analysis and reflection on the same topic available on the ICMM website” (128). Canadian development NGOs fit the description of international NGOs explained in this section.

### **Conclusion**

While proponents of both the neoliberal view and the neostructural view on mining disagree on how the economic benefits of mining are best achieved, the two schools of thought frame the debate on mining around the potential for economic development. My major conclusion regarding the relationship between mining and development derived from this literature review is that the impacts of mining go far beyond the economic realm and include environmental and social consequences, as emphasized in the environmental school of thought on mining and development. Specifically, the production of gold involves several environmental and social impacts at various stages of the value chain and the current rate at which this metal is being extracted is not necessary for global well-being. The concepts of sustainable development and CSR may appear to address environmental and social concerns regarding mining, but they lack the capacity to do so for several reasons:

1. The concept of sustainable development has been remoulded from its original definition to fit a neoliberal view of development where mining companies are

able to continue profitable extraction and the root cause of poverty – capitalism – is not addressed.

2. Mining companies are able to voluntarily decide what their CSR policy will include, which allows them to frame the terms of the debate regarding the responsibilities of mining companies to local communities.
3. Whether mining causes the state to retreat or instead fills governance gaps left by an inattentive state, CSR allows for the privatization of community social services.
4. The impacts of CSR are not always positive, as some studies have shown. Instead of helping to ‘develop’ a community, CSR may serve to achieve goals that differ from state and local community objectives, improve the image of the mining company, and break unity within communities.

Furthermore, the literature shows that partnerships between international development NGOs and mining companies do not necessarily help to address the development concerns of local communities. Instead NGOs may be subject to ‘disciplinary neoliberalism’ where they are forced to adhere to the neoliberal policies and objectives of their funders.

The conclusions derived from my literature review have led me to formulate the hypothesis that CSR can discourage local grassroots opposition to mining. While proponents of these partnerships may suggest that a decrease in resistance is simply due to community satisfaction with the mining company’s CSR initiative, the literature suggests that this is not always the case. Rather, CSR may simply create the appearance



that community needs are being addressed through using specific discourse and having the power to set the development agenda.

## Chapter 3

# The Political Economy of Mining in Peru:

## The context

Mining is a contentious issue in many parts of the world. Several countries in Latin America in particular have become destinations for increasing foreign capital interests, and Peru is at the top of the destination list. This chapter outlines the political economy of mining in Peru beginning with its long history of mining and exploitation. It then discusses the importance of mining to the Peruvian economy today and provides an overview of the mining companies present in Peru. Furthermore, it explains some of the many environmental harms caused by mining in Peru, provides a short compilation of some major community conflicts related to mining in Peru, and highlights Peruvian legislation that relates to mining. The last sections of this chapter examine the potential of mining to contribute to development in Peru. Through an analysis of these issues, this chapter considers important ethical questions about how the wealth of the so-called ‘developed’ world is obtained and what mining communities deserve.

### **Peru’s history of mining**

Peru has a long and complex relationship with mining. Mineral resources (especially gold and silver) were extracted by indigenous inhabitants of what is now Peru long before colonization (Meza-Cuadra, 2008: 338). Later, foreign exploitation of natural resources

in Peru began with the arrival of the Spanish in the early 1500s. These resources contributed significantly to Spain's immense wealth: "Peru's wealth of natural resources helped make Spain the richest country in the world in the sixteenth century" (Sheahan, 1999: 39). Clark and North (2006) explain that "[a]s the ores were stripped from the ground and extractive activity eventually declined during the later years of Spanish colonial rule, virtually all the mining regions of the Empire were left environmentally degraded and mired in poverty" (2). While the Spanish eventually discontinued their colonial control of South American resources and Peru gained independence from Spain in 1821, natural resource exploitation not only continued, but the number of exploitative actors grew.

In the late 19<sup>th</sup> century, mining companies in Latin America contributed little to the economic development of the region since the vast majority of profits returned to the home countries of the transnational companies. In this era most transnational mining companies were based in the United States (Clark and North, 2006: 3). In the early 20<sup>th</sup> century, Sheahan (1999) writes that about 60 percent of Peruvian exports were controlled by foreign companies, but that the depression of the 1930s quickly reduced foreign involvement in the Peruvian mining industry (43). However, World War II (WWII) brought with it a new wave of foreign investment in mining in Peru, mainly from the United States. Brundenius (1972) emphasizes that "we must link the renewed interest of US monopoly capital in world raw material resources after WWII" (189).

Meza-Cuadra (2008) explains that in the post-WWII era, "Peru modified its mining law to attract foreign investment [and] [t]wo big American mining companies arrived in Peru: the Southern Peru Copper Corporation and the Marcona Mining

Company” (339). The author adds that while all mining companies were private in the 1950s and 1960s, the Peruvian military government of the late 1960s “expropriated most of the foreign-owned extractive companies except the Southern Peru Copper Corporation” (Meza-Cuadra, 2008: 339). However, the Peruvian government’s control over the mining industry did not last long as mining was quickly returned to the hands of foreign interests.

In the context of the growing power of neoliberal ideology in global development policy and under the influence of IFIs such as the World Bank, in 1985, President Alan Garcia Perez (1985-1990, 2006-2011) implemented a structural adjustment policy with the intention of revitalizing the national economy, that instead had catastrophic economic and political consequences for the country (Bury, 2005). The following Peruvian president, Alberto Fujimori (1990-2000), expanded the extent of neoliberal reforms beginning in 1990 and enshrined them in a new constitution in 1992. Bury (2005) explains: “Beginning in 1991, the Fujimori administration opened all sectors of the Peruvian economy to foreign direct investment (FDI) and lifted restrictions on remittances of profits, dividends, royalties, access to domestic credit, and acquisition of supplies and technology abroad” (222).

The impacts of neoliberal reform and the legislation enacted in Peru after Fujimori are documented in the following sections of this paper. It seems to be the case that while the actors involved in resource exploitation have changed over the years, their actions have not. As Veltmeyer (2013) writes, “[e]xtractive imperialism has ... taken different forms throughout the age of conquest, commercial capitalism, the rise of industrial capitalism and the emergence of monopoly capitalism to the present age of

global megacorporations allied with financial capital” (80). Clark and North (2006) argue that in comparison with the colonial period, recent mineral extraction has not been quite as devastating to the people of communities in mining areas, but that the environmental consequences are far greater (2). While US mining corporations are still major players in the Peru, transnational companies from other countries have come to play a bigger role. Canadian companies are now not only leaders in the mining industry in Peru, but also around the world.

### **Mining and the Peruvian economy today**

Extractive companies have enjoyed a prolonged rise in global commodity prices over the last few years (with some exceptions), making extraction increasingly profitable. This phenomenon has led to the rapid expansion of the extractive industry and increased support from Latin American states (Hogenboom, 2012: 151). The volatility of the world market means that revenue from the mining industry is unpredictable and does not guarantee long-term economic growth, even if states collect a significant percentage in taxes<sup>7</sup> and use the funds efficiently. However, advocates of mining claim that “mining and petroleum corporations ... are agents of progressive change, and that modern technology and new corporate social responsibility programs can make extractive activities sustainable and beneficial to all stakeholders” (Canel, Idemudia & North, 2010: 5). The rationale for this argument is that mining is an engine of economic growth not only because states collect taxes and royalties, but also because it creates jobs (both directly at the mine and indirectly for good and services that the mine uses), infrastructure that benefits entire communities, innovation, and capital markets

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<sup>7</sup> The current national royalty tax on mining in Peru is 1-3% (PWC, 2010).

(Chevalier, 2010, May 4: 8). However, the ICMM (and the mining companies affiliated with them) emphasize that good governance is essential for having positive outcomes that improve the well-being of local residents (Diez, 2010).

Minerals that continue to be mined in Peru and exported across the globe today include: silver, copper, zinc, lead, gold, iron, tin, and phosphate (Oxfam, 2009). Peru is one of the largest contributors to mineral production in the world: “[Peru] is the leading silver producer of the world, second for copper and zinc, fourth for lead, and sixth for gold” (Bebbington & Bury, 2009: 17296). Additionally, Peru’s production of minerals continues to increase. Oxfam (2009) notes that copper production doubled and gold production increased by 30 percent from 2004 to 2009 (2). Peru is also home to Latin America’s largest gold mine: Yanacocha (Thorp & Paredes, 2010: 177).

Meza-Cuadra (2008) explains that there are approximately 1,000 mines of various sizes and three smelting and refinery factories in Peru, adding that the large companies are mainly foreign-owned, while the medium and small (artisanal) companies are Peruvian-owned (340). According to Oxfam (2009), Peru has the highest concentration of large mining companies of any country (2). The ICMM has a total of 22 member companies and the following 13 members of the IMCC operate in Peru: Anglo American (UK), Barrick Gold (Canada), BHP Billiton (Australia), Freeport McMoRan (USA), Gold Fields (South Africa), Mitsubishi Materials (Japan), Newmont (USA), Nippon Mining and Metals (Japan), Rio Tinto (Canada), Sumitomo Metal Mining (Japan), Teck (Canada), Vale (Canada), and Xstrata (Switzerland, UK) (ICMM, 2013a). In the 1990s in Peru, there was a major shift towards mergers and acquisitions of mining companies, making large mining companies more powerful: “Mergers involving mining companies

reached a value of over U.S.\$38 billion in 2001, with only three companies – Rio Tinto, Anglo American, and BHP Billiton – controlling 30 per cent of the market for 12 principal metals” (De Echave, 2006: 18-19).

Between 1990 and 1997 global mining investments in exploration, increased by 90 percent around the world, 400 percent in Latin America, and 2000 percent in Peru (Bebbington, 2008: 274). Bebbington and Bury (2009) estimate total mining investments between 1990 and 2007 in Peru to be US \$12.35 billion (17296). In terms of mining exports, Meza-Cuadra (2008) estimates that in 2004, mining exports reached a value of \$16.5 billion, accounting for 54 percent of total Peruvian exports (339). Lust (2014) estimates that in 2010 mining contributed about 10.6 percent to GDP, a significant increase from 4.1 percent in 1991 and 5.2 percent in 2000, but still not as significant as other sectors of the economy, considering its domination of Peruvian exports (195). A few years earlier, Meza-Cuadra (2008) estimated that in 2004, approximately “one third of the income tax paid to central government came from the mining companies” (339). Lust (2014) notes that increased mining revenues over the last few years– which would be even more than one third of income tax paid to central governments in 2012 if Meza-Cuadra’s 2008 calculations are correct – have been used by the Humala government to finance social and infrastructural programs that ultimately benefit the mining companies by creating political stability and efficient infrastructure for the transportation of mined minerals out of the country and to the Global North (193).

Additionally, mining companies in Peru often take on the role of the state by providing economic and social services (such as jobs, as well as funding education and healthcare) and this causes the state to retreat while local communities become dependent

on mining funds: “This undercuts the institutionalization of social benefit structures and risks making a community worse off after a mine closes than before it opened” (Boon, 2011: 76-77). The lacking national government involvement is especially problematic due to weak municipal level governance: “The 4-5 year [municipal] election cycle if out of phase with the 15-year ‘CSR cycle,’ and a [municipal] government change is often accompanied by a change of official in government institutions. This lack of institutional stability negatively affects the sustainability of CSR initiatives. The national government is mostly absent and lacks the will to solve problems” (Boon, 2008: 77). This demonstrates a discordant relationship between the national government, local government and mining companies that ultimately reduces the potential for meaningful development and creates an imbalance of power in favour of the mining company. Moreover, those who live in the mining communities have not experienced the benefits of increased profits, but have been further impoverished through the social and environmental consequences of mining, as will be discussed later in this chapter.

### **Environmental and social harms caused by mining in Peru**

The environmental and social harms caused by mining are vast and their impact is long-lasting. The environmental devastation of mining is clearly demonstrated in Peru. While the communities surrounding mines often experience the greatest social and environmental devastation, air, soil and water pollution also spread to contaminate other regions. This has been shown with the Cerro de Pasco Corporation’s smelter in La Oroya, Peru – one of the world’s ten most contaminated cities – which has spread pollution throughout the country (Clark and North, 2006: 3). Bebbington and Bury’s (2009)



research shows another environmental consequence of mining: as a result of the fact that lands previously used for livestock grazing have been taken over by mining, 61 percent of households intensified agriculture in order to compensate for less land, and that this has led to decreased soil fertility (17298).

Water pollution and depletion are other major consequences of mining. In a study conducted by Bebbington and Bury (2009), community members living in mining areas in Peru reported “increased problems of human, animal and fish ill-health, and deterioration in water smell, taste, and cloudiness” (17298). Lust (2014) notes that this is not only a problem with rivers and lakes, but mining also causes pollution to groundwater reservoirs and modifies water circuits, creating enormous obstacles to safe and accessible drinking water (199).

Mining companies often present a positive image of their operations “emphasizing open dialogue and community gains in employment, income, and services” (De Echave, 2006: 21). However, communities often have very different perspectives on the situation. For example, De Echave (2006) conducted a survey of three peasant communities in Peru (Vicco, Tintaya-Marquiri, and Yauli) in which he observed that “the percentage of local people who reported symptoms of illness was about double in the two communities in which mining operations were already underway” (22). De Echave’s (2006) survey also looked at public perceptions of mining in the same three communities, and he observed that while there was a certain level of disagreement among community members, “all three communities showed a strong perception that the mining industry had provoked a significant deterioration in local environmental conditions” (24).

The displacement of communities is another social consequence of mining: “In 2003, [more than] 75 [percent] of households in the 44 communities that sold land to mines between 1992 and 2000 had moved to neighboring communities at lower elevations” (Bebbington and Bury, 2009: 17298). Lust (2014) also comments on this phenomenon saying that “[t]he disappearance of complete communities for the sake of imperialism is a natural consequence of the presence of (transnational) extractive capital in the Peruvian highlands” (197).

The enormous environmental and social consequences of mining have led to major conflicts over the creation of new mines and the continuation of many mining projects. While mining companies and national governments see mining as a highly beneficial economic activity, this is very often not the perception of mining from local community members: “Various stakeholders in local communities, including landowners, campesinos, indigenous groups, workers, and small-scale miners, have resisted new projects. In their eyes, extractive industries give a little (few jobs and development) but take and/or damage a lot (land, water, air)” (Hogenboom, 2012: 140). The next section examines some of the resulting conflicts.

### **Major mining conflicts in Peru**

Arce (2008) and Bebbington (2008) note that the most common type of social conflict in Peru is conflict related to mining (Arce, 2008: 52; Bebbington, 2008: 275). In the national ombudsman’s 2012 yearly report it was estimated that 65.2 percent of total social conflicts in the country were related to social and environmental issues (Defensoría del Pueblo, 2012: 84). Of those conflicts, 70.9 percent were related to mining (Defensoría

del Pueblo, 2012: 84). Arce (2008) argues that the political change that occurred after Fujimori's presidency created a new atmosphere of political opportunity in which greater levels of civil society collective action became possible, including mobilization in opposition to mining (Arce, 2008: 53). While it is true that some of Peru's major mining protests have led to the closure of mines and in some cases the withdrawal of mining companies, this has not been without consequence. Veltmeyer (2013) writes that Peru is "one of the major Latin American sites of class struggle over the extraction and exploitation of natural resources" (77). The current political climate of Peru has sustained these types of protests, some of which are detailed below. However, Hogenboom (2012) suggests that the new leftist political regimes of Latin American countries have generally caused an isolation of protests, in part due to the fact that these governments have used increased incomes from metal and mineral rents in order to fund social programs (Hogenboom, 2012: 152).

While, as Arce (2008) argues, Fujimori may have created a political atmosphere that led itself to more civil society action than in the past, protestors were violently repressed in this era. Protestors continue to be repressed even with President Humala's new leftist government: "Ultimately, the mining companies rely on the direct violence and coercive force of military, paramilitary or police forces to overcome opposition to their highly lucrative mining operations" (Veltmeyer, 2013: 89). The state in these cases ends up working hand in hand with the mining companies, rather than with the majority of its citizens. Tactics of suppression are numerous and often disastrous:

The mining companies' tactics include visiting the community to gather information and evaluate the local situation (that is, the degree of opposition)

under false pretexts, such as representing themselves as members of an NGO concerned with the welfare of the indigenous; arranging public meetings, with the help of local allies or so-called friendly officials; bribing government officials with the promise of jobs and social development funds; manufacturing a social license by negotiating with a friendly local group supportive of the project, albeit not representative of the ‘community’; creating a support group and organization when a submissive or complaint group does not exist in the community; seeking support for a proposed mining project by offering gainful employment to unemployed members of the community or work for local contractors or service contracts; purchasing land with access to the concessions; infiltration of the community and spying on the opposition; strategic litigation against public participation; false accusations, intimidation, death threats, and paramilitary action (Veltmeyer, 2012: 76).

Several major mining protests have occurred in the Cajamarca province of Peru. Newmont Mining Company’s Yanacocha mine has seen several protests since 1999, some of which have been extremely violent (Arce, 2008: 54). One such protest occurred in 1999 when “more than six thousand local residents blocked the entrance to the mine... [over issues of] water pollution, reduced water flow, and social ills that came with mining boom communities such as prostitution, crime, and debt problems” (Arce, 2008: 54). Since then, protests have continued to erupt at the Yanacocha mine and, in many cases, have been violently repressed. Like the Yanacocha mine, the proposed Conga mine is also in the Cajamarca province and is run by Newmont Mining Corporation. Recently,

huge protests over major environmental issues, including water quality and access have occurred in opposition to this mine. However, the Humala government has not supported these communities, but has instead favoured the mining company, just as previous Peruvian governments (regardless of regime type) have done (Veltmeyer, 2013: 88).

Another major mining conflict occurred in Tambo Grande in the Piura province of Peru. Protests at this mine began in February 2001 when around five thousand protestors began destroying company offices, and a protest leader was killed by a gunshot (Arce, 2008: 54-55). Overwhelming protest at the Tambo Grande mine continued and the operator – Canada's Manhattan Minerals Company – eventually shut down operations in February 2005 (Arce, 2008: 55). In this case, the mining company was attempting “to build a mine directly under a town of 16,000 people” (Oxfam, 2009: 6). Protests continued until the company agreed to shut down, which caused them a loss of \$61 million on the project (Oxfam, 2009: 6).

BHP Billiton is yet another transnational company that temporarily halted its operations and eventually sold its Tintaya copper mine to another company – Xstrata – in 2006 due to conflict with a local community (Arce, 2008: 55). Other major mining conflicts highlighted in Oxfam's (2009) report include the Rio Blanco copper mine project owned by Chinese company Zijin Metals where violently repressed protests led to two deaths in 2004 and 2005, and Rio Tinto's massive La Granja copper project in Lamabayeque Province where in 2008, protest over water pollution led to the company calling for independent investigations.

Furthermore, Barrick Gold has two gold mines in Peru – Lagunas Norte and Pierina – that have both experienced protest from community members living near the

mines. However, this protest has not been at the same level as that in Yanacocha, Tambo Grande, and other large mining sites. Protests erupted in the fall of 2012 at Barrick's Pierina mine and one protestor was killed. Additionally, Barrick's Lagunas Norte mine was the site of conflict in February 2013 where around 200 protesters set-up blockades near the mine. Protests ended after 6 days, however, since according to the mining company "the company and the local leaders agreed ... to participate in 'workshops' to find a solution to demands over jobs, wages and water supplies in the area" (Reuters, 2013). While this is not an exhaustive list of mining conflicts in Peru, this section has highlighted some of the major conflicts and trends in the motivations and actions of protests. The social conflicts relayed in this section demonstrate the contentiousness of the mining issue.

### **Peruvian mining legislation**

In terms of the role of the state in the pre-Humala period, Bebbington (2008) explains that weak regulation was implemented by the Peruvian government with the express intention of encouraging foreign investment, and it worked (275). He explains three aspects of this weak regulation in the pre-Humala period. First, prior to 2008 when the Ministry of the Environment was created, there was an obvious conflict of interest in which the Ministry of Energy and Mines (MEM) regulated both the environmental and social impacts of mining and was the main government body that supported the mining industry. Secondly, land use was highly unregulated and mining companies could easily gain access to land without being legally required to obtain the consent of local communities through prior consultation. Thirdly, there was no minimum requirement for

mining rents, and therefore the overwhelming majority of profits returned to the transnational companies' home countries (Bebbington, 2008: 275).

With the 2011 election of President Ollanta Humala, there was an expectation that significant legislation would be implemented that would more strongly regulate the mining sector in order to reduce the social and environmental damages caused by mining and limit exploitation from transnational companies by allowing local community voices to be heard and redistributing profits to these communities. In fact, the mere expectation that Humala might win the election shook the stock market and his win was felt by the stock market even more strongly: "When the victory of Humala became known, stockholders reacted as if in shock and the country's stock market immediately plunged by 12.5 percent – its biggest decline ever. In the following days, however, stock prices partly recovered from this post-election panic" (Hogenboom, 2012: 133).

Despite the fears of some and the hopes of others, the change in government from Alan Garcia to President Humala did not significantly alter the mining sector, even with new legislation. Neoliberal policies have continued to be embraced and the Humala government has generally sided with transnational mining companies in situations of conflict with communities. As explained in an article in *The Economist*, "[h]aving spent years posing as the protesters' champion, Mr Humala is now reaping the bitter harvest of dashed expectations" (Economist, 2012). Put another way, Lust (2014) says that "[t]he policies of the current Peruvian government are a continuation of those of its predecessors. Instead of the 'great transformation', we might rather characterize the Humala regime as the 'great charade'" (213).

Schilling-Vacaflor and Vollrath (2012) analyze mining legislation in Peru with a focus on the aspect of prior consultation with indigenous and peasant communities, and the change (or lack thereof) in this aspect with the new Humala regime. The authors deem this aspect to be important for several reasons, namely that it is an important legal tool “to demand a decision-making role in measures that affect [the local communities]; to reduce possible social and environmental damages; and to improve [local communities’] bargaining position on compensation payments and benefit-sharing” (Schilling-Vacaflor & Vollrath, 2012: 127). The authors explain how the new Consultation Law, implemented in September 2011, was much anticipated and was initially supported by indigenous organizations. However, even though this new law was at least on the surface a step-up from the Consultation Law passed by Peruvian Congress in 2010, Schilling-Vacaflor and Vollrath argue that prior consultation has been less than adequate, in that it has mostly been reduced to informative events rather than true consultations. Many dissatisfied local communities have taken it upon themselves to hold self-organized prior consultations as symbolic protest activities (Schilling-Vacaflor & Vollrath, 2012).

Peru is a co-founder and member of the Pacific Alliance, an economic trade block of Latin American countries based on neoliberal principals. This is in contrast to the left-wing coalition of Latin American states known as Bolivarian Alliance for the Peoples of Our Americas (ALBA for its Spanish name *Alianza Bolivariana para los Pueblos de Nuestra América*). To an extent, however, Peru is one of several Latin American countries that have adopted the national identity that is entailed in the ‘new extractivism’ strategy, meaning that extractive industries continue to be dominated by foreign



companies in an effort to meet the global demands for natural resources, but that the national governments have greater control over these companies and “capture a larger share of the loot in the form of resource rents (royalties and taxes)” (Veltmeyer, 2013: 87). Hogenboom (2012) gives three reasons for the popularity of these types of regimes. The first is that the policies that have led to increased state income from royalties, and taxes have been used to pay for social programs (148). The second is that these resources have also been used to pay off national loan debt to various lending institutions (Hogenboom, 2012: 149). The third is that both Peruvians and transnational companies were in favour of an increased share of mining profits to be received by the state – Peruvians for obvious reasons, and transnational companies because they could more than afford this with the rapidly growing demand and prices of their products (Hogenboom, 2012: 149). The new extractivist regimes are also beneficial to mining companies if it means that they are able to continue their operations with reduced opposition.

### **Prospects for development**

According to the United Nations Development Program’s (UNDP) 2013 Human Development Report, Peru’s Human Development Index (HDI) is 0.741 and ranks 77<sup>th</sup> in terms of human development among the world’s countries (UNDP, 2013: 145). This is an improvement from an HDI of 0.619 in the year 2000 and 0.716 in 2007 (UNDP, 2103: 149). While there is obviously more room for improvement, Peru fairs better than many other countries in the Global South. However, the numbers are not nearly as good when adjusted for inequality. Taking inequality into consideration, the current HDI of Peru

drops from 0.741 to 0.561, and its rank among other countries drops to 87<sup>th</sup> place (UNDP, 2013: 153). The current income Gini coefficient is also fairly high at 48.1 (UNDP, 2013: 153). Inequality is visible based on region in Peru. While Oxfam (2009) notes that about 40 percent of those living in Peru live in poverty, the poverty rate jumps beyond 70 percent in the Andean regions of the country, where many of Peru's mines are located (Oxfam, 2009: 2). As Veltmeyer (2013) explains, mining can be easily identified as one of the major reasons for this inequality:

Even a cursory examination of the evidence from sites of natural resource extraction across Latin America and the world shows that it is the communities most directly affected by resource extraction activities (exploration, drilling, harvesting and especially mining and fracking) that have to assume the risks and bear the direct and indirect costs of these activities, including harm to their health, environment and livelihoods, while receiving few of the benefits – benefits that are mostly exported, with a relatively small share taken by the state (87).

While legislative changes have increased national revenue from taxation and this income is currently financing some social programs implemented by the Humala government, as mentioned earlier in this chapter, so far this has not addressed issues of inequality. While mining has contributed to the economy of Peru increasingly over the last few years, Sheahan (1999) argues that in addition to the problem of inequality and the environmental and social harms of mining, the focus on mining “may well have slowed the country's process of diversification, development of entrepreneurship, technological change, and growth of opportunities for productive employment” (39). In

other words, other important sectors of the economy have been neglected due to the focus on mining. Though Sheahan (1999) made this argument long before the Humala regime came to power, it is still relevant today, since mining is still a central focus of the Peruvian government.

CSR is currently being used by many mining companies in Peru since these companies (and others) claim that it can be used as a way to link mining to development. As discussed in the previous chapter, CSR has been argued to be an effective tool of development in pro-corporate circles through the claim that it compensates local populations for the negative effects of mining by providing various types of social, economic and environmental programs. Meza-Cuadra (2008) writes that 18 of Peru's 19 major mining companies in 2008 included CSR as part of their business strategy. She says that in Peru, CSR was introduced at the end of the 1990s, but that it was not until 2002 that it started to become the norm to implement CSR in mining company policies, both Peruvian and foreign (349). In terms of the financial investment in CSR, Meza-Cuadra (2008) estimates that in 2000 in Peru mining companies invested a total of US \$46 million in social and development programs (349). Even strong proponents of CSR acknowledge that CSR alone will not solve issues of inequality and development – the state is key in this area. Could a strong state and a well-developed CSR policy help solve the inequality issue, or do solutions need to go deeper into the root causes of inequality, one of them being mining?

## **Conclusion**

As many authors explain, the so-called 'pink tide' of left leaning governments that has recently washed over several Latin American countries has not significantly changed these countries' embrace of foreign direct investment in favour of communities in mining areas. Bebbington and Bury (2009) are optimistic about the possibility for change, emphasizing the point that information about mining needs to be produced in an independent, objective, and verifiable way that will allow for it to be trusted and seen as legitimate by community members (17300). The authors explain that it is not too late to ameliorate the potential for sustainable development, provided that several conditions are implemented:

One condition for this institutional innovation is the presence of social conflict that leads to demands for institutional change; the other is the presence of actors that can translate this conflict into specific institutional innovations. Conflict, adequately brokered, can offset asymmetries of power and allow institutional change. Even in conflictive situations, institutions that allow local ownership can progress and be more effective than centrally imposed institutions that are mostly designed to foster economic growth (Bebbington & Bury, 2009: 17301).

The authors view conflict as a potential source of reaching decisions on mining that are more reflective of local community desires. This, as they note, however, is only possible if indigenous and peasant voices are given a greater voice than in the past and if mining industry and government representatives are willing to listen. While it is essential that local communities in mining areas have a greater say in mining-related decisions, as

well as decisions about their own community development, mining communities often lack the resources to do this properly. De Echave (2006) explains that these communities are often not well-organized with clear, unified visions for development, and therefore even when given the opportunity, they may not make strategic decisions that are beneficial in the long-term, but instead, use short-term and partial logic (18). There needs to be an effort to increase local government and local civil society capacity, while ensuring that they are not coopted by the pro-mining agenda, in order to empower local communities.

As this chapter has shown, mining is a major issue in Peru and its relationship to development is complex. The chapter has outlined the political economy of mining in Peru through a historical lens and has focused on mining's economic impacts, transnational mining companies, the environmental and social destruction caused by mining, major mining conflicts, and the new legislation of the Humala government. The unsustainability and volatility of mining ultimately leads to a social, environmental and economic impoverishment of Peruvian mining communities while contributing to the wealth of transnational companies and their home countries.

## Chapter 4

# Canada's Global Mining Agenda

Canada plays a significant role in mining in Peru, in Latin America, and around the world. This chapter highlights the influence of the Canadian mining industry, as well as the Canadian government policies that impact the success of Canadian mining companies abroad. The chapter begins with an overview of the global significance of Canadian mining companies. The next two sections explore Canadian government policies as they relate to mining and CSR. The final section looks at how these issues shape the relationship between Canada and Peru. This chapter demonstrates that Canada has a clearly defined global mining agenda where Canadian interests dominate the global mining industry and generate profits, often at the expense of host communities.

### **Canadian mining companies**

Canada is currently leading the world in mining activity. In fact, the country is the financial base for around 75 percent of the world's mining companies (Deneault & Sacher, 2012; DFAIT, 2009). North and Young (2013) report that “[t]he Toronto Stock Exchange (TSX) today lists more mining companies than any other exchange in the world, and the Vancouver Stock Exchange plays an important role in raising venture capital” (1). In order to emphasize the sheer power that Canada wields in Latin America's mining industry, Hogenboom (2012) describes the neoliberal mining policies that have been heavily influenced by both political and private powerful players in Canadian

foreign policy as a sort of ‘Toronto Consensus’ (Hogenboom, 2012: 140). Canada is known in several countries for its mining and in many cases, associated human rights abuses.

Canadian mining companies have been heavily criticized by communities near their operations, by watchdog organizations (for example, Human Rights Watch, Mining Watch, Amnesty International), and by academics and politicians. Keenan (2013) describes a Canadian parliamentary hearing where “researchers at Harvard and New York universities testified concerning allegations of gang rapes, physical abuse and killings by security personnel hired by Barrick Gold at its mine in Papua New Guinea (Parliament of Canada 2009a, 2010). The researchers explained that, despite long-standing allegations of abuse, no independent investigations have been undertaken” (Keenan, 2013: 115). The Council of Canadians also published a list of key examples where Canadian mining companies have committed human rights and environmental abuses both in Canada and abroad. One example in this list is Goldcorp’s creation of water pollution causing blood poisoning and the company’s subsequent cover up of health impact information in Honduras (Council of Canadians, n.d.). Similarly, Mining Watch keeps track of reports of human rights abuses and lists several allegations of manipulation, harassment, abuse, rape and murder that are related to Canadian mining operations (see: [miningwatch.ca](http://miningwatch.ca)).

A few communities from the Global South have been able to take Canadian mining companies to court. However, considering the prominence of Canadian mining companies in the world and the numerous allegations against them, North & Young (2013) point out that only seven cases have been brought to Canadian courts (97).

Despite the international reputation of Canadian mining companies, the Canadian government has decided to instate policies that facilitate their operations abroad, rather than attempting to regulate their behaviour. This idea is examined in the following sections.

### **Canada's foreign mining policy**

Due to Canada's global dominance of mining, Veltmeyer (2013) describes the country as "an extractive imperialist regime" (85). Lust (2014) similarly includes Canada alongside the United States, the World Bank, the International Monetary Fund (IMF), the World Trade Organization (WTO), the United Nations (UN) and the North Atlantic Treaty Organization (NATO), as an imperialist force that over-values the interests of global extractive capital (199). Increasingly, the Canadian government has been putting into place measures to encourage resource extraction in developing countries in which Canadian mining companies are operating. CIDA-endorsed partnerships between NGOs and mining companies, one way in which these new measures are being implemented, signal a shift towards private sector-led development in which development funding is used to support Canadian mining companies. Addressing this new government strategy, Engler (2012) says that these partnerships give undeserved legitimacy to mining companies and hamper opposition: "Tying Canadian aid funding to mining projects strengthens the political forces in the recipient countries supportive of the extractive industry all the while weakening critical voices" (52). Veltmeyer (2013) adds that "CIDA assigns a capitalist institution, the mining corporation, whose sole fiduciary responsibility is to generate profits for its shareholders, to act as an agent of socially inclusive



development, epitomising the magical thinking of policymakers in the service of capital” (Veltmeyer, 2013: 86). Through Canadian government support made in the name of international development, Canadian mining companies are able to experience increased profits.

As mentioned in Chapter 1, CIDA and DFAIT were merged into one government agency to form the new Department of Foreign Affairs, Trade and Development (DFATD) in the middle of 2013, signifying the fusion of Canadian foreign aid and Canadian foreign policy. This shift affects the way in which Canada carries out foreign aid by allowing it to be highly politicized and by creating aid projects that are financially beneficial to Canadian interests. The decision to amalgamate CIDA and DFAIT did not include any consultation with senior management of either government department (Swiss, May 22, 2013a). Even more shockingly, one of the members of a five-person panel in charge of advising the government on the restructuring of the Canada’s foreign aid program is the head of Rio Tinto Alcan, a Canadian mining company participating in one of CIDA’s partnership pilot projects (Berthiaume, November 1, 2013). Though many would claim that the politicization of foreign aid by the conservative government was already occurring (for example see: Barry-Shaw & Oja Jay, 2012; Brown 2012; Blackwood & Steward, 2012), this merger only further encourages the carrying out foreign policy objectives in the name of development.

To illustrate the effort demonstrated by the Canadian mining industry and the power that they have over the Canadian government, Maclean’s magazine listed the Mining Association of Canada (MAC) among the top ten most active lobby groups in three categories in 2013: lobbying the Office of the Prime Minister, lobbying on the

environment and resources (includes Environment Canada, Natural Resources Canada, and the Environmental Assessment Agency), and lobbying the Department of Finance (*Macleans*, 5 December 2013). The MAC carried out the most lobbying efforts of any group in 2013 with the federal lobbyist registry, filing 11 communication reports. In the other two categories of lobbying on the environment and resources and lobbying the department of finance, the MAC ranks 2<sup>nd</sup> with 48 communication reports and 10<sup>th</sup> with 14 communication reports, respectively.

The North South Institute (NSI), a Canadian non-profit research institute focused on international development policy, published a report in 2013 entitled *Development and the Private Sector: Canada's Approach* which provides further analysis on private sector engagement in Canada's international development strategy. As the authors of this report note, CIDA-funded public-private partnerships in general are nothing new. However, CIDA's support for partnerships between Canadian NGOs and Canadian mining companies is significant since it "marks the first time that CIDA and mining firms are jointly funding aid projects abroad" (*Globe and Mail*, 6 September 2012). Additionally, the authors of the NSI report write that:

In the past, CIDA's programming was explicit that the link between growth and poverty reduction is not automatic. In order to ensure that the poor benefit from growth, CIDA targeted sources of poverty, including structural barriers, and focused on pro-poor programming that would benefit the most marginalized and very poor. In contrast, the 2010 strategy assumes that sustained economic growth would automatically benefit the poor, breaking from earlier assumptions that

growth led to poverty reduction and development only if it benefited the poor (Douglas & Kindornay, 2013: 8).

This suggests that the Canadian government has returned to an orthodox neoliberal style of development where trick-down economics are idealized while social and environmental factors are ignored. The authors also argue that “there is no recognition that structural barriers and ongoing inequalities require efforts to empower individuals” (Douglas & Kindornay, 2013: 9).

The Canadian Minister of International Cooperation from July 2012 to July 2013, Julian Fantino, explained the government’s position and was quoted in *The Global and Mail* as saying ““While we have a long history of working with the private sector as executing agencies, the fact is that we need to engage even more,” he said. ‘The private sector is the driver of long-term economic growth globally for us. And without an increasing presence in the developing world, we will not achieve the development goals we’re committed to achieve at CIDA” (Mackrael, 2012, November 23). It is not clear if “for us” means the global community or Canadian interests. While the profits for some mining companies have decreased significantly quite recently due to the volatility of the global market (especially for gold), perhaps these companies are able to make more than they otherwise would through addressing conflict with local communities since mining company profits are also affected by indigenous community protests (Lust, 2014).

The trend of private-sector development through DFATD-funded NGOs is set to continue and the Harper government is both directly and indirectly encouraging NGOs to become involved with CSR projects related to mining: directly, by stating a focus on

CSR in new official strategies and policies while providing significant funding to NGOs who also make this their focus, and indirectly by cutting funding to NGOs who oppose DFATD's mining focus. North & Young (2013) highlight the case of the partnerships between mining companies and NGOs funded by CIDA (now DFATD) as one example of government support for mining companies. The authors contrast this growing support with the stories of KAIROS and the Canadian Catholic Organization for Development and Peace (CCODP) which were both financially supported by the Canadian government for decades, until recently after becoming open critics of the Canadian mining actions abroad (North & Young, 2013: 11). Brown (2012) writes that the threat of drastically reduced funding from the Canadian government due to not complying with the desires of the private sector serves to silence opposition from NGOs (300).

In terms of regulating Canadian mining companies abroad, the Canadian government has chosen not to act: "Canada stands out as a judicial and financial haven that shelters its mining industry from the political or legal consequences of its extraterritorial activities by providing a lax domestic regulation structure that it seeks to export through international agencies, diplomatic channels, and 'economic development projects'" (Deneault & Sacher, 2012, p. 2). Several attempts by opposition Members of Parliament and civil society groups in Canada to create laws that would regulate Canadian mining activities abroad have been blocked by the conservative government after mining industry lobbying.

One major effort to regulate the actions of Canadian mining companies abroad was Bill C-300 which was introduced in the House of Commons in February 2009 by Liberal MP John McKay. Essentially, the bill "sought to establish accountability

mechanisms for several federal government agencies that provide Canadian extractive companies with political and financial support” (Keenan, 2013: 111). Specifically, the bill, had it been successful, would have regulated Export Development Canada, the Canadian Pension Plan Investment Board, Canadian embassies and the Canadian Trade Commissioner. Additionally, Keenan (2013) explains that one of the proposed amendments to this bill would have also included the regulation of CIDA, affecting the agency’s support for partnerships between NGOs and mining companies. The success of the bill would have meant that if a mining company violated the standards established in the bill, “government agencies would be obliged to withdraw their support. Future support would be conditional on companies demonstrating compliance” (Keenan, 2013: 113). Bill C-300 was an intense battle between mining industry lobbyists and human rights defenders, and while the bill was defeated in October 2010, the conversation around accountability around Canada’s overseas mining industry has grown (Keenan, 2013: 117). The next section looks at Canadian government support for CSR in mining abroad.

### **Canada and CSR**

With the global power and influence of Canadian mining companies, the Canadian government has taken on the role of supporting CSR to ensure, as they argue, that mining has a positive impact on development. This move is part of a trend led by several Northern development agencies: “While initially CSR was a corporate initiative adopted by individual companies and their organizations, in the late 1990s it began to be taken up by international organizations such as the World Bank and the United Nations, and the

national development cooperation agencies such as DFID [the Department for International Development] in the UK and the Canadian International Development Agency (CIDA)” (Jenkins, 2005: 529). Jenkins (2005) goes on to mention the more recent focus on CSR by other national development agencies such as the Swedish International Development Agency (SIDA), the German Federal Ministry for Economic Cooperation and Development (BMZ) and the Dutch Ministry of Development Cooperation (MBZ).

In Canada, Keenan (2013) explains that in 2006 an Advisory Group, made up of “representatives of industry associations, individual companies, civil society, academia and an ethical investment organizations” (113) was tasked with conducting the National Roundtables on Corporate Social Responsibility and the Canadian Extractive Industry in Developing Countries and, out of these discussions, developing the Canadian Corporate Social Responsibility (CSR) Framework which came out in 2007: “While not grounded in binding legislation, the framework was intended to promote more responsible corporate behaviour through the dissemination of credible, independent information on corporate operations and by linking the provision of government support to corporate compliance with performance standards” (Keenan, 2013: 114).

In 2009, the Canadian government published the conservative government policy *Building the Canadian Advantage: A Corporate Social Responsibility (CSR) Strategy for the Canadian International Extractive Sector* which outlines the official government position on CSR for Canadian mining companies operating abroad. This report emphasizes the potential for mining to create a beneficial situation for both host and home countries with an increased commitment to CSR. However, instead of using the

information and subsequent recommendations from the Advisory Group's Canadian Corporate Social Responsibility (CSR) Framework, the report

disregards the Advisory Group recommendations, shifting the focus of accountability from Canada to the countries where Canadian companies invest. Mechanisms that were designed by the Advisory Group to encourage corporate compliance with performance standards are absent from the government strategy. The office of the ombudsman has been stripped of its independence and power. The position is now government-appointed and can only undertake investigations with the explicit sanction of the industry (Keenan, 2013: 114).

Building on this report, the House of Commons Standing Committee on Foreign Affairs and International Development published another report in 2012 entitled *Driving Inclusive Economic Growth: The Role of the Private Sector in International Development*. The more recent report includes input from individuals and organizations of various backgrounds, including mining industry representatives, large NGOs, academics, and members of parliament, debating the role of the private sector in Canada's development agenda, as well as more specific discussions on public-private partnerships in the mining industry. The report defines inclusive growth as the following: "[Private sector actors] drive economic growth through investment, employment and business creation, innovation and knowledge transfer, and other multiplier effects from their operations and activities. Ensuring that this growth is likely to contribute to long-term poverty reduction, however, requires private companies to include the poor as producers, suppliers, employees and consumers" (House of Commons, 2012: 1).

One of the highlights of the report is the committee's discussion of CIDA's funding of partnerships between NGOs and mining companies. The reports says:

While the benefits of the projects were not often disputed, a number of witnesses argued that these arrangements did not reflect the best possible use of public development funding, either because they risked further blurring the lines of responsibility between the public and private sectors, or because they effectively subsidized CSR work the companies should have paid for themselves (House of Commons, 2012: 84).

The report quotes University of Ottawa professor Stephen Brown as saying:

'My main message here is that the use of public funds with private corporations for the goal of development — and by development I mean poverty alleviation and fighting inequality — must be done only with extreme care, and my concern is that the current partnerships with these mining companies and NGOs do not meet the standard of an effective use of public development funds' (House of Commons, 2012: 84).

Although this report includes the input of a range of critics who argue that the private sector should not take on such a significant role in Canada's international development efforts, especially when it comes to natural resource development, the report says that "Overall, many witnesses agreed that the minimization of the harm and maximization of the benefits associated with natural resource development both depend



substantially on efforts to strengthen the capacity of governments at the national and local levels in countries where mining takes place” (House of Commons, 2012: 71).

The report’s final recommendations are that CIDA should: develop a policy position on the role of the private sector in Canada’s development objectives; pursue public-private partnerships; offer loans to support private sector-led development; provide training to CIDA staff on working with the private sector (including hiring staff with experience in the private sector and offering exchanges between CIDA staff and Canadian companies); help developing countries create institutions, regulations and policies that support private sector-led ‘inclusive’ growth; and work with developing country governments to provide technical assistance that would lead to increased foreign direct investment (House of Commons, 2012: 98-100).

In terms of recommendations specific to natural resource development, the report advocates that the Canadian government and CIDA: restate their support for the Equator principles for CSR<sup>8</sup>; work towards the development of institutional capacity (including taxation, regulation, reporting and monitoring functions); improve national and local governance and consultative processes in developing countries with significant natural resources; help to strengthen democratic oversight in these countries; and review the policy recommendations made by the Resource Revenue Transparency Working Group when they become available (after the completion of this report) (House of Commons, 2012, 101).

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<sup>8</sup> The Equator Principles are a set of environmental and social risk management guidelines. A full list of these principles can be found at: [http://www.equator-principles.com/resources/equator\\_principles\\_III.pdf](http://www.equator-principles.com/resources/equator_principles_III.pdf)

While the Canadian government has embraced CSR and has published the aforementioned documents emphasizing its support for CSR, the government has not implemented any type of regulation in this regard:

CIDA does not have a mandatory CSR framework regulating the corporations to which they provide financial assistance. Nor does it require that companies conduct social-impact assessments before investing abroad. ... Perpetuating a regulatory vacuum, CIDA focuses on the promotion of voluntary CSR, which it claims is a central component of its operations, and 'good governance' aimed at improving public-sector capacity in developing states (Blackwood & Stewart, 2012: 226-227).

North and Young (2013) also note that while the Canadian government has failed to create significant legislation around Canadian mining interests, it has instead chosen to support voluntary codes and CSR programs (North & Young, 2013: 1). The difference between supporting regulation and CSR is significant in that by supporting CSR, mining companies ultimately get to decide what initiatives they choose to implement and they cannot be reprimanded for taking inadequate action.

In order to encourage cooperation and collaboration between development NGOs and mining companies partnering on CSR initiatives, the Devonshire Initiative was created in 2007 at the Munk School of Global Affairs<sup>9</sup> at the University of Toronto. The member organizations include many of Canada's largest international development NGOs, several of Canada's most prominent mining companies and associations, as well as Canadian government agencies. Together, they represent a huge portion of the actors

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<sup>9</sup> Peter Munk, for whom the school is named, is the chairman and founder of Barrick Gold.

involved in Canada's international development activities and those committed to the Canadian government's new international development strategy.

The nineteen member NGOs include CARE, the Centre for International Studies and Cooperation (CECI), the Canadian Executive Service Organization (CESO), CUSO International, Engineers without Borders, the Jane Goodall Institute of Canada, Pact, Plan, Right to Play, Save the Children Canada, Search for Common Ground, Socodevi, Sopar, TechnoServe, Unicef Canada, White Ribbon Campaign, the World University Service of Canada (WUSC), World Vision, and the World Wildlife Fund (WWF). The mining companies and associations who are part of the forum include Barrick Gold, Dundee Precious Metals, Goldcorp, Hudbay, IAMGOLD, Kinross, the MAC, Prospectors and Developers Association of Canada (PDAC), Rio Tinto Alcan, and Sherritt. While the Devonshire Initiative is not led by the Canadian government, government agencies including DFATD (formerly including both CIDA and DFAIT), Natural Resources Canada, and Export Development Canada participate in discussions, and the Canadian government funds several partnership projects run by mining companies and NGOs who are members of the Devonshire Initiative.

The Devonshire Initiative website explains the goal of the forum: "The objective of the Devonshire Initiative (DI) is improved social and community development outcomes wherever Canadian mining companies operate overseas. ... The DI works to develop a constructive space in which stakeholders can discuss complex problems facing mining and development, identify common opportunities, and develop innovative on-the-ground collaboration" (Devonshire Initiative, 2013). Coumans (2011) sees the Devonshire Initiative from a different angle, explaining it as "a focus on partnership

between industry, development NGOs, and government, and in community development projects at mine sites – sharing responsibility for outcomes and externalizing significant costs for CSR projects to government and foundations” (123). Using government and NGO resources might not be such a bad idea if it actually meant dealing with the vast social and environmental consequences of mining by supporting local communities and reprimanding mining companies who abuse those communities’ rights. However, this initiative is simply focused on government and NGOs supporting mining companies’ voluntary CSR commitments.

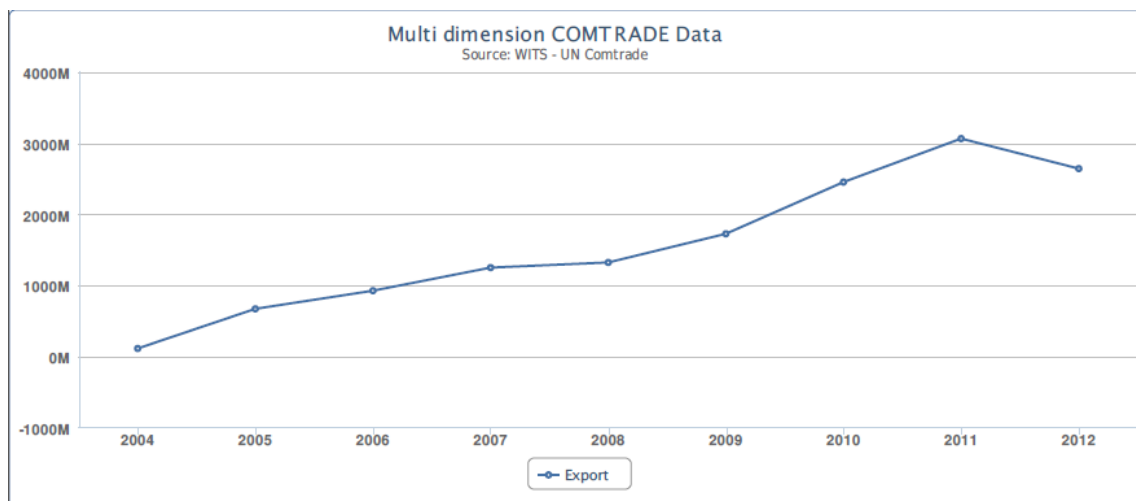
Instead of allowing for the regulation of mining companies, this initiative has the potential of silencing voices of opposition. Brown (2012) argues that these types of partnerships limit the autonomy and capacity of NGOs to address issues of concern to target populations, as determined by those populations themselves. Engler (2012) writes that funding NGOs to patch up the destruction caused by mining companies is not right since it gives undeserved legitimacy to mining companies and can suppress opposition: “Tying Canadian aid funding to mining projects strengthens the political forces in the recipient countries supportive of the extractive industry all the while weakening critical voices” (Engler, 2012: 52). Building on Canada’s promotion of mining as a development solution, especially through CSR, the following section looks specifically at Canada’s role in Peru.

### **Canada in Peru**

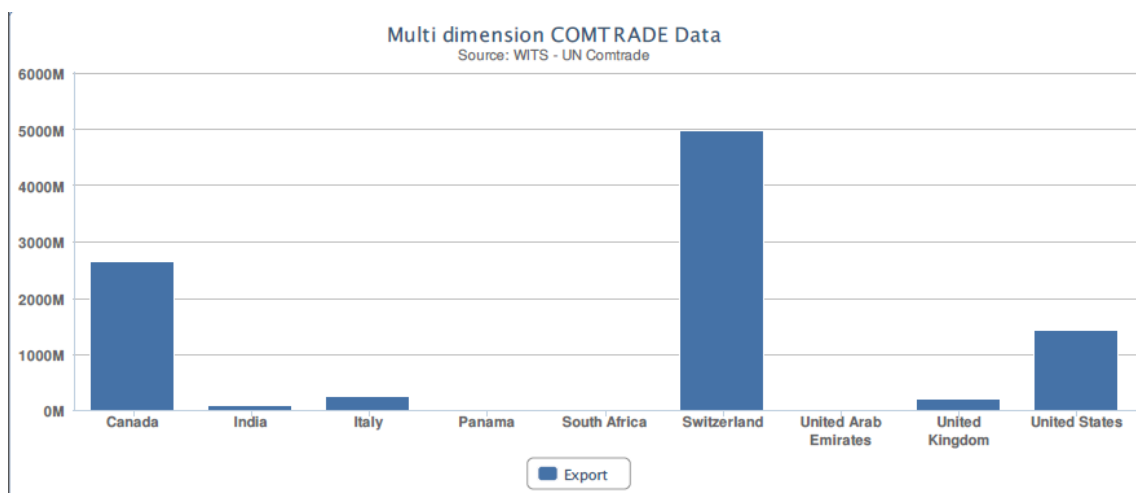
Canadian mining companies have come to be one of the leading foreign mining forces in Latin America, and especially Peru. According to Clark and North (2006), “[b]etween

1995 and 1999 Canadian companies spent more on mineral exploration in Latin America than in any other part of the world, including Canada and the United States” (7). By the end of the 1990s, there were more than 60 Canadian firms operating in Peru and involved in around 51percent of mining projects in the country, with investments totalling US \$4 billion (De Echave, 2006: 17). Citing De Echave, Lust (2014) notes that before 1990, there was not a single Canadian extractive company in Peru, but by 1997 “70 per cent of total Canadian investments were directed towards mining and half of all new mining projects in development were controlled by Canadian companies” (203).

One of the many metals that Canadian mining companies extract in Peru is gold. As mentioned in Chapter 3, Barrick Gold owns two major gold mines in Peru, accounting for a significant portion of the country’s gold production. The two graphs below show the importance of gold in international trade between Peru and Canada today and were compiled using the World Bank’s World Integrated Trade Software (WITS) that draws on UN COMTRADE data. *Figure 1* shows the general increase of gold exports from Peru to Canada between 2004 to 2012 in US \$ millions. *Figure 2* shows all the countries to which Peru exported gold in the year 2012.



*Figure 1.* Gold exports from Peru to Canada from 2004 to 2012. *Note.* Created by Georgina Alonso using World Integrated Trade Solution (WITS) software with UN COMTRADE data.



*Figure 2.* Peruvian gold exports to the rest of the world in 2012. *Note.* Created by Georgina Alonso using World Integrated Trade Solution (WITS) software with UN COMTRADE data.

*Figure 1* shows that gold exports from Peru to Canada have consistently increased since 2004, except for a small drop from 2011 to 2012, reaching a monetary value of over US \$3 billion in 2011. *Figure 2* shows Peruvian gold exports in 2012 to the only nine countries to which Peru exported gold. Switzerland is clearly the biggest importer of gold from Peru, with nearly US \$5 billion worth of gold. Canada, however, is the second largest importer of gold from Peru with about US \$2.6 billion. The United States is third

with around US \$1.4 billion, and other countries' imports of gold from Peru are nearly insignificant in comparison to the top three importers.

In terms of the political agenda of foreign mining interests, Lust (2014) relates the description of a meeting held in 2005 by Canadian and American ambassadors and representatives from five major mining companies operating in Peru (Antamina, Newmont, Minera Quellaveco, Barrick and BHP Billiton), explaining that the objective was to evaluate the obstacles to mining in Peru and collectively determine solutions that would allow for a more profitable environment, which included examining organized and individual opposition to mining in which violence was condoned (200). The Canadian government seems to be continuing this pursuit through a project to which they have committed nearly \$5 million entitled *Prevention of Conflicts over the Use of Natural Resources*. This project is partnered with the United Nations Development Program and falls under Canada's development agency's Sustainable Economic Development thematic priority. As the project profile on the DFATD website explains: "The project consists primarily of technical assistance to state agencies, especially the Presidencia del Consejo de Ministros (similar to Canada's Privy Council Office) and regional governments, to help them develop and implement policies, practices, and programs to prevent, manage, and resolve resource-based conflicts" (DFATDb, 2014). However, conflict is not necessarily a bad thing as it is often the main way that communities communicate and achieve their requests when they are not adequately consulted prior to mining exploration and extraction. Since detailed information on this project is not available to the public, it is not clear if this project would include a focus on consultation and a respect for a

community decisions, or if this project is instead a strategic attempt to silence opposition to mining.

In 2002, a bilateral agreement between CIDA and the Peruvian MEM was created in order to “provide[] technical assistance to Peru's Ministry of Energy and Mines on policy and regulatory reform issues related to the minerals and metals sector” (DFATDa, 2014) including training related to managing the social issues surrounding mining . While this project, known as the Peru-Canada Mineral Resources Reform Project (PERCAN), may be seen as an initiative to build capacity, it can also be seen as a major conflict of interest since Canada has such high stakes in Peru’s mining sector and this project specifically allows Canada to help establish Peruvian extractive policy. PERCAN was set to end in 2008. However, the former Canadian Minister of International Cooperation, Bev Oda, visited Peru in January 2008 to discuss Canadian mining interests with the Peruvian government and negotiate an extension to PERCAN. As Lust (2014) explains, “[t]his was, however, not a visit to discuss ideas to improve the well-being of all those affected by (transnational) extractive capital but to assure and defend Canadian imperial interests” (200). The initial CIDA budget for the first 6 years (2002-2008) of PERCAN was \$9.6 million, and the 4-year extension to which Oda successfully convinced the Peruvian government to agree was another \$4 million dollar commitment from CIDA.

More recently, in May 2013, Harper visited Peru and reemphasized Canada’s commitment to defend its consistent profits from mining. This was the first ever official visit by a standing Canadian Prime Minister to Peru. While there, he announced a contribution of \$53 million in aid projects for Peru from 2013 to 2019. As an article from the *Ottawa Citizen* argues, “with an estimated \$4 billion in mining royalties sitting



unspent in the bank accounts of Peru's regional governments, you have to wonder why Peru needs \$53 million from Canada, or in fact any foreign aid at all" (*Ottawa Citizen*, 2013, May 24). It is getting harder for Canada to maintain a believable argument that its foreign aid program is primarily concerned with poverty reduction since it could have chosen to invest in poorer countries or poverty reduction projects that are not associated with mining. As Blackwood and Stewart (2012) show, "[n]ine of the twenty CIDA countries of focus have among the top twelve largest reserves of the six most important metals in world mining, which represents 63 per cent of global production" (227). This is no coincidence.

### **Conclusion**

It should be of great concern to Canada and the global community that Canadian mining companies are not only able to operate in an atmosphere of lacking regulation, but have also been provided with unjustified authority by the Canadian government in the arena of international development. Canada's conservative government has used CSR as a political tool to promote private sector-led development where the benefits to Canadian mining companies are evident and the logic of subsequent benefits for the global community is severely flawed. The prominence of Canadian mining companies in Peru combined with the Canadian government's involvement and influence in this natural resource-rich country demonstrates how Canada's foreign aid policy is tied to benefiting Canadian companies. Combined, the foreign policy changes discussed in this chapter mean that Canada is now playing a major role in the environmental and social degradation of the Global South through its global mining agenda. To highlight the

consequences of this agenda, the following two chapters focus on a case study of one of the Canadian government's three pilot projects which support partnerships between mining companies and NGOs in the name of development: Barrick Gold's partnership with World Vision near the Lagunas Norte mine in Peru.

## Chapter 5

# CIDA, Barrick, and World Vision's Tripartite Partnership:

## Partner views on this collaboration

Due to the negative global reputation of Canadian mining companies explained in the previous chapter, the tripartite partnership between Barrick Gold, World Vision and the Canadian government in the communities surrounding the Lagunas Norte mine in Peru has been immersed in controversy since the project was first announced in 2011. Barrick has named the tripartite partnership project *Alliances for Social and Economic Development* which is just one of several projects that make up Barrick's Alto Chicama Commitment (ACC), a group of social and economic development projects supported by Barrick that are carried out in communities affected by the Lagunas Norte mine. The same project is referred to as *Building Collaboration for Sustainable Economic Growth* by the Canadian government. This chapter explains the details of this partnership and presents the arguments of its proponents. It begins by providing an overview of the Barrick Gold Corporation, followed by a discussion of Barrick in Peru and a focus on Barrick's Lagunas Norte mine and its associated community development projects. The chapter continues by providing an overview of World Vision, the implementer of the project and looks at the partners' perspectives on this initiative. This chapter provides comprehensive descriptions of each partner's perspective by analysing various documents, reports and online opinion articles provided by the partners and by

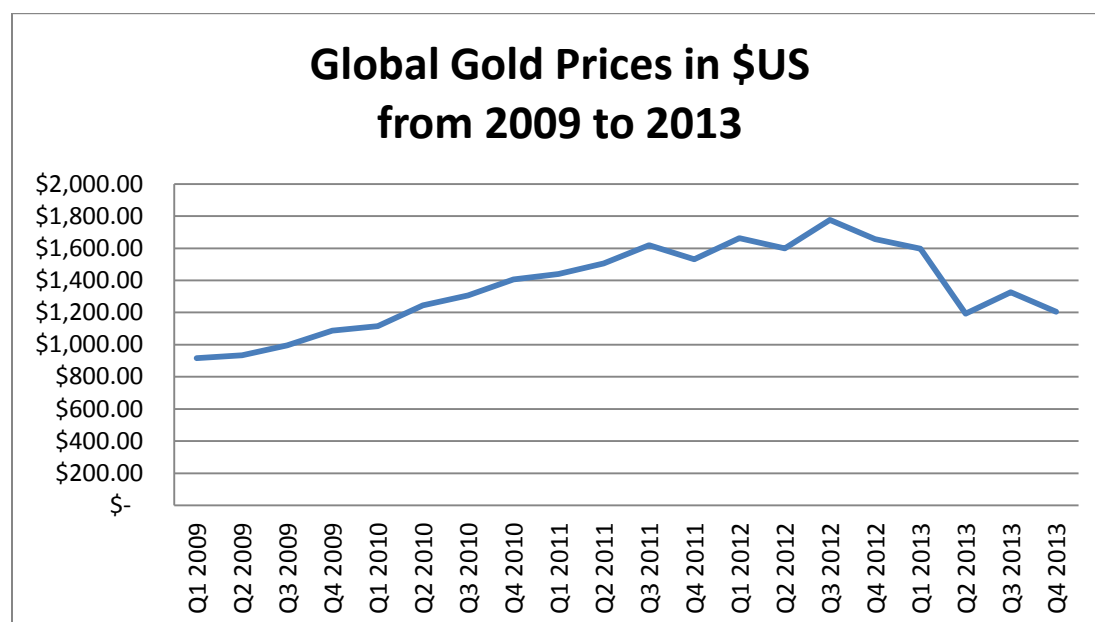
supplementing this information with interviews conducted by the author. Partners' perspectives have been categorized into three areas: poverty reduction, partnership, and conflict.

### **Barrick Gold**

Barrick Gold, based in Toronto, is the largest gold mining company in the world. Barrick was founded in 1983 by Peter Munk as an oil and gas company, but now gold is the company's main focus. In addition to gold, Barrick is also involved in copper extraction, mainly at its Zaldívar mine in Chile and its Lumawana mine in Zambia, and the company still extracts oil and gas in Canada. According to the company's 2012 CSR report, by the end of 2012, Barrick Gold comprised of "21 wholly-owned mines, six joint venture mines (four of which [the company] manage[s]), a number of advanced exploration and development projects, along with closure and legacy properties" (Barrick Gold, 2012b: 1). These projects are carried out in 11 different countries: Argentina, Australia, Canada, Chile, the Dominican Republic, Papua New Guinea, Peru, Saudi Arabia, Tanzania, the United States and Zambia (Barrick Gold, 2012b: 1).

While it is still the largest gold mining company in the world, Barrick has recently fallen from its 2011 peak when "Barrick was trading at \$53 a share and had a market capitalization of \$54 billion" (Gatehouse, 2013). In mid-2013, the company recorded a loss of \$8.6 billion, putting the company at \$19 a share and worth around \$20 billion, in part due to declining gold prices (Gatehouse, 2013). Below, *Figure 3* demonstrates the fluctuation in gold prices which hit a record high of US \$1,776 per ounce in the third

quarter of 2012 and proceeded to fall to US \$1,192 in the second quarter of 2013, a low that had not been seen since early 2010.

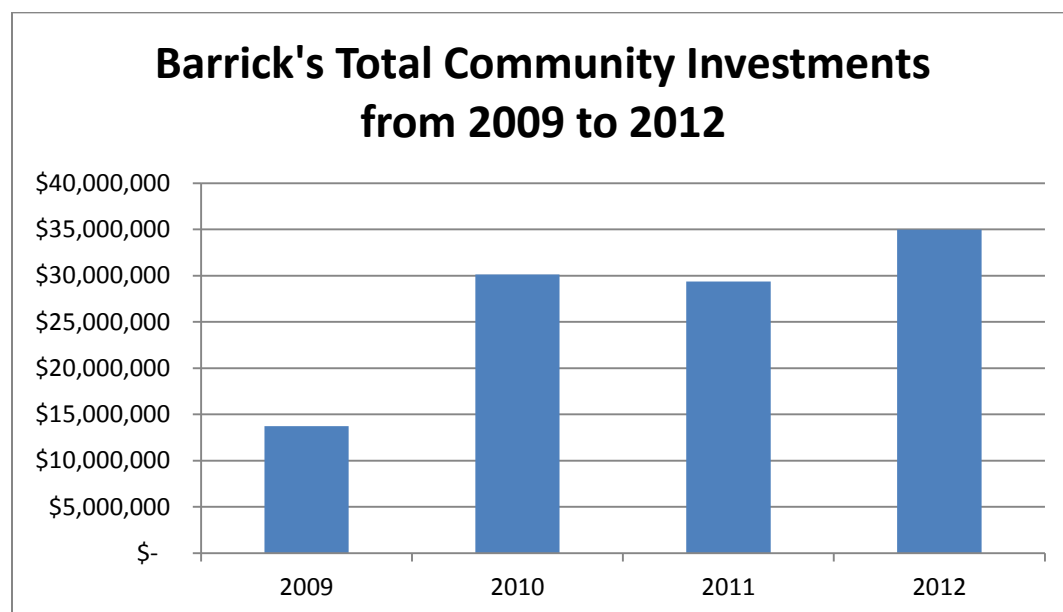


*Figure 3.* Gold Prices in US\$ from 2009 to 2013. *Note.* Adapted from “Gold Prices in a Range of Currencies since December 1978,” by World Gold Council, 2013c.

Barrick prides itself on having spearheaded the Conflict-Free Gold Standard, a new initiative through the World Gold Council which began in 2013. The new standard is explained in Barrick’s 2012 CSR report:

Implementation of the Standard demonstrates that gold is extracted by a company in a manner that does not cause, support, or benefit unlawful armed conflict or contribute to serious human rights abuses. Barrick is implementing the Conflict-Free Gold Standard in 2013 as part of our commitment to responsible mining. Conformance with the Standard will be independently assured and publicly reported in 2013 (Barrick CSR report 2012: 37).

Barrick is also heavily involved in implementing CSR through voluntary commitments, and as a member of the ICMM, has vowed a commitment to the ICMM's sustainable development principles. *Figure 4* demonstrates the company's total spending on community investment at its various mines from 2009 to 2012.



*Figure 4.* Barrick's Total Community Investments from 2009 to 2012. *Note.* Adapted from "Responsible Mining: 2012 Corporate Responsibility Report," by Barrick Gold, 2012b: 59.

*Figure 4* shows an increasing trend in community investment expenditures by Barrick reaching a total of US\$34,987,831 in 2012. The following section looks more specifically at Barrick's activities in Peru. While company activity in Peru reflects the company's global activities, Barrick's operations in Peru include some distinctions.

### **Barrick in Peru**

Barrick's Peruvian subsidiary, Barrick Misquichilca, has been operating in Peru since 1998. The company currently has two mines in Peru: Pierina and Lagunas Norte. Pierina, a gold mine located 10 km from the Andean town of Huaraz in Peru's Ancash province,

was the company's first operation in the country and has recently begun the closure process. The Lagunas Norte mine, also producing gold, is located in the province of La Libertad and is currently experiencing high levels of production. The two mines can be seen in *Figure 5* which shows all of Barrick's operations in South America.



*Figure 5.* Map of Barrick Operations in South America. *Note.* Reproduced from “Reporte de Responsabilidad: Peru 2011” by Barrick Peru, 2011: 8.

In Barrick's online publication, *Barrick Beyond Borders*, the company highlights its economic contribution to the Peruvian state saying that in the year 2012 “Barrick paid nearly \$400 million in taxes and royalties in Peru, and purchased approximately \$340

million in goods and services in the country” (Barrick Gold, 2013b: para. 3). Barrick’s 2012 CSR report expands on these figures, explaining that:

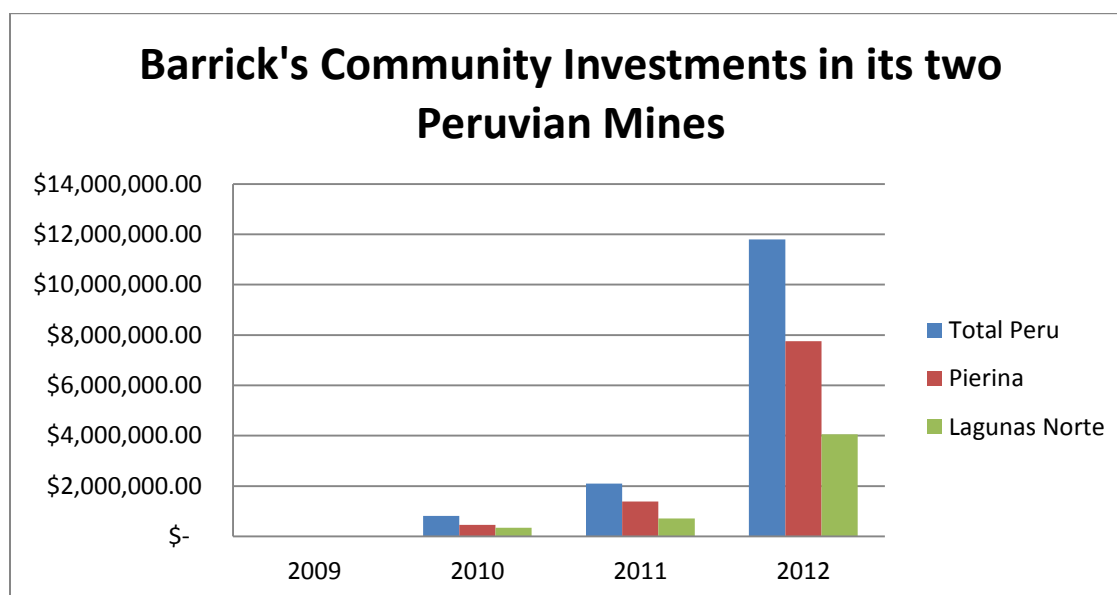
[A] World Gold Council study of the economic contributions of large scale mining in Peru, completed in 2012, concluded that a multiplier of from 1.9 to 3.8 could be factored into mining’s contribution to the country’s gross domestic product (GDP). A 1.9 multiplier can also be factored into employment statistics, which means by directly employing a Peruvian worker at one of our two Peruvian operations, an additional 1.9 jobs are created within the country (Barrick, 2012b: 49).

While Barrick partners with several organizations to carry out CSR work, the company also has its own organization for such projects, called Neoandina, which formed in 1998, the same year that Barrick began operating in Peru, with the stated goal of reducing poverty in areas affected by the company’s mining operations. While Neoandina is associated with Barrick, the company explains that the NGO is its own autonomous organization with goals and priorities that align with those of the regional and local governments (Barrick Peru, 2011: 83). The company claims that Neoandina has produced quantifiable results such as a reduction of chronic malnutrition in children under 5 from 51.3 percent to 33.4 percent between 2007 and 2010, a substantial reduction in respiratory and diarrheal diseases, and increased levels of literacy and mathematical comprehension among local students (Barrick Peru, 2011: 83).

*Figure 6* below shows the amount of money that Barrick allocated to community investments in Peru between 2009 and 2012. As is shown below, community investments



increased quite dramatically in the year 2012 compared to other years with a total of a US \$11,799,673 contribution that year in Peru.



*Figure 6.* Barrick’s Community Investments in its two Peruvian Mines. *Note.* Adapted from “Responsible Mining: 2012 Supplemental Information,” by Barrick Gold, 2012c: 59.

*Figure 6* does not include the significant contributions from other organizations or governments to community development projects that are part of partnerships with Barrick. Additionally, combining Barrick’s community investments with scholarships and other donations, the company claims to have provided the communities living near its two Peruvian mines with a total of US\$35 million in 2012 (Barrick Gold, 2013b: para. 18). The following sections focus specifically on the Lagunas Norte mine and Barrick’s community development projects in the area.

### **Lagunas Norte and the pilot project in Quiruvilca**

Lagunas Norte is an open-pit gold mine that borders on three provinces in the department of La Libertad – Santiago de Chuco, Sánchez Carrión, and Otuzco – and occupies a

property known as Alto Chicama. The mine is high up in the Andes at an altitude of over 4000m and is approximately 140km from the coastal city of Trujillo. There are around 40 small towns within a 40km radius of Lagunas Norte, the closest being Quiruvilca where the pilot project with World Vision is being implemented (Triscritti, 2013: 443). The mine's environmental impact assessment was approved in April 2004 under the Toledo government and the company began construction right away (Triscritti, 2013: 443). Operations at Lagunas Norte are expected to continue until 2021 (Triscritti, 2013: 443). Triscritti (2013) notes that around 500 direct jobs and 3000 contractor jobs are provided by the mine, adding that "[a]ll of the mine's unskilled workforce is locally recruited, and a 3-month work rotation system is adhered to. Training is also provided to increase the numbers of locally recruited skilled workers" (Triscritti, 2013: 443).

Like all gold mines, Lagunas Norte uses significant amounts of water for its operations. This has been a major issue of concern for residents since water scarcity is a reality of the area. Water usage has especially been a major source of conflict at Barrick's Pierina mine. Addressing this concern, Barrick has vowed to "fund studies to find a permanent solution to long-standing water issues in the region" (Barrick Gold, 2013b: para. 21). At the Lagunas Norte mine, Barrick explains that 36 percent of their water usage is now made up of brackish water rather than fresh water (Barrick Gold, 2013: para. 17). However, the mine stills used almost 667 million litres of water in 2012. Of further concern, in Barrick's 2012 annual CSR report, the company reports that while globally they had zero litres of chemical spills leaving mine property in 2012, total chemical spills escaping second level containment at all of its mines were 37,558,982 litres and 95.7 percent of those chemicals were spilt at the Lagunas Norte mine (Barrick

Gold, 2012c: 50). The report also notes that one fox was found dead from chemicals near the Lagunas Norte leaching pad.

### *The Alto Chicama Commitment*

As the practical mechanism of delivering its community investments, Barrick created the ACC. This commitment, named for Alto Chicama property upon which Barrick's Lagunas Norte mine sits, "consists of strategic alliance of institutions committed to social inclusion, sustainable development and the reinforcement of human skills that can help to improve the quality of life in the less-favoured communities of the provinces of Santiago de Chuco, Sanchez Carrion and Otuzco in the region of La Libertad" (World Gold Council, 2012: 36). The ACC began in 2009 after the mine was five years old, and it was based on the Atacama Commitment that Barrick had developed at its Pascua-Lama project in Chile, an initiative that "brought together eight Chilean NGOs, the UN Global Compact and a number of government partners to help alleviate poverty in the Atacama region near Barrick's Pascua-Lama project" (Barrick Gold, 2013a: para. 6).

The partnership with World Vision is only one of seven projects currently being implemented in the area surrounding the Lagunas Norte mine as part of the ACC, but it is the only project specifically operating in Quiruvilca. The nine organizations that are part of Barrick's ACC include World Vision, CIDA (DFATD), the United States Agency for International Development (USAID), the Sodexo Foundation, the BBVA Foundation, Wayra, the Apoyo Insitute, the Alternative Farming Institute, Exporting Highlands, and, more recently, CARE. The seven different projects being carried out by these partners are listed in the table below.

Project	Partners	Description
<p><b>Poverty Reduction and Alleviation Project (PRA Project)</b></p>	<p>USAID, Exporting Highlands</p>	<p>“The PRA Project was created by USAID in 1998 to reduce poverty in rural regions across Peru. It provides technical assistance to small farming operations and connects them to potential buyers for their products. It encompasses communities near Barrick’s Lagunas Norte mine in Peru’s La Libertad region. The PRA Project recently added Exporting Highlands as a partner. Exporting Highlands is a Peruvian-government organization that supports economic development in La Libertad, and nationwide. Barrick’s agreement with the PRA Project commenced in 2011 and runs through December 2013. To date, more than 400 families have benefited from this project” (Barrick Gold, 2012a: para. 7).</p>
<p><b>Productive Highlands</b></p>	<p>Alternative Farming Institute</p>	<p>“The Productive Highlands Project is helping improve the living standards of farmers in the La Libertad region by introducing them to new production technologies, crops and farming methods. The Barrick-sponsored program is being implemented by the Alternative Farming Institute in the Cahuide farming community in La Libertad. Since 2009, 210 families have benefited from this program” (Barrick Gold, 2012a: para. 8).</p>
<p><b>Reading is Being Ahead</b></p>	<p>Alto Chicama Social Fund, BBVA Foundation</p>	<p>“The Reading is Being Ahead program is designed to improve reading comprehension levels of elementary school students in Peru’s Santiago de Chuco, Sanchez Carrion and Otuzco provinces. The program is sponsored by Barrick and the Alto Chicama Social Fund, a government-development organization funded by Barrick royalties. The program is being implemented by the BBVA Foundation, and includes the creation of socially-relevant textbooks, classroom materials, lesson plans and teacher training. Since 2010, 11,800 students and 530 teachers in 230 schools have participated in the program” (Barrick Gold, 2012a: para. 9).</p>

<b>Mathematics for Everyone</b>	Alto Chicama Social Fund, Apoyo Institute	“The Mathematics for Everyone program encourages students to learn math through interactive methods. The program uses specially prepared teaching materials and student books, and includes teacher training and methodological guidelines. The program targets students from grade one through high school in the provinces of Santiago de Chuco, Sanchez Carrion and Otuzco. It is sponsored by Barrick and the Alto Chicama Social Fund and being implemented by the Apoyo Institute. Since 2004, the program has benefited 36,200 students and 1,440 teachers in 690 schools” (Barrick Gold, 2012a: para. 10).
<b>Alliances for Economic and Social Development</b>	CIDA, World Vision	“The goal of this World Vision-led project is to provide people in Peru’s Quiruvilca District with the tools and capacity to develop an economic plan that ensures sustainable development beyond the end of mining operations. The project, co-funded by Barrick and the Canadian International Development Agency, includes a community investment fund that will finance small businesses and farming operations. A key objective of the project is to increase the participation of women, youth and people with disabilities in government planning for sustainable economic development. The three-year project commenced in October 2011” (Barrick Gold, 2012a: para. 11).
<b>Artisan Textile Workshops</b>	Wayra SRL	“The Artisan Textile Workshops teaches traditional weaving techniques to women who sell textiles in Peru’s Quiruvilca and Shorey districts. The program is sponsored by Barrick and being implemented by Wayra, a Peruvian company that exports artisan and industrial home textiles. By improving the quality of their products, the program helps women increase their income. Since 2009, 60 women have participated in textile workshops program, where they receive training in hand knitting and loom weaving” (Barrick Gold, 2012a: para. 12).
<b>(no title)</b>	CIDA, CARE	“CIDA and Barrick are co-funding the two-and-a-half-year project, which will help local farmers improve productivity and establish new markets for their products. The project will also support the development of micro-enterprises to service

		the agriculture industry, focusing in particular on employment opportunities for women and youth. Agrorural, a Peruvian government agency that combats rural poverty in Peru, will also play an important role.... An estimated 2,100 families in 20 communities are expected to benefit directly, while another 4,100 families in 32 communities will be indirect beneficiaries” (Barrick Gold, 2012a: para. 1-2).
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*Table 3.* Alto Chicama Commitment projects. *Note.* Compiled from “Preventing and managing social conflict in Peru,” by Barrick Gold, 2013b, and “Alto Chicama Commitment brings Barrick CSR partners together in Peru,” by Barrick Gold, 2012a.

### *World Vision*

World Vision is a self-proclaimed “Christian relief, development and advocacy organization that is dedicated to working with children, families and communities to overcome poverty and injustice, in nearly 100 countries” (World Vision Canada, 2014a: para 1). The organization was founded in 1947 in the United States by Bob Pierce, an evangelical pastor. Ten years later, World Vision opened a Canadian office “to assist with supporting some 9,000 orphans, and a growing range of activities across Asia and then in Africa” (Whaites, 1999: 412). Whaites (1999) explains that “[i]n 1974, the combined Boards of World Vision established a new area of 'Ministry', to be known as Development” (414), effectively signifying the organization’s transition to a development NGO rather than a purely humanitarian organization.

World Vision Canada’s website seeks to recruit corporate partners by emphasizing the company’s global presence and long history of humanitarian and development aid. The organization explains that it provides brand equity to corporations: “Our size, strength and presence around the globe enables us to find a balance between the needs of the children we serve and the business and/or social responsibility objectives

of our corporate partners” (World Vision Canada, 2014b: para 2). Furthermore, World Vision emphasizes that companies can increase support from consumers by drawing on consumers’ emotional reactions to World Vision’s work: “More than 90 per cent of Canadian consumers are aware of World Vision, one of our nation's [Canada’s] largest charitable organizations, which provides a strong emotional connection to position your brand with customers” (World Vision Canada, 2014b: para 6).

The benefits for corporate partnership emphasized on World Vision’s website to attract corporate partners are very much focused on improving the image of the company and implementing the company’s goals rather than simply focusing on the benefits of World Vision’s work to communities. Interestingly, World Vision also advertises online that they are willing to “de-identify [the corporate partner’s] brand if required” (World Vision Canada, 2014b: para. 4). In other words, World Vision will not advertise the name of the corporation partnering with them, should the corporate partner request it.

#### *Overview of pilot project*

The partnership between World Vision, the Canadian government and Barrick at the Lagunas Norte mine began in 2011 as part of the ACC and will end in December 2014. The project is being carried out by World Vision who is receiving a total of \$1 million in funding for this project, a contribution of \$500,000 each from Barrick and the Canadian government. World Vision is also using funding from its child sponsorship program for this project (World Vision Canada, 2014c: para. 1). This is the third partnership between Barrick and World Vision in the last eight years (Barrick, 2013a: para. 3).

The Canadian government has named this project *Building collaboration for sustainable economic growth in Peru* and explains that it “aims to leverage the economic impact of mining operations in Peru by increasing income and the standard of living for nearly 1,000 families” (CIDA, 2011, p. 4). Two years into the project, DFATD published an article on its website explaining some of the activities that had already occurred:

Concretely, some 1,152 beneficiaries (43 percent are women) received training on improving their technical and management capacities; 971 participants received technical assistance, and some 48 others were chosen to go one step further, and be trained to provide sustainable technical assistance to their communities on a long-term basis once the project is completed (DFATD, 2013: para. 5).

World Vision adds on their website that this project “aims to achieve improved economic and social development for local households, especially women, youth and disadvantaged groups where there is an accelerated increase in mining revenue” (World Vision Canada, 2014c: para. 2). The World Vision Canada Program Manager, Resource Development and Collaborative Innovations, Onome Ako, emphasizes that “[t]he community [of Quiruvilca] will be intimately engaged in the process and have input into what activities they would like to see done or where they need capacity development” (Barrick Gold, 2013a: para 5). World Vision has been in Quiruvilca since 2004, seven years before beginning this project. The following section highlights the perspectives of World Vision, the Canadian government, and Barrick on this partnership.



## **Partner perspectives**

This section provides an overview of the main perspectives emphasized by the partners working on this project. These perspectives are organized below into three main topics: poverty reduction, the benefits of partnership, and the issue of conflict in the area.

### *Poverty reduction*

As is evidenced by the descriptions of the project given by the project's partners in the previous section of this chapter, the main stated goal of all partners is poverty reduction. In the company's 2011 Peruvian annual report, Barrick states their belief that mining can be a positive force for development and that the company has the responsibility to make sure that it is indeed a positive force by having strong community relations, mitigating the negative impacts of mining, and facilitating sustainable development initiatives (Barrick Peru, 2011: 77).

A company representative from Barrick in Peru explained in an interview this sense of responsibility, saying that the company wants

the community to see that we have a real commitment ... to fighting poverty, instead of just putting money for bringing peace to develop our projects. ... We are a very big company with a good situation in the world, the biggest gold company in the world. Of course they know that we have the resources to fight poverty so we should not tie that commitment to the development of the mine (Barrick representative, interview, June 25, 2013).

The Barrick representative emphasized that the company feels a social obligation to reducing poverty, despite the fact that many community members see this effort as a way of buying their silence. He also said that:

Development is the most important issue. ... In my experience it takes a long time for the community to realize that it is better to start talking about development and what we can do for them instead of the small agenda (such as job positions). ...

The part that we are financing [with World Vision] is the entrepreneurial activities which means fighting poverty (Barrick representative, interview, June 25, 2013).

He added that the results of the ACC projects so far have been positive with regard to poverty reduction: “What is changing is the index of poverty. And we are measuring it” (Barrick representative, interview, June 25, 2013).

#### *The benefits of partnership*

Another important aspect of this project emphasized by the partners is the partnership itself. All three partners agree that this collaboration is central to ensuring the success of the project. A representative from the Canadian Embassy in Peru says that engaging the private sector is necessary to generate development in the Peruvian context: “It wouldn’t be possible to support development without working with mining companies and other private companies here in Peru since they’re such a huge part of the economy” (Canadian Embassy representative, interview, July 22, 2013).

The Barrick representative that I spoke with in Peru explained that collaboration between local government and NGOs is necessary to ensure that money is spent in an

effective manner since the local government has received significant financial contributions through taxes, but lacks the knowledge and capacity to spend the money effectively: “[The local government is] receiving half the income tax of the company. So they have a lot of money but no projects to spend it. Why? Because they don’t have experience in developing projects. ... We use our expertise to help local government” (Barrick representative, interview, June 25, 2013).

By expertise, the Barrick representative is referring to the knowledge of recruiting NGO partners to develop projects, explaining that the mining company has learned how to address social issues, rather than simply addressing technical issues:

We used to have more people in the development area, like engineers, agriculture engineers, electrical, just to solve the needs of the people directly. Right now, we’re giving this responsibility to NGOs or the government, and we have more people with experience in relationships, like sociologist, anthropologists, and these people have duties at those [dialogue] tables: they have to attend those dialogue tables, and they have to fulfill the commitments [established] at those tables (Barrick representative, interview, June 25, 2013).

Barrick also emphasizes learning from and sharing partnership experiences for continual improvement:

Because the project involves such a high level of collaboration between the private sector, non-governmental organizations, government and the community, a catalogue of best practices and lessons learned will be developed and shared

through networks such as the Devonshire Initiative, the CSR Center of Excellence and similar networks in Peru (Barrick 2013a: para 8).

Overall, the partnership itself seemed to be an important part of delivering the project effectively.

### *Addressing conflict*

The partners note that conflict has been a reality of this project. Barrick explains that they were able to resolve the conflict in February 2013 relatively quickly “after Barrick and local leaders agreed to talks to find solutions to demands over jobs, wages and water supplies” (Barrick Gold, 2013b: para. 12). Igor Gonzales, Barrick’s newly retired Chief Operating Officer, is quoted in a Barrick publication as saying “No one benefits from conflicts, which can have tragic consequences” (Barrick Gold, 2013b: para. 12). I interviewed a World Vision representative who emphasized the conflict in the area saying that “[t]he last few months [prior to July 2013] have seen increasing mining conflict, especially with Barrick” (World Vision Peru representative, interview, July 23, 2013).

As an explanation for this conflict, Igor Gonzales “says that some opposition to mining is rooted in an ideological aversion to all mining activity. However, he adds that the relationship between most mining companies and communities in Peru is not a zero-sum game, as is often portrayed by mining opponents” (Barrick Gold, 2013b: para. 11). In other words, while many oppose mining based on the belief that it is an inherently negative activity, Gonzales does not agree, saying that there are many positive aspects of mining for communities.

The Canadian Embassy representative in Peru who I spoke with argued that “there is always tension between mining companies and local communities, but the whole point of doing these [CSR] projects is to create a space for dialogue and confidence building. We want to work together to take advantage of the mining situation” (Canadian Embassy representative, interview, July 22, 2013). The Barrick representative that I spoke with also emphasized the idea of confidence building: “We are in the process of building trust. We know that we have lost the trust of these people for the last years as a mining sector, so the goal is to... we have two goals: poverty reduction and building trust” (Barrick representative, interview, June 25, 2013).

The World Vision representative who I interviewed expressed her view that much of the mining conflict in the area is directed towards Barrick while the other major mining company in the area, Panamerican Silver (now Mineria Quiruvilca), experiences much less conflict since, she says, the company gives residents gifts and prizes (World Vision Peru representative, interview, July 23, 2013). When asked about the community’s view of World Vision, the World Vision representative said that the community does not reject World Vision specifically, but many people in the community have a critical view of NGOs in general since some of the residents believe that they should be managing their own money rather than having an NGO manage it for them (World Vision Peru representative, interview, July 23, 2013). She added that: “They are especially upset because we are doing this program of raising awareness about rights and in this program we are not giving them material things. There is a strong culture of dependency on aid in Quiruvilca” (World Vision Peru representative, interview, July 23, 2013).

Another explanation for increased conflict given by a representative from Barrick is that the project and other ACC projects are making community members aware of the possibility of development:

The conflicts are going up. And it's normal. We are not sociologists but we know that part of the way of development is to have some level of conflict. Because it's like the community is waking up and saying 'Development is possible.... I can change my life. I can have a better life. My children can go to school. I can have health. Why don't I have that?' And so they are starting to ask for more, not only support, but they are starting to have more knowledge of their own rights and the way to negotiate (Barrick representative, interview, June 25, 2013).

In my interview with him, the Barrick representative talked about how he had had several journalists asking him about the Canadian government's involvement in this project and whether or not their involvement is about silencing opposition to mining. He found this idea misguided because, as noted above, he believes that these types of projects ultimately increase conflict by raising awareness about development. He says:

We are not looking for the Canadian government to buy peace here. I mean, we know that when they came here with more money for social projects the reaction of the community was 'yes, we are in a better position to fight poverty' but at the same time, they are awakening on a whole bunch of rights and they realize that the situation can change, and normally, that brings more conflict. So it's not that we are avoiding conflict. We are very happy that they are bringing money to a place that needs money to fight poverty. But it's not to buy peace. If that was the

intention, it wasn't a good strategy. (Barrick representative, interview, June 25, 2013)

### **Conclusion**

Barrick presents its operations in a very positive light. The company will admit that it is not perfect, but argues that it has good intentions and is making an effort to be as positive a force for development as possible for the communities in which they operate. This image of a well-intentioned company is displayed in relation to the Lagunas Norte mine as well as globally. Barrick, World Vision and the Canadian government see the pilot project as poverty reduction where everyone (including the funders) benefits. However, as Chapter 6 shows, community perspectives differ somewhat from the perspectives of the partners explained in this chapter.

## Chapter 6

# CIDA, Barrick, and World Vision's Tripartite Partnership: Perspectives from the Communities

This chapter discusses criticisms directed at Barrick Gold at three levels: globally, nationally in Peru, and locally in the communities surrounding the Lagunas Norte mine. The chapter begins by looking at allegations of human rights violations at two of Barrick's mines in different continents. It then highlights the resistance efforts in Peru towards both Barrick's Pierina and Lagunas Norte mine. The chapter then relays community perspectives obtained through twelve interviews with members of four communities surrounding the Lagunas Norte mine: Chuyugual, Sauco, Coina and Quiruvilca. The chapter concludes that there are varying views on Barrick's Lagunas Norte mine and associated community development projects, resulting in divided communities.

### **Criticisms of Barrick**

Despite the positive image of Barrick presented by the partners of this project and explained in the previous chapter, Barrick is frequently criticized around the globe by social activist and human rights organizations, as well as by communities living near their mining operations, for unethical conduct, human rights abuses, and environmental degradation. Perhaps the most notable recent accusations of human rights abuses



exhibited by Barrick were regarding the company's operations at Porgera mine in Papua New Guinea and its North Mara Mine in Tanzania. In both cases, several residents of nearby villages were raped and/or violently beaten by Barrick's private security forces. Barrick's initial response in both locations was to ask alleged victims of this abuse to sign waivers effectively waiving any rights to take legal action against the mining company in order to receive compensation packages that included financial compensation, counselling and business training:

[T]he claimant agrees that she will not pursue or participate in any legal action against the PJV [Porgera Joint Venture], PRFA [Porgera Remediation Framework Association Inc.] or Barrick in or outside of PNG [Papua New Guinea]. PRFA and Barrick will be able to rely on the agreement as a bar to any legal proceedings which may be brought by the claimant in breach of the agreement (Barrick, n.d.: 27).

As a result of these human rights abuses, both Norway and New Zealand have divested pension funds from Barrick (MiningWatch, 2009; NBR, 2013). Canada on the other hand, Barrick's home country, has not taken any legal action to regulate Canadian mining companies abroad and prevent future misconduct.

### **Conflict and criticisms of Barrick in Peru**

In Peru, social activism and criticisms against Barrick, while they do exist, have been significantly less extreme than in other countries in which the company operates.

Barrick's first mine in Peru, Pierina, has been the site of ongoing conflict mainly due to

labour and water concerns. In writing about the conflicts at the Pierina mine, Himley (2012) argues that the local employment aspect of Barrick's CSR strategy serves to set the limits of the possibilities for mobilization by directing debate to certain aspects of extractivism:

[T]he local employment initiative at Pierina [is] a proactive effort on the part of Barrick to establish the terms of debate regarding mining's development contributions, to limit the scope of residents' demands, and to foreclose the possibility of more radical or systemic change. ... In particular the Pierina case underscores the importance of designing strategies that take into account how corporate-centered regulatory arrangements may enable certain forms of mobilization, while at the same time recognizing the extent to which these arrangements allow firms the authority to establish the parameters of the struggle, including by defining what is 'possible' regarding the social, economic, and environmental implications of resource development (Himley, 2013: 396).

At the Lagunas Norte mine, protests have broken out as well, though to a lesser extent. Most recently, in February 2013, protestors in the communities surrounding the Lagunas Norte mine blocked entrance to the mine again over both labour and water concerns. When Barrick sought to expand operations at Lagunas Norte to include another area known as Lagunas Sur, protest in 2011 was significant enough to stop the operations, although Barrick had already begun drilling. Peru's national ombudsman records this conflict as a demand for Barrick to cease operations at Lagunas Sur due to the high potential for damage to five lakes that are the source of rivers and the effects that

this would have on agricultural labourers and those who depend on these water sources to make a living (Defensoría del Pueblo, 2013: 94). Triscritti (2013) explains: “Barrick’s representatives met with local communities and the Mayor [of Santiago de Chuco], reached an agreement whereby Barrick promised that any future expansion project would be subject to the communities’ approval, pledged not to mine the satellite deposits and agreed to fund reforestation in the area surrounding the lakes” (445). The national ombudsman has since downgraded this conflict to latent as all operations on the Lagunas Sur property have stopped.

When the partnership between Barrick, World Vision and CIDA at the Lagunas Norte mine was first announced, the *Coordinadora Andina de Organizaciones Indígenas*<sup>10</sup> (CAOI), took a stance against this partnership and Miguel Palacin Quispe, the General Coordinator of CAOI at the time, sent letters addressed to CIDA, World Vision, and Barrick Gold condemning the partnership in Peru citing a history of devastation caused by mining companies in the country. In a 2012 article on the MiningWatch website, Rick Arnold translates a key portion of this letter into English<sup>11</sup>:

Unfortunately, Canadian mining companies have a bad track record in our countries, where companies such as Barrick Gold are the source of many conflicts because of the dispossession of lands, destruction of water sources, and the ignoring of international rights (ILO Convention 169, the UN Declaration on

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<sup>10</sup> An organization composed of Andean indigenous groups in the countries of Colombia, Ecuador, Peru, Bolivia, Chile and Argentina. Their principal objective (translated from Spanish by the author of this thesis) is “to fully exercise the rights of indigenous communities, particularly self-determination, territory, and free, informed, and prior consultation and consent, against the criminalization of demands and the militarization of their territories” (CAOI, 2012b).

<sup>11</sup> The full letter in Spanish can be viewed here:  
<http://www.miningwatch.ca/sites/www.miningwatch.ca/files/CAOI%20letter-Minister%20Oda%20re%20Peru%20project%2020-02-12.pdf>

Rights of Indigenous Peoples, among others), that lead to multiple environmental and social impacts on our communities.

The solution is not to mediate and negotiate based on what has already been done, and no ‘social works’ carried out with the mining companies can compensate for the damage done, particularly in the face of rights having been violated.

So for these reasons we ask that you, World Vision Canada/Barrick Gold/CIDA, refuse to take any part in this development policy, and instead that you take responsibility to ensure that Canadian companies respect, and demand that States respect, the rights of the indigenous peoples affected before anyone seeks mining concessions in our countries (COAI 2012a, as cited in Arnold, 2012).

Additionally, Vervaeke’s (2013) thesis research in the communities surrounding both Barrick’s Llagunas Norte and Pierina mines in Peru found that promises made by Barrick to community members were not upheld. She argues that while Barrick created a progressive image of itself through commitments to CSR, sustainable development and partnerships with NGOs, community members still had significant concerns over environmental and social issues caused by mining and that Barrick’s progressive image is merely an illusion.

The following section explains perspectives from communities surrounding the Llagunas Norte mine gathered from interviews in the area, with a special focus on the community of Quiruvilca, the target of this partnership project.

### **Community perspectives**

As a central component of my research, I traveled to four communities in proximity to the Lagunas Norte mine: Chuyugual, Sauco, Coina, and Quiruvilca. While I was in these communities, I conducted twelve interviews with community members with varying socioeconomic backgrounds, genders, careers, and levels of political community involvement (for a full list see: Appendix 1). While the small sample size does not necessarily accurately represent all of the different views within each community and, therefore, limits the conclusions that can be drawn from my research, participants in these interviews were able to give me a sense of the different perspectives within these communities, information that was not previously available to the academic community.

I was able to visit the first three communities by accompanying the local organization, AMAS, who had hired an environmental technician to travel with them and test the water quality in the Chuyugual watershed. AMAS had been asked to do water testing by local community members because of a lack of trust for Barrick's results. For each community where AMAS collected water samples, they brought with them local activists and community members as witnesses.

Our first stop was Chuyugual, where I spoke with a community member, Manolo<sup>12</sup>, and a municipal government leader, Ignacio. In Sauco, I spoke with two women, Gloria and Mónica, who were both contract workers for Barrick in positions that did not involve mining but that were located on the Lagunas Norte property. Both Chuyugual and Sauco are heavily impacted by the mining activity at Lagunas Norte, but World Vision was not operating in either village.

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<sup>12</sup> All names have been changed.

In Coina, I was able to meet with two farmers and *Ronderos*<sup>13</sup>, Alberto and César, as well as a municipal government leader, Gabriel. Unlike the two previous villages I visited, World Vision had an office in Coina and had been carrying out activities in the community for several years. The NGO CARE had also recently set up an office in Coina. AMAS's water collection trip ended after visiting Coina, but I was able to return to the highlands with a local researcher in order to visit Quiruvilca, the closest village to the mine and the target of the partnership projects between Barrick, World Vision and the Canadian government.

In Quiruvilca, I interviewed: Ana, a community leader; Maria, a community member, *madre guia* (guide mother) for World Vision and participant in World Vision's microenterprise training; Carlos, a school teacher; Carmen and Belén two co-workers at a store in town; and back on the coast in Trujillo I was able to speak with Federico, a lawyer who had been working with community leaders in Quiruvilca for community organizing regarding Barrick's activities and who coordinated one of the many third party water testing initiatives by helping to collect samples from the Chuyugual watershed and sending them to a lab<sup>14</sup>.

The interviews that I conducted were open, allowing participants to express their views on mining, Barrick, development projects, NGOs, and the current reality of, as well as future visions for their communities. Four major themes emerged out of these interviews: environmental concerns, the quality and quantity of jobs and development projects provided by Barrick, reasons for community tolerance for Barrick, and future

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<sup>13</sup> A *Rondero* is a member of the *Rondas Campesinas* (peasant rounds), a term used to describe volunteers who monitor their community as an alternative to police. They were active during the time of the Shining Path in the 1980s.

<sup>14</sup> There are many organizations collecting water samples from the three watersheds affected by the Lagunas Norte mine and testing them because people do not trust the mining company's published results.

visions for community development. The following sections explain some of the local views on these themes by combining the statements given in participant interviews.

### *Environmental Concerns*

One of the major concerns of mining in the area is environmental damage, especially (but not exclusively) water pollution. In Triscritti's (2013) own research in the area, she also found this to be a major concern of those living in the affected area:

[B]oth the Peruvian Government and corporations have been enhancing investments on water management infrastructures. These initiatives are part of the solution, but do not seem to address communities' expectations related to corporate responsibilities for environmental damage and the government's role in regulating mining environmental standards (446).

One incident that I observed while with AMAS on the water sample collection excursion was a confrontation near Saucó between our group and a man who lived in the area. The AMAS crew, local activist witnesses and I were gathered around the collection point while the water technician collected samples. The local man who confronted us was very angry and threatened us with a slingshot asking us to leave because he thought that we were with Barrick and said that we would falsify data from these samples about the quality of water. He eventually calmed down, however, after the group that I was with explained the situation to him several times. This event demonstrates the tension and distrust between residents of the area and the mining company especially in relation to environmental concerns.

Gloria from Sauco explained two major concerns regarding water, water quality and water scarcity: “We are most concerned about water and we want to know if it is contaminated or not. It’s important that the water is tested regularly and that we get the results. Although, right now, we don’t even have enough water to clean” (Gloria, July 9, 2013).

Both of the Ronderos who I interviewed in Coina were participating in AMAS’s water testing as witnesses. One of them, Alberto, spoke about how the contamination of the river affected his livelihood as a farmer: “Barrick says that they are doing many projects, but I don’t see them. ... The only thing we have received is the contamination of our rivers. Before the water was clear, we had fish, but now we have a dead river that even our animals can’t drink from. Even worse is our agricultural produce” (Alberto, interview, July 11, 2013).

Ignacio, the municipal government leader in Chuyugual was very clear about the fact that he appreciated Barrick’s presence in the area. He was much more in support of the mine than other interviewees, mainly due to the jobs it provided for his community members. However, he also admitted that environmental damage is one of his concerns, albeit in a somewhat diplomatic way: “We used to have trout, but now with the mining operations, there is no trout in the river. I’m not saying that there is contamination in the water nor that the water is contamination-free, but these fish are not there anymore” (Ignacio, interview, July 9, 2013).

Federico, the lawyer who had been conducting water testing and working with community leaders in Quiruvilca, voiced his concerns about environmental damage caused by Barrick and claimed that “the Chuyugual River is the most affected by



Barrick's operations. All aquatic life has disappeared since the river has a pH of less than 5. ... Most people have left Chuyugual and Sauco because it is difficult to live there due to the contamination and poverty caused by the mine" (Federico, interview, July 26, 2013).

#### *Views on Barrick's activities*

There are varying views on Barrick's activities in the communities surrounding the Lagunas Norte mine, both in terms of jobs at the mine and development projects. Some are happy to a certain degree with the opportunities provided for them by Barrick and others criticize these activities either for being too superficial, being too minimal or not meeting local desires.

Manolo in Chuyugual explains that there are varying degrees of resentment towards Barrick among members of the communities surrounding the Lagunas Norte mine: "No one is 100 percent satisfied with Barrick's [community development] projects.... Everyone here disagrees with Barrick in their own way" (Manolo, interview, July 9, 2013).

In terms of jobs provided by Barrick, Ignacio, a municipal government leader in Chuyugual stated his appreciation for job provision, while several other respondents (Gloria, Mónica, Ana, María, Carmen, Belén and Federico) expressed a desire for more well-paid jobs with Barrick. Federico, the lawyer working with community leaders in Quiruvilca explained that dissatisfaction with the quantity and quality of jobs provided for local residents has been a cause of protest:

Prior to the protests in February 2013, of the 3500 workers at Lagunas Norte, only 350 were from Quiruvilca. After the protests, there are now about 600 workers at Lagunas Norte from Quiruvilca. ... A basic technician gets paid between 3,500 and 4,500 nuevos soles [about US\$1245-1600] per month while local contract workers get paid a maximum of 1165 nuevos soles [about US\$ 414] per month and sometimes as low as 650 nuevos soles [about US\$231] per month (Federico, interview, July 26, 2013).

Ignacio, a municipal government representative presented a very different view, saying that he was fairly content with Barrick's operations: "Of course not everyone is happy, but the majority of people are content with the employment that Barrick is generating. We welcomed Barrick when they first arrived and we continue to welcome them. They are meeting 90 percent of our demands" (Ignacio, interview, July 9, 2013).

Mónica explained her reasoning for there being differing opinions in her community (Sauco) on the Lagunas Norte mine: "The community is divided on whether the mine is good or bad. Those who have jobs think it's good because of the income while those who don't are more worried about the environmental contamination" (Mónica, interview, July 9, 2013).

In terms of development projects, Ignacio, Manolo, Gloria, Mónica, Carmen, and Belén expressed a desire for more projects, while Alberto, César, and Carlos did not see these projects as anything useful and were sceptical of the motivations behind them.

In Quiruvilca, María expressed an appreciation for Barrick's funding of development projects through World Vision. María has lived in Quiruvilca her whole life

and is a *madre guia* for World Vision in the town. She has participated in World Vision's microenterprise training and says: "I think these projects are fairly good, both for families and the community in general. At this point, with the projects that the company gives us, we put up with Barrick. Although, of course, there has been some confrontation due to the contamination that they cause" (María, interview, July 25, 2013).

Ana, a community leader in Quiruvilca explained that she thinks development projects are important, but that Barrick's projects in Quiruvilca are flawed: "The thing that's missing is a creating a market. The people have already learned these skills [from Barrick's CSR projects that train community members on business and career skills], but there's no market for their products. Where are they going to sell their products?" (Ana, interview, July 24, 2013).

Some participants in my research explained that Barrick's CSR efforts have been to establish a better relationship between the company and the community. Manolo's view is that the development projects are positive and are being implemented to compensate for contamination:

Barrick is doing this in order to gain the friendship of the people living in the area and to compensate for contamination. Economically, they are really benefiting us. They are increasing our quality of life. If they hadn't come we would still be living in extreme poverty. My only preoccupation is the environmental contamination. There is mercury in the water. But, life's not perfect (Manolo, interview, July 9, 2013).

Other participants were less at ease with Barrick's approach. In Coina, César expressed his view that community development projects fostered by Barrick are superficial and simply serve to put Barrick in a better light:

World Vision has come here to take advantage of the community and give people whatever insignificant scraps and people accept by signing with their national identity number. And the result? The social license of the community. With lies the NGOs have come to take advantage of the community. This has been a strategic effort in favour of the mine. We [the community] have divided ourselves (César, interview, July 11, 2013).

There are on-going discussions with Barrick regarding both jobs and community development initiatives. Ana explains that while these discussions allow for communities in the area to express their concerns, members of communities in the area still feel as though they are not being heard:

There is a negative view of Barrick in the community. The majority of people would say that they are against Barrick because the company has come and done many things that are not beneficial for the community. ... Barrick has made various promises but has not followed through on them. Their promises have simply been an effort to pacify the people. ... In February [2013], we decided to unite ourselves to confront Barrick. We had a little strike. I say little because it ended very quickly. We've started dialogue tables [regarding jobs at the mine] and we have seen some interest from the mining companies on solving these issues. But, they have numerous objections that are inconveniencing the

community. We have been trying to come to an agreement for four months, but we still haven't gotten anywhere (Ana, interview, July 24, 2013).

In a classroom full of computers donated by Barrick, I interviewed Carlos, a teacher at Quiruvilca's elementary and secondary school. He also stated his firm belief that Barrick's CSR initiatives serve to silence opposition to the company and create an illusion of development:

Barrick uses NGOs to calm the community. This is not to resolve problems, but to make the population happy while continuing exploitation. Some people realize that Barrick is only trying to calm people with these projects. Others might realize it, but prefer to accept these projects because they think that they might be useful for them.... These projects are not true sustainable investments in the development of the community; it's a deception (Carlos, interview, July 25, 2013).

I interviewed Carmen and Belén, two co-workers in a store in Quiruvilca, one of which had one of her children sponsored through World Vision's child sponsorship program. The women had also participated in World Vision's microenterprise training course which was a mere three days long for three hours per day. They expressed their frustration with Barrick:

When Barrick first came here 12-13 years ago, like my mother said, they promised us *el oro y el moro* [anything and everything], but then the contamination started, especially water contamination. ... We are fed up. ...

Before in Quiruvilca there were people who would defend their rights, fight for their causes, but now not at all (Carmen and Belén, interview, July 25, 2013).

### *Views on NGOs*

In Coina there was an overall feeling of distrust towards World Vision. A restaurant owner in Coina was so angry with World Vision that she refused to talk to me. The two Ronderos who I spoke with, Alberto and Cesar, told me stories of seriously unethical behaviour committed by the organization: “The only thing I’ve seen World Vision do here is take pictures. They take pictures of themselves giving a piece of fruit or a toy to child and they take it back after the photo. Or they have a kid take off pieces of clothing to make them look poorer and take photos” (Alberto, interview, July 11, 2013).

Gabriel, a municipal leader in Coina echoed the same description of World Vision’s conduct in the community as that of Alberto and Cesar, explaining his main concern: “While World Vision has been in the community for a number of years, I have not seen any positive change from them” (Gabriel, interview, July 11, 2013).

World Vision seems to have a very damaged reputation in Coina. Instead of having World Vision attempt to carry out the same type of activities that it is implementing in Quiruvilca, Barrick is working with another foreign NGO, CARE, who has recently set up an office in Coina is participating in implementing projects as part of Barrick’s ACC, funded in part by the Canadian government.

In Quiruvilca, however, there is a very different sentiment towards World Vision. Some people that I spoke with liked that World Vision is working in the community, citing both the organization’s Christian motivations and their previous work in the

community with children and infant health. Ana explained how World Vision developed a relationship of trust with the community:

At first, people had a negative view of World Vision. They were really sceptical of the child sponsorship program. They thought that World Vision was going to take away their children. But gradually, World Vision gained people's trust and many started participating in the child sponsorship program. The religious element also helped. There was then an acceptance of World Vision by the community since they did good education and health projects here. ... They did many good things for our community. In 2011, when these projects ended and the *Alianza para el Desarrollo* projects started, people were less happy. ... There are some people who disagree with World Vision because they say that they waste a lot of money, but I have worked closely with them and I think that they do an important job (Ana, interview, July 24, 2013).

In Quiruvilca, some community members expressed that they were not satisfied with foreign NGOs funded by Barrick leading the community's development projects. Carlos explained that they do not create projects that are truly what the local population desires: "They consult us on projects in a way, but they have already predetermined what they want to do" (Carlos, interview, July 25, 2013).

While Ana appreciates the work that World Vision is doing in Quiruvilca, she explains why she believes that Barrick is working with World Vision and proposes an alternative:

I think Barrick is working with World Vision because of the Canadian connection. Barrick is a Canadian company and World Vision is a Canadian NGO. Many people here think that Barrick should invest in a Peruvian NGO instead. I think this would be more convenient because this would give additional economic benefit to Peru rather than to Canada (Ana, interview, July 24, 2013).

Federico explains that the community of Quiruvilca would rather manage their own development programs in order to ensure that programs meet the desires of the community and that money is not wasted on NGO administration: “We want Barrick to allow us [the community] to manage our own programs. NGOs waste a lot of money on administration. ... NGOs get a lot of money and people in the community have a lot of resentment. We want to manage our money directly instead of intermediaries taking it” (Federico, interview, July 26, 2013).

Federico adds that the view of NGOs (including World Vision) in the community is changing:

Initially, NGOs calmed the community’s view of Barrick and helped take the focus of responsibility off of Barrick. But now the NGOs have become a part of the ticking time bomb that this situation has created. Now people are becoming more aware of all of this. People in Quiruvilca are waking up and have lost confidence in the NGOs and Barrick (Federico, July 26, 2013).

While Carlos agrees that there are significant problems with the development projects that are being implemented by Barrick and World Vision, he argues that the



community's self-management of development would be ineffective with the current level of capacity in the local government: "Yes, it would be better for the community to manage their own money [for the purposes of development], but they currently don't have the capacity to do so" (Carlos, interview, July 25, 2013).

In terms of a future vision for Quiruvilca, some participants (Ana, Carmen, Belen, and Federico) expressed interest in developing a cheese factory and saw this as a more environmentally friendly alternative to mining.

## **Conclusion**

The relationship between Barrick Gold and the people living near the Lagunas Norte mine is dynamic and complex. Four principal summations can be made from data collected through interviews with community members:

1. There is significant concern for the environment among residents of Saucó, Chuyugual, Coína, and Quiruvilca.
2. Some members of the four communities visited are happy with Barrick's provision of both jobs and community development projects, and they would like to see an expansion and continuation of these provisions.
3. Some members of the four communities visited do not like Barrick's provision of community development projects because they believe that these projects are ineffective in creating development and that they simply serve to silence opposition to Barrick.
4. In Quiruvilca, some community members expressed that they want the community to manage its own development with funds from mining taxes and the

national government in order to create the social and economic development activities that they want, rather than having mining companies and partnered NGOs do so, though one acknowledged that this requires building local government capacity.

While the communities surrounding the Lagunas Norte mine are made up of diverse people with a variety of opinions, one thing is clear: community perspectives do not neatly align with those of Barrick Gold and the partners in this project. The tension between communities and the mining company is evident, but conflicts are not nearly as extreme as they are at other mines in the country, especially the Yanacocha and Conga mines run by Newmont Mining Company. Perhaps this is because Barrick has figured out a better strategy: to present themselves as the community's best hope for development, not just in terms of jobs, but also in terms of community development projects. The following chapter concludes this thesis by summarizing the information presented thus far to further explain how CSR projects supported by Barrick, World Vision and the Canadian government do indeed discourage local grassroots opposition to mining.

## Chapter 7

# Conclusion

My hypothesis (outlined in Chapter 1) – that the development project in Quiruvilca funded and implemented by Barrick Gold, the Canadian government and World Vision is a strategy for discouraging local grassroots opposition to mining rather than simply a means of relieving poverty – was formulated on the basis of a systematic review of the literature and tested by means of internet-based and field research on the political economy of mining in Peru, and research on Canada's global mining activities. Field research was necessary for testing this hypothesis. While the perspectives of the partners in the project were fairly easy to determine through their own websites, online documents, and news articles, the perspectives of local community members were not so readily available. While there are limitations to the conclusions that can be drawn from my research due to the relatively small number of participants, the interviews that I conducted were able to provide some insight into how communities near the Lagunas Norte mine view both this project and the partners in this project.

As is discussed in Chapter 5, the partners in this project argue that the main goal of these projects is poverty reduction:

1. They claim that poverty reduction can be achieved not only through jobs provided by the mine, but especially through the community development projects, part of Barrick's CSR program, that focus on the economic development through training on microenterprises and entrepreneurship.

2. The partners focus on the benefits of partnership and the necessity to work together to achieve their goal of poverty reduction.
3. They argue that conflict is not decreasing for various reasons: some community members are ideologically opposed to all mining, previous mining-community relationships have resulted in a lack of trust, community members are being given training rather than material things, and the natural process of raising awareness about rights and development means increased conflict.

The perspectives of the community members, however, were less consolidated than those of the partners. As shown in Chapter 6, the conclusions that I was able to draw from my field research are that:

1. There is significant concern for the environment among community members.
2. Some members of the four communities that I visited are content with Barrick's provision of both jobs and community development projects, and they would like to see an expansion and continuation of these provisions.
3. Some members of the four communities that I visited do not like Barrick's provision of community development projects because they believe that these projects are ineffective in creating development and that they simply serve to silence opposition to Barrick.
4. In Quiruvilca, some community members expressed that they want the community to manage its own development with funds from mining taxes and the national government in order to create the social and economic development activities that they want, rather than having mining companies and partnered

NGOs do so, though one acknowledged that this requires building local government capacity.

Based on these findings, my main conclusion is that the tripartite partnership project between Barrick, World Vision, and the Canadian government does serve to discourage local grassroots opposition to mining to an extent since there is significant division of opinion within the communities, organized resistance to the project has decreased somewhat, and there has been an increase in support for the project. A more detailed explanation of my findings with regards to these indicators can be found below.

### **Division of opinion on Barrick within the communities**

While no one who I spoke with in the communities surrounding Lagunas Norte seemed to be completely satisfied with Barrick's CSR initiatives, including those implemented by World Vision, the community was divided into two groups: a) those who believed that in the future they could benefit from these projects if the projects improved in terms of quality and quantity and who therefore accepted Barrick's presence in the area, and b) those who vehemently opposed Barrick and the CSR projects due to believing that they are not truly about fostering development, but simply a means of buying the communities' social license to operate. In addition to the division of opinion within communities, there also seems to be a division of opinion *between* communities. The participants in my study from Quiruvilca, where the tripartite partnership project is located, seemed to be more accepting of Barrick compared to participants from other communities, despite expressing the same frustrations over the environment and future visions of development.

**Decrease in organized resistance to the project**

While the tension between the communities and Barrick is constantly simmering beneath the surface, organized community mobilization has decreased since Barrick agreed to halt operations at the Lagunas Sur extension in 2011. While there was an organized protest in February 2013, it was relatively small and only lasted 6 days. A key factor in the decrease in organized resistance to the project is that Barrick has been willing to meet with community members to discuss their concerns, although some community members feel that their concerns are not being addressed.

Many community members who I interviewed express anger towards Barrick's (and in some cases World Vision's) activities, but are not physically involved in protests. Despite Barrick and World Vision's claim that conflict is increasing in the area, Peru's ombudsman quickly downgraded the February 2013 conflict near the Lagunas Norte mine from active to latent and has not recorded any new conflicts. This is especially significant when compared to conflict at other mines in Peru that is often violent and that often prevents or temporarily halts operations.

**Increase in support for the mining project**

I found the situation too complex to label community members as either opponents or supporters. The only true support that I saw was from the municipal government leader who I interviewed in Chuyugual. While some community members who I spoke with have always opposed the mine, others have begun to support the project due to Barrick's approach to CSR. Those who have come to accept the mine even though they do not fully

support Barrick, especially those participating in World Vision's activities in Quiruvilca still have major problems with environmental contamination, but these projects allow them to see Barrick in a slightly better light.

One explanation for this phenomenon is that since Barrick is essentially in charge of the communities' development and the state has a strong reputation for ignoring rural peasant communities in Peru, it may be hard for some members of the communities to see the possibility of development without the mine. Community members are therefore willing to accept the mining company despite a concern for environmental damages and the superficial nature of the projects. While some community members expressed an interest in opening a cheese factory to provide employment in a way that was less hazardous to the environment, these participants either wished for Barrick to fund this project or found the idea somewhat unattainable.

## **Conclusion**

The major problem with the tripartite partnership project as well as the other projects that are part of the ACC is that they do not question the presence of the mine, but rather begin the discussion around development with the implicit notion that the mine is there to stay, while some members of the communities near Lagunas Norte have other visions for development which do not include the mining company. If the mining company is allowed to lead the development of nearby communities, the company's and the communities' development goals will often not be aligned. In this case, it is especially unlikely that the company will accept any community arguments that their presence is actually hindrance to long term sustainable development.

In terms of creating the sustainable development that is clearly needed in the communities near the Lagunas Norte mine, the Peruvian state, rather than a foreign company, needs to have a more significant presence in these communities and support the residents' development goals as determined by the residents themselves. The state is accountable to the people in a way that private companies and NGOs are not, and it needs to break away from the pattern of allowing rural communities to become dependent on mining for all their development needs by providing better social services to these communities. The state also needs to help build local government capacity and support local development initiatives.

As has been explained, the case study that I have examined through my research is part of a larger Canadian international development strategy that exemplifies the neoliberal view of development. This includes the privatization of the host country's development through a foreign company and a foreign NGO, replacing the role of the state. These types of development projects from the Canadian government are rapidly spreading across Latin America and other parts of the world despite large scale mining's significant negative impacts and reputations. The mining industry's lobbying of the Canadian government against regulation measures like Bill C-300 is a clear example that philanthropy is not at the heart of CSR; rather, it is a business strategy. The effort to address real issues of poverty and underdevelopment in a mining community or any other community is, in itself, not a bad thing. However, the way in which the Canadian government is doing this serves to improve the image of Canadian mining companies and rather than addressing root causes of the poverty: mining, and more generally, capitalism.



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## Appendix 1: List of Interviews

<b>Community Interviews</b>			
<b>Pseudonym</b>	<b>Title/ Role in the Community</b>	<b>Community</b>	<b>Date of Interview</b>
“Manolo”	Community member	Chuyugual	July 9, 2013
“Ignacio”	Municipal government leader	Chuyugual	July 9, 2013
“Gloria”	Contract worker for Barrick (non-mining)	Sauco	July 9, 2013
“Mónica”	Contract worker for Barrick (non-mining)	Sauco	July 9, 2013
“Alberto”	Farmer and Rondero	Coina	July 11, 2013
“César”	Farmer and Rondero	Coina	July 11, 2013
“Gabriel”	Municipal government leader	Coina	July 11, 2013
“Ana”	Community leader	Quiruvilca	July 24, 2013
“María”	Community member and <i>madre guía</i> for World Vision	Quiruvilca	July 25, 2013
“Carlos”	School teacher in Quiruvilca	Quiruvilca	July 25, 2013
“Carmen” and “Belén”	Co-workers at a store in Quiruvilca (One has one of her children in World Vision’s child sponsorship program.)	Quiruvilca	July 25, 2013
“Federico”	Lawyer working with community leaders in Quiruvilca	Trujillo	July 26, 2013

<b>Other Interviews</b>		
<b>Interviewee</b>	<b>Location of Interview</b>	<b>Date</b>
Barrick Peru Representative	Lima – Barrick Offices	June 25, 2013
Canadian Embassy Representative	Lima – Canadian Embassy	July 22, 2013
World Vision Peru Representative	Trujillo – World Vision regional office for La Libertad	July 23, 2013



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