Corporate social responsibility in the mining industry: Perspectives from stakeholder groups in Argentina

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A R T I C L E   I N F O

Article history:
Received 17 September 2010
Received in revised form 10 May 2011
Accepted 10 May 2011
Available online 30 July 2011

JEL classification:
L30
M14
Q32
Q34

Keywords:
Mining conflict
Corporate social responsibility
Stakeholders
Grassroots movement
Public participation

A B S T R A C T

Since the liberalisation of its investment regime in the 1990s, Argentina has seen a rise in foreign direct investment into large-scale exploration and exploitation of mineral resources. However, many social groups (local communities, grassroots movement and the church) often strongly oppose new mining projects on the grounds of environmental, ethical and economic concerns. In a situation marked by widespread conflict, mining companies continue operating and develop Corporate Social Responsibility (CSR) initiatives which are often promoted as a means of contributing to the sustainability and development of the nation. The paper develops a framework to highlight how the principles of stakeholder theory could be used as conceptual and practical guidance for conflict-resolution oriented CSR policies. The framework is further used to analyse two case studies of conflictive mining projects in Argentina. The paper explores how key stakeholders perceive contribution of CSR to welfare and the socio-economic development of mining communities and sustainable development of the nation. It demonstrates that institutional and social stakeholder networks often strongly oppose the idea of voluntary self-regulation implied by CSR in situations characterised by weak governance. Even though the CSR of companies could be improved in areas of corporate communication, transparency, stakeholder engagement and dialogue, it is not seen as a panacea for the social conflicts in the sector.

1. Introduction

Corporate Social Responsibility (CSR) as a field has been rapidly expanding since the Earth Summit in 1992, which put pressure on business and industry to be socially responsible and actively contribute to sustainable development. There are continuous attempts to weave sustainability and social responsibility in business strategies and as a consequence, CSR is broadly perceived as a tool for companies to contribute towards sustainable development (Hilson and Murck, 2000; Hamann, 2003; Hamann, 2004). Multinational Companies (MNCs) in the extractive industries, specifically those engaged in mining, are under intense pressure and scrutiny from various societal forces: environmental, indigenous peoples and human rights movements, which have formed in response to concerns about social and environmental impacts of operations, especially in developing countries (Banerjee, 2000; Warhurst and Mitchell, 2000; Warhurst, 2001; Kapelus, 2002). Indeed, mining companies cause the most significant and often irreversible damage to the natural environment as compared to other industrial sectors (Kapelus, 2002; Yakovleva, 2005); negative social and environmental impacts in the mining sector manifest themselves to the extremes, including industrial accidents, environmental degradation, health and safety issues, impact on livelihood of local communities and violations of human rights. Due to increased societal pressure, mining companies have been actively innovating in the field of CSR to address the various sustainability challenges of their operations more proactively. For instance, extractive industry companies were among the first companies to publish stand-alone environmental reports and to adopt voluntary codes of conduct in the area of environmental management (Hamann, 2003; Jenkins and Yakovleva, 2006).

A discussion on sustainable development and the interaction between economic growth, environmental degradation and social equity in relation to the mining sector is a highly critical topic. Agenda 21, a product of the Earth Summit, did not directly address...
the issue of mineral resource extraction in the context of sustainable development. In accordance with arguments of strong and weak sustainability, there are two major views concerning the place of mineral resource extraction and sustainable development. The first position follows a strong sustainability argument that supports constant natural capital rule, whereby depletion of natural capital cannot be substituted by an increase in other forms of capital and instead requires a renewal of natural capital. Thus, in the case of non-renewable resources, the mining sector cannot be seen as sustainable as it depletes the stock of natural resources available for future generations. The second position follows a weak sustainability argument that supports the substitution of natural capital rule, whereby depletion of natural capital can be replaced with an increase in other capitals (economic and social). This permits the extraction of mineral resources to be seen as sustainable as it does not compromise the ability of future generations to meet their needs. For example, Sánchez (1998) argues that depletion of mineral resources can be compensated by the generation of new wealth which can, in a form of useful lasting capital, benefit present and future generations.

The view that mining can be the basis for a sustainable future is supported by several arguments. Firstly, metals can be recycled and discoveries of new mineral deposits and advances in mineral recovery technologies may prolong the longevity of stocks of non-renewable resources for future generations (Sánchez, 1998; Crowson, 1998). Secondly, mining is not considered necessarily incompatible with the principles of sustainability, provided that the decision-making process takes into account values and interests of all stakeholders involved (Cragg and Greenbaum, 2002). Thus, mining in the context of sustainable development should involve a transparent process which ensures that appropriate revenues generated by exploitation of non-renewable resources are invested to ensure future development of long-term sustainable livelihoods of affected communities (Epps, 1996; Yakovleva, 2005). Ali (2009) argues that the weak sustainability argument that is in favour of sustainable development in the extractive sector requires a substantial shift in the global economic order. Specifically, he highlights that it requires significant efficiency improvements, new technological developments and substantial changes in material flows and governance systems. The mining industry needs to strengthen its commitment to sustainable development and identify alternative strategies, change governance models in areas of stakeholder engagement; supply chain management; pollution prevention and risk management; post-closure remediation and sustainable livelihoods and cooperative linkages between projects via mutual dependence (Ali, 2009).

Stakeholder theory suggests that understanding the perspectives of various social actors who affect or can be affected by a company’s operations and policies is crucial for designing effective and appropriate policies. This also relates to the design of CSR policies in the mining sector, whereby mining companies need to understand their stakeholders in order to respond to multifaceted interests and concerns. Utilising the stakeholder theory (Clarkson, 1991, 1995; Freeman et al., 2010) as a conceptual framework, this paper examines CSR and stakeholder expectations in the mining sector, using a case study of Argentina. Argentina is a relatively new mining country, which after liberalisation of mining legislation has seen a recent influx of MNCs with an interest in mineral exploration and exploitation. Large-scale mining projects backed by foreign direct investment are a new phenomenon in the country. The operations of mining MNCs in Argentina, as well as their policies in the area of CSR, are often rejected by the public and sometimes met with hostility. Using in-depth semi-structured interviews with various stakeholders in the mining sector of Argentina, the paper surveys perceptions of different stakeholders towards mining projects with financial backing from MNCs. Three distinct stakeholder networks are identified in the Argentine mining sector: industry, institutional and social. This paper specifically examines the differences in perceptions of different stakeholder networks towards CSR of mining companies.

Firstly, the paper reviews current conceptual discussions on stakeholder theory, presents the case of the Argentine mining sector and outlines the research methodology. The results are then presented in two parts: the first part describes the stakeholders involved in the Argentine mining sector and the second part presents the views of three identified stakeholder networks on CSR of mining companies. In the discussion section of the paper, potential areas for improvement of CSR activities are identified, specifically concerning alignment of corporate motivations to engage in CSR with implementation of CSR programmes and demonstration of CSR performance. While the results and discussion focus on the case of Argentina, in the conclusion, it is argued that some of the findings may be transferable to other emerging mining economies.

2. Stakeholder theory

Stakeholder theory posits that firms are responsible for delivering benefits to all their stakeholders rather than only to shareholders and customers. Stakeholders are often defined as the individuals and constituencies that contribute, either voluntarily or involuntarily, to firms’ wealth-creating capacity and activities and that are therefore its potential beneficiaries and/or risk bearers (Post et al., 2002, pp. 19).

The stakeholder approach is very relevant to discussions and critical analysis of how CSR policies can address the main issues affecting sustainability in developing countries: environmental deterioration, social vulnerability and inequality. It is particularly useful when exploring sustainability challenges in the mining industry. The stakeholder theory approach has been applied to analyse both environmental and social issues; in particular, a large body of research has been devoted the analysis of motivations, evolution and consequences of environmental strategies and management (Post et al., 2002; Buyse and Verbeke, 2003; Delmas and Toffel, 2004; Sharma and Henriques, 2005; Bremmers et al., 2007). Similarly, there is an abundance of stakeholder theory research on firms’ social responsibilities, in particular with regards to health and security issues and human rights (Clarkson, 1991, 1995; Jones, 1995; Weaver et al., 1999; Post et al., 2002). However, practical examples of the use of stakeholder theory to propose solutions related to issues that are often central in developing countries, such as poverty and vulnerability, are scarcer (De Jongh, 2004; Pater and Van Lierop, 2006).

In line with Post et al. (2002) four basic components of stakeholder theory are relevant to analysis of CSR in developing countries: (1) flows of benefits and potential threats between companies and stakeholders; (2) varied and discrepant issues or interests; (3) stakeholder networks and roles; and (4) stakeholder engagement. The following section explains how these concepts unfold in relation to the analysis.

2.1. Flows of benefits and potential threats between companies and stakeholders

A firm can be described as a system of stakeholder groups that are linked by a complex set of relationships. Each has different rights, objectives, expectations and responsibilities and provides a particular resource or contribution to the firm. However, a firm’s performance will be threatened if such resources and contributions are withdrawn or become too costly to sustain (Freeman et al., 2010). Thus, a firm’s survival and continuing success depends upon the ability of its managers to create sufficient wealth, value or
satisfaction for those who belong to each stakeholder group. If one or more stakeholder groups are sufficiently dissatisfied and exit the system, the firm can collapse. In particular, companies are increasingly aware of the resources that communities can use if they are dissatisfied with the firm, such as the ability to block local resources or the capacity to affect the image of a company through partnerships with global Non-Governmental Organisations (NGOs) (Aaltonen et al., 2008).

One interpretation of the stakeholder theory is that any firm will have a number of explicit or implicit claims from its many stakeholders. Stakeholders with an ‘implicit contract’ will expect the firm to provide certain compensation for the ‘service’ (benefit or contribution) they believe they are providing to the firm (e.g., a ‘licence’ to use natural or community resources). If these expectations are not satisfied, these stakeholders may become litigious and ensure – by legal or other means – that the firm fulfils its duties, thus making the contract explicit. To avoid this, the firm will attempt to meet its implicit claims on a voluntary basis, usually by designing a CSR programme (Vazquez and Liston-Heyes, 2008). Thus, CSR can be interpreted as a set of actions and principles implemented to satisfy implicit contracts. Emphasising the importance of long-term success, the stakeholder theory suggests that firms cultivate relationships with their stakeholders and integrate these relationships within a comprehensive management strategy. This is ideally suited for the discussion of the relationships between community pressures and CSR responses of MNCs.

2.2. Varied and discrepant issues or interests

There are limited financial resources that are available to firms to meet stakeholders’ implicit claims. Implicit claims grow rapidly, particularly in developing countries, where CSR policies of MNCs tend to fill huge voids in welfare systems. As Hollender (2004, p. 115) explains, ‘a company’s responsibility often seems to grow even wider in concentric circles, bringing greater territory and increasing the tensions between what they are obliged to account for and what stakeholders feel it is fair to take aim at’.

Identifying relevant stakeholders and their claims is a necessary first step in the design of policies to meet stakeholder claims and also a first objective of this paper. It is not an easy task considering the flexible and dynamic definition of a stakeholder. The list of potential stakeholders has grown considerably in the past few decades (Banerjee, 2002) to the extent that Starik and Rands (1995) suggest that a non-human natural environment should be included as a stakeholder in its own right. Although without a clear consensus as to why, Zakhem (2008) identifies the following groups as main stakeholders: consumers, employees, managers, shareholders, board members, suppliers, buyers, industry chambers, ‘business clubs’, trade-unions, distributors, government officials, judges and courts, legislators, regulators, enforcement bodies, consultants, insurance companies, media, local communities, opinion-makers, the church, vulnerable groups (single parents, minorities and poor), NGOs and civil society.

Nakao et al. (2007) emphasise that it is challenging for companies to generate long-term social and economic benefits for all stakeholders. Not all stakeholders may derive benefit; moreover, some stakeholders, particularly vulnerable groups, are potentially negatively affected by corporate activities (Walley and Whitehead, 1994). The challenge is often compounded by conflicting interests between different stakeholder groups, which means that the satisfaction of one stakeholder group may take place at the expense of another’s wellbeing. While some (e.g. Sternberg, 1996) argue that balancing stakeholders’ interests is an unworkable objective, others (i.e. Clarkson, 1995) suggest that firms should delineate a rank or hierarchy of stakeholders. Greeno and Robinson (1992) argued that firms endorsing a social responsibility approach should prioritise their stakeholders based on the legitimacy of their claims, the risk afforded by stakeholders’ dues to the firm’s practices and the urgency of their claims, the idea being that the interests of the most affected stakeholders should be addressed first. Mitchell et al. (1997) proposed a ‘salience model’ which ranked stakeholders on the basis of power (the ability to affect the firms’ performance), urgency and legitimacy.

2.3. Stakeholder networks and roles

Rowley (1997) criticised efforts to compile extensive and universal lists of stakeholders and argue their salience on a one-to-one basis, both on the grounds of impracticability, but also because they do not represent how stakeholders and companies interact in real life. Although companies have a wide variety of stakeholders, these are generally organised in informal or formal networks sharing common influence strategies born of similar needs, resources or beliefs (Roloff, 2008). In turn, firms do not perceive and respond to stakeholder pressures one by one. Each firm in a given industry interacts with a particular configuration of ‘stakeholders’ networks’, where social, political and economic structures determine patterns of relationships (Froman, 1999). Previous research has shown that managers in Argentina perceive and respond to stakeholder pressures differently, depending on whether they belong to a network of institutional (government, regulatory bodies, judges and courts, enforcement agencies and local authorities), industrial (employees, managers, industry bodies, suppliers and buyers) or social (NGOs, church, media, universities, trade-unions and communities) stakeholders (Vazquez Brust et al., 2010).

Understanding how these networks are constructed is the first step in the alignment of CSR programmes with stakeholder expectations. If a company is committed to improving the quality of life of communities in a sustainable way, it needs to utilise a stakeholder management model that employs a holistic perspective for responding to stakeholder networks and influence strategies. The second aim of this paper is to analyse the differences in perceptions and expectations placed on CSR by three main stakeholder networks (industry, institutional and social) in order to identify trends and tools to guide private and government regulation.

2.4. Stakeholder engagement

Post et al. (2002) make a crucial distinction between what they call ‘the management of stakeholders’ and ‘stakeholder management’ in firms’ strategies for stakeholder engagement. The management of stakeholders is primarily a morally neutral practise (Greenwood, 2007) that assumes that relationships with stakeholders must be arranged in ways that support specific interests of the company, and puts forward a more ‘manipulative’ strategy aimed at convincing or ‘guiding’ stakeholders to align themselves with the company (Polonsky, 1995). This is a perspectively closely associated with ‘amoral or strategic’ CSR (Carroll, 1991). On the other hand, stakeholder management is based on a change in management philosophy that involves the inclusion of stakeholder interests in the firms’ processes of strategy-making and execution (Post et al., 2002). Aiming simultaneously at current business success and the long term survival of the company, this approach has a moral motivation, based on the rightful consideration and integration of stakeholder interests into
business decision making (Sirgy, 2002). Stakeholder management uses a similar philosophical perspective to ‘moral CSR’ and provides a solution to the issue of conflicting stakeholder interests (or CSR domains). When the interests of various stakeholder groups differ, the key to settling those discrepancies lies in identifying which social and environmental approaches allow a better use of a company’s resources and have a better set of impacts on the interests of the different stakeholder groups (Pater and Van Lierop, 2006).

The theoretical approach in this paper, therefore, postulates the use of the stakeholder management perspective as a general basis for understanding the roles stakeholders and companies must play in order to combine traditional management goals with sustainable strategies for the reduction of poverty and environmental deterioration. We also hypothesise that in Argentina, companies may not yet fully endorse a stakeholder management perspective of ‘moral CSR’. Even those companies who have ‘moral CSR’ orientation may be distrust by other stakeholders because of ingrained beliefs—framing CSR as ‘green washing’, manipulative and strategic.

3. Mining in Argentina

Argentina possesses rich reserves of mineral resources such as gold, copper, lead, zinc, nickel, cobalt, silver, tin and other minerals. However, large areas of the country are not well explored. Most mineral deposits are located along the Andes mountain range, which extends over 4500 km into Chile and Bolivia. At present, the country’s mining sector is relatively small. Remote locations of mineral deposits are often difficult to exploit due to high costs of exploitation and transportation.

The Mining Code was originally sanctioned in 1886 and, until the 1990s, was mainly oriented to small- and medium-scale metal mining, financed by the state and private national capital. Despite the fact that the Mining Code is national, the concession of the resource is given by each provincial government. Since the 1970s, investment in this scale of mining has progressively decreased and, along with other variables, has fuelled migration from mining areas to other parts of the country, a decrease in skilled mining labour, and decline in mining’s contribution to Gross Domestic Product (GDP).

Since the 1990s, a series of laws, decrees and resolutions have been passed in an attempt to modify the Mining Code. This new legislation has attracted investment to prospect and exploit world-class deposits. These have mainly been developed at a large scale with the use of complex technology. Multinational companies have been able to gather investment to exploit large deposits, mainly copper and gold-aggregated ores. The north-western, eastern and southern territories of Argentina are the country’s most favourable metal prospecting areas.

In the 1990s, Argentina’s Mining Code was amended. The new legal framework included six laws, as well as complementary resolutions in the areas of: environmental protection, mine modernisation, value added tax funding, federal mining agreement, mining reorganisation and mining investments. Among other aspects, the legislation reduced entry barriers by providing incentives such as: (a) import duty benefit for importing mining equipment; (b) 30-years tax stability; (c) income tax benefits for companies dedicated to the mining industry, including a royalty payment of 3% at the start of operation; and (d) guarantee of a stable and transparent legal environment (Código de Minería de

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5 High tonnage mineral deposits are generally exploited via open pit.
and silver project has not yet reached an operational phase due to public protesting and a referendum (2002) that led to prohibition of its further development. Located on opposing poles of the spectrum, these cases informed our study about the polarised attitudes towards foreign direct investment in the large-scale mining.

El Desquite and Bajo de la Alumbrera are the first two cases of mining sector developments with foreign direct investment in Argentina; yet, they have developed differently in terms of production. Analysis of other projects that attracted considerable public attention is not included in this paper. Indeed, at the start of this research, other projects were under way at prospecting and exploration stages in different provinces, including San Juan (the Veladero and Pascua Lama projects) and La Rioja (Famatina). In particular, Pascua Lama, which was created as a result of a bilateral agreement between Chile and Argentina, was being held in abeyance, since the environmental impact report had not yet been approved. However, it was only during 2009–2011 that a significant debate concerning the project emerged due to a widespread concern for glaciers in the area and the way that mining could affect natural resources. Likewise, despite the fact that Famatina had aroused public opposition (though less than in the case of Pascua Lama), it only surfaced after the research in the two selected case study locations commenced.

5. Major stakeholders in the Argentine mining sector

The key stakeholders in the Argentine mining sector that are actively engaged in the debate over large-scale mining are as follows: the national government; provincial government;
municipal authorities; mining companies (that operate at the stages of prospecting, exploration and mineral exploitation); local communities; NGOs; grassroots groups; trade unions; universities and the catholic church. The following section provides a brief description of each group and the relationships to other stakeholders.

5.1. National government

Under this category, we refer to authorities whose actions are to protect and comply with the constitution and codes of the Republic of Argentina. Specific to the mining sector, the national government oversees compliance with the Mining Code, which was reformed in the 1990s. According to the Mining Code, the national government must define and coordinate the development of a mining policy within democratic and federal frameworks. Respondents from all stakeholder groups emphasised the need to improve enforcement capacity and the legitimacy of the national government. There is significant criticism of the Mining Code, specifically in relation to taxes, royalties and supplementary regulation. Numerous social stakeholders (churches, unions, NGOs and grassroots organisations) question the effectiveness of the national mining legislation, the integrity of authorities and their ability to provide expertise and unbiased advice to provincial and local authorities.

5.2. Provincial government

Being a federal country, Argentina consists of 24 states or provinces, each of which has its own constitution. The National Mining Code recognises the original right of the province over the mineral resources on its territory. Hence, the implementation of the National Mining Code is delegated by law to provincial governments. How the code is implemented, what conditions are imposed on mining companies and what payments and royalties are paid vary from province to province. These are determined by the provincial governments. The provincial governments also oversee the implementation of environmental regulation and control of mining operations within their territories.

5.3. Municipal authorities

These are local authorities in the locations where mining projects operate. Local authorities receive a share of the royalties collected by the provincial government, but have no voice in defining the amount of royalties to be paid. Municipal authorities have both executive and legislative capacity delegated by the provincial governments. In some provinces, municipal authorities enforce environmental regulation as well as other municipal level responsibilities according to the legislation of Argentina. However, most respondents rarely make a distinction between provincial governments and municipal authorities, as their roles are closely intertwined and are usually seen as a ‘state’ representation in the localities. Municipal authorities are often seen as direct participants in the conflicts with the mining sector, and some respondents argue that inefficiencies in distribution of royalties locally lead to dissatisfaction by local communities. The municipal authorities themselves posit that their welfare activities are in direct competition with CSR programmes of mining companies that provide direct benefit to local communities in areas of health, education and infrastructure. This reduces the role and undermines the power of municipal authorities, as the CSR activities of mining companies are considered to replace the state.

5.4. Local communities

The communities considered in this study reside around two mining projects: Esquel (in Chubut province—El Desquite mine) and Andalgala, Santa Maria y Belén (in Catamarca province—Bajo de la Alumbrera mine). There are notable socio-demographic and economic differences between the often middle class and well educated communities in Esquel with developed health, public administration and tourism sectors, and the many working class communities in Catamarca that rely on farming and who are in desperate need of improved local education, public services and infrastructure. Nevertheless, these communities do share certain similarities, namely their strong pro-environmental values and mobilisation capabilities. All communities living near the mines face similar challenges: they are not used to having large-scale mining operations in the vicinity and struggle to deal with them. In particular, communities are concerned with post-closure environmental impacts and corporate disregard for local concerns, while industry and institutional stakeholders often argue that local communities are misinformed about environmental, social and economic impacts of mining activities.

5.5. Civil society

This group includes not-for-profit civil society organisations, with or without legal status, NGOs, workers’ associations and trade unions, the church, grassroots movements and teachers. Industry and institutional stakeholders tend to recognise NGOs as legitimate actors in discussion about sustainability, CSR and the environmental and social impacts of mining operations; but, at the same time, they tend to exclude informal groups, grassroots movements and their members. Notable grassroots-level groups with an agenda to voice community concerns about mining operations are called Autoconvocados (or self-summoned neighbours). Indigenous communities assert their rights over the land and, although some oppose mining projects to preserve their traditional lifestyle, others welcome the economic development brought by mining. The catholic church is a very influential stakeholder in Argentina; although it does not have a unified position, individual dioceses develop positions to be neutral, ‘for’ or ‘against’ mining projects.

5.6. Mining companies

Only a limited number of projects reach the final stages of commercial exploitation due to provincial anti-mining laws and local community resistance to mining projects. Several projects with foreign direct investment are, however, in operation, including: Pirquitas and Aguilar (polymetallic), Sierre Grande (Fe) and Tincalayu (borax); and exploitation supported by national-state capitals, such as Farallón Negro (Au and polymetallic), Capillitas (rhodochrosite) and Manchuria (Au). But the ore deposits at Pascua Lama (Au), Agua Rica (Au, Mo and Cu), Pachón (Cu–Mo), Navidad (Ag, Pb, Zn and Cu) and Postasio Rio Colorado (K) have not been approved for production due to legal and social issues. Finally, the Casposo gold and silver project, which has Australian financing, is planning to start production in the near future. The mining companies examined in this study relate specifically to the El Desquite mine (Meridian Gold) and Bajo de la Alumbrera (Xstrata and Minera Alumbrera). Mining companies are in general praised by the national and provincial governments, while local authorities are more cautious in their assessments of mining companies’ CSR. Views from across the social network tend to be more critical and companies are often accused of irresponsible social and environmental behaviour. The opposition to mining operations is not pervasive; many do not oppose mining activities per se, but are rather against large-scale operations and MNCs...
operating with modest returns to local economies. Others, however, hold a very strong position against any mining activities in Argentina, forming a front of ‘No a la mina!’ (‘No to the mining!’).

6. Stakeholders’ perceptions of CSR in Argentina

The following section presents the results of our analysis about the perceptions of major stakeholder networks on the role of CSR of mining companies in Argentina. It is presented by grouping the stakeholders into networks: institutional, industry and social, following a typology developed by Vazquez Brust et al. (2010). This classification was tested during exploratory interviews; respondents also highlighted three main groups of actors in the mining sector.

Stakeholders in Argentina expressed various expectations of CSR of mining companies (see Yakovleva et al., 2010) such as: (1) protection of the natural environment and compliance with environmental regulation; (2) contribution to sustainable development and generation of alternatives to existing economic development; (3) contribution to local economic development via support of local suppliers and Small and Medium Size Enterprises (SMEs); (4) maintenance of high health and safety standards; (5) effective communication with the business community and transparency; (6) establishment of anti-corruption and bribery policies; (7) provision of opportunities for public participation in business operations; (8) development of local infrastructure, including schools, libraries and museums; (9) payment of taxes and royalties; and (10) provision of employment.

6.1. Mining industry network

For companies, CSR is a topic of great importance, as evidenced by the percentage of time dedicated to the discussion of these issues during the interviews. While emphasising the voluntary and social dimensions of CSR, companies agree that CSR is a key element for preservation of social licence and co-existence with local communities. The analysis of CSR activities of mining companies revealed a presence of three broad strategies: ethical CSR, distributional CSR and developmental CSR. They are outlined below.

Ethical CSR: this type of CSR strategy aims to maintain ethical approach to corporate operations, whereby companies consider the consequences of their operations on different stakeholders. Following the CSR conceptualization of Carroll (1991), companies have four broad types of responsibilities: economic, legal, ethical and philanthropic. Carroll notes that a company should simultaneously fulfil all four types of responsibilities, although the relative emphasis and magnitude given to these responsibilities differs. Ethical CSR can be seen as maintaining ‘Doing No Harm’ rather than ‘Doing Good’ (Lantos, 2001). Companies adopt policies and processes that aim to avoid disturbance and breach of ethical values and norms. In this case, companies concentrate on not harming the stakeholders on a range of issues: health and safety, employment policies and applying ethical norms in contracting. This type of CSR strategy suggests that companies conduct themselves in a fair, just and transparent manner. However, ethical CSR can be seen as ‘following ethical procedures’ such as adherence to ethical code of conduct, rather than actively fulfilling social responsibilities.

Distributional CSR: as CSR has the fourth type of responsibility: philanthropic responsibility (initially named by Carroll (1979) as discretionary). It can also be used for ‘Doing Good’. Distributional CSR implies that companies not only engage in activities that aim to respect the rights of others and minimise the negative consequences of corporate operations, but also actively engage in contributing to the common good. However, in the case of the mining sector, distributional CSR manifests itself as a short-term approach that aims to reduce income disparities between mining workers and local non-mining communities. The primary objective of distributional CSR is to ensure a visible flow of benefits from the mining project to surrounding community via investment in schools, health care and physical infrastructure. Training to local community members in order to help enhance their ‘employability’ also refers to this category of actions. Companies often brand this approach as ‘integration into the community’. Distributional CSR is about fulfilling the expectations of the communities to the level of maintaining a successful completion of the mining project. Companies believe that if communities do not have tangible benefits from mining projects in terms of employment or improved local services, a feeling of disappointment may lead to resistance to mining projects by those who do not benefit from the mining projects. This disappointment maybe linked to a burden of negative environmental and health risks associated with mining and lack of appropriate compensation. Negative balance of impacts and benefits of extractive projects may lead to community rejection. For instance, the church in Argentina is often very vocal about local implications of mining projects and act with the communities to oppose mining referring to this negative balance, as priests in Rio Negro emphasise: ‘Few of us use gold and we all see open-pit holes in the landscape’ (interview with the priests, Rio Negro, November 2008).

Developmental CSR: there are growing expectations that mining companies need to ensure lasting benefits for local communities and regional economic development, taking into account future generations. Developmental CSR is a type of strategy when mining companies decide to engage in activities that would contribute to the sustainability of their philanthropic efforts. It is called developmental because it concerns issues such as regional economy, business development and generation of economic alternatives and opportunities for people that would last beyond the lifespan of a mining project. This type of approach often includes activities that are designed to promote diversification of local economies—support of non-mining related sectors such as agriculture and food, skills development and support of local business initiatives. This approach will be ideally enforced by partnerships between companies, government authorities and other parties and organisations such as NGOs and cooperatives. These partnerships are often designed to invest the revenues from mining projects into long-term welfare, employment and business programmes. For example, developmental CSR may include support of alternative models with local businesses and cooperatives and micro-management initiatives.

There are differences in the CSR approaches of companies that started activities in Argentina during the last decade with foreign direct investment (i.e. Xstrata and Barrick) and older firms with prevalence of domestic capital (i.e. YMD, FOMICRUZ and SOMICA). The first group practices ethical and distributional CSR in areas affected by mining operations, an approach that confirms the strategic value of CSR activities. Here, CSR is first a utility (allows the company to complete the project on time), then a ‘relation’ because it improves the links between employees and communities, despite sometimes creating friction with local authorities, who see CSR as an attempt to compete for public support. Often, these companies adapt practices and codes developed by head offices to local conditions; although MNCs have an input from local managers working with communities, their approach is mainly top-down. Here, distributional CSR serves to reduce community resistance, the resistance to change in communities with no ‘mining history’.

Local mining companies usually operate in areas with some ‘mining history’; their business models are not based on short-term large-scale mining, but rather on a portfolio of smaller scale
holdings in adjacent areas to maintain continuous mining activity. Local communities around the mines have a history of being involved in the mining sector or form a network around it. These communities know that mining as an economic activity that can improve local quality of life during the exploitation period, but fear and anticipate post-closure effects in terms of environmental waste and economic marginalisation. For local mining companies, developmental CSR is neither voluntary nor strategic; it is primarily about relations with their stakeholders as one company explained:

‘Fundamentally, one does not use conscience, one uses reason to develop an activity in an environment where other people live that could be affected, people who have needs and who could benefit from mining activities. So we think that the best way to develop a good relationship is through language and understanding, and finding out if there are any other needs that we can help out with to satisfy the people… It can be good for all of us. We can work more rationally, they can improve their quality of life and we can coexist in a setting of reasonable equilibrium. One... has certain influence and must maintain a specific relationship with people, and, as a common concept, look after the good of everyone, us and the others’ (interview with a local mining company, Buenos Aires, March 2008).

Consequently, the presence in the community is more important than the contribution itself and working for community benefit becomes part of doing business. This was captured in the interview with a local mining company in Buenos Aires:

‘The reality is that when one makes contact, in our case in the area of influence where we are working, where people are participating continuously, there will be another type of relationship. Still there will be doubts, there are problems, but they are seeing people, you can touch and feel them, you can see their need. Businesses have responsibilities. We have a conviction that we have a responsibility to conduct ourselves properly with the people with whom we have a permanent connection to’ (interview with a local mining company, Buenos Aires, March 2008).

6.2 Institutional and social networks

There is general uncertainty about the overall net benefit of the mining sector in the country under current conditions. Although it is accepted that mining is a profitable sector, there are strong fears about long-term environmental effects and impacts on human health. Civil society circles distrust that the government and industry can address and manage these environmental, social and economic issues effectively. However, in contrast with the industry stakeholder network, interviewees from institutional and social stakeholder networks gave less salience to CSR. The issue is less frequently mentioned and some interviewees failed to comment on corporate responsibilities. The perceptions of CSR range from mildly mentioned to strongly negative. Many groups questioned the ethical behaviour of mining companies and are sceptical about the possibility of finding a sensible combination between ethics and economic activities of a firm. The respondents highlight contradictions between the social objectives of CSR and business objectives, questioning whether companies can effectively incorporate moral and ethical considerations in their business operations as priests from Rio Negro explained: ‘Corporate social responsibility… is a contradiction of terms. Can you be a good Christian and a businessman?’ (interview with priests, Rio Negro, November 2008).

Members of the national government and local authorities are sceptical about the contribution of CSR to local socio-economic development. State authorities view that distributive CSR is a tactic aimed at reducing the role of the state as an arbiter between communities and business sector; they stress that CSR should be primarily about respecting the law and supporting local industry through value chain. Generally, institutional stakeholders perceive that the major responsibilities of mining companies are to obey the law, pay taxes and that it is the duty of the government to improve community welfare. Authorities are not against social contributions from mining companies in principle, but do not see it as being their primary responsibility. Authorities do support voluntary actions for internal controls on environmental pollution in mining companies. However, the general view held by the authorities is that mining MNCs follow stricter environmental standards (such as international environmental certification) and have better environmental performance as compared with domestic companies. There is a belief that international environmental standards are more stringent than national legislation and force businesses to be more proactive in the area of environmental management than domestic companies.

Contrary to institutional stakeholder network, the social stakeholder network considers environment as a primary responsibility of the mining companies. According to civil society groups, mining companies should demonstrate that their actions do not compromise the welfare of local communities. Although CSR may have a role in maintaining environmental and social standards of operations, under the present conditions of ineffective government control of both environmental and tax issues, there is a view that CSR is not a solution to the conflict situation around the mining sector. Importantly, CSR is often seen in terms of corporate social performance. When communities are asked about the CSR of mining companies, their answers refer to outcomes of CSR activities and an assessment of corporate social operations. Corporate activities are assessed by stakeholders on the basis of their appropriateness, usefulness, effectiveness and long-term effect. Social stakeholder network is a most active observer of corporate social performance of the mining companies in Argentina. Corporate social performance suggests not only the assessment of effectiveness of CSR (outputs and their effect), but also an evaluation of the efficiency of CSR processes and assessment of company as an ethical actor. Civil society groups often criticise mining companies’ activities in the area of CSR for the lack of alignment between intent, action and outcome. These are discussed below under motivation, implementation and performance.

Motivation: respondents from the social network are highly doubtful that business principles are compatible with ethical principles, as one member of a grassroots group in Buenos Aires noted: ‘Ethics with economic power?… I do not believe it.’ (interview with a member of grassroots movement, Buenos Aires, May 2008). In Argentina, there is a widespread public perception that CSR is a green-wash, and companies use CSR as rhetoric to promote corporate image without delivering long-term benefits for the communities. It is seen as a manipulative tool to achieve corporate goals—companies by investing in community development are ‘buying’ the public support. In Argentina, the motivations behind companies’ engagement with communities are publicly debated and companies are criticised for employing manipulative tactics to gain local community support. This view was captured during a grassroots movement meeting in Buenos Aires:

‘In Jujuy, mining companies have studied local cultures and use this knowledge. Mining companies know that when the indigenous communities receive a gift they feel in debt and they ought to reciprocate. So many companies made their way into communities by giving gifts to local people who then feel in debt with the company and refrain to demonstrate against them’; (notes from a grassroots movement meeting, Buenos Aires, November 2008).

Implementation: there are criticisms about the methods used in corporate community programmes, specifically concerning public
participation. Interviewees from the social stakeholder network were concerned about top-down approach to corporate community relations—communities are ‘studied’, projects are communicated and the agenda for dialogue is imposed by companies without appropriate public participation. Communities feel excluded from the discussions about important environmental and health risks; they suggest that companies need to improve access to information, public participation and ensure openness in discussing areas of corporate-community disagreements. A lack of local participation is seen to be behind ineffective corporate community programmes that are not sufficiently adapted to local conditions and are developed outside of the local context.

Performance: civil society groups often consider that the CSR activities of mining companies do not generate profound changes in communities and call them ‘colourful mirrors’, emphasising a tokenistic attitude of the companies towards their responsibilities. Corporate conduct is often assessed in terms of environmental impact (‘there are still spills’ and ‘there are still accidents’) and the corporate investment programmes of mining companies are contrasted with environmental impacts and seen to be inadequate in light of environmental degradation. Companies are not seen as being socially responsible if they are not fulfilling their environmental responsibilities entirely. Concerning the effect of CSR activities on the welfare, the public is constantly monitoring the welfare changes around mining projects. There are observations that mining communities have not seen a considerable welfare change and high expectations generated during exploration and construction stages were not met. In the case of the Argentine mining sector, there are four major areas that are of great concern to civil society groups. The role of mining companies in the context sustainability is often discussed in terms of:

1. **Job creation**: differences in large numbers of the labour force employed during the stage of mine construction and lower numbers employed during the stage of mineral exploitation creates a perception of broken promises. It is often seen that a mining project has not met the expectations of substantial job creation that were communicated at the beginning of the project.

2. **Royalties and payments**: there is a delay in distribution of royalties to the communities. Communities demand assurance that companies pay duly to the government and that these resources are distributed through a state welfare system. There is also a criticism that the level of tax payments are low in comparison to the environmental damage companies cause, and resources that would be required to remediate these impacts and develop alternative economic activities after mine closure.

3. **Responsiveness**: mining companies are sometimes seen to be slow in responding to community needs and this is translated through a lack of tangible benefits for the communities. There are many expectations on the part of local communities, including issues of conduct, participation, communication, dialogue and information.

4. **Water shortages**: the anti-mining movement in Argentina highlights the public concern over the use of natural resources by mining companies, specifically the use of water resources in the Andes region that is often scarce. There is a concern that mining operations deplete local water resources available for current and future operations of other economic sectors such as agriculture.

5. **Pollution**: mining causes environmental spills and pollution. Specifically, the Alumbrera mine has been associated with a wide range of environmental accidents (including spills from mineral pipeline between Catamarca and Tucumán provinces).

Our analysis indicates that these major stakeholder concerns are often not addressed in the CSR programmes of the mining companies. The feeling is that CSR ‘does not deliver’. As a consequence, actions in the area of CSR are generally treated with some scepticism by civil society groups and mostly seen as ‘cosmetic’, aiming to improve the image and ‘sell’ the benefit of mining sector to the communities. Moreover, the CSR of mining companies is considered to be reactive rather than proactive, and an attempt to pacify social resistance to mining projects as observed by a local community member: ‘Some companies have noticed recent local resistance and now they collaborate with a school and the hospital. It is about getting closer to the people. I do not know to what extent it works or if people are satisfied. I continue to notice that protests continue and people carry on complaining’ (notes from the interview with a member of the grassroots movement, October 2008).

7. **Discussion and Conclusions**

The paper has developed a conceptual framework based on the principles of stakeholder theory to examine two case studies of conflict in the mining sector of Argentina. The stakeholder-oriented analysis reveals that a confrontation of social forces against the mining projects is linked to many public concerns. Some join the camp ‘No a la mina!’ (‘No to the mining!’), after realizing that mining brings broken promises about local employment, economic development and improved quality of life and further noticing decline in the overall welfare of host communities caused by the arrival of mining MNCs. Others have a more fundamental opposition to foreign direct investment in the country under the conditions of a soft tax and royalties’ regime with a weak control over environmental issues, in effect, leading to a long-term negative impact for the national economy. The stakeholder opposition to foreign direct investment in the mining sector can be linked to two major points. The first is about the extent of environmental impact and the second is about large-scale exports of unprocessed minerals without further contribution to domestic value creation. Several themes can be found in the opposition movement—opposition to liberalisation of investment regime, concern for environmental issues, concern for effect on domestic industries such as tourism and agriculture, exclusion from decision-making over natural resource use and environmental impacts of major projects. In 1993, the liberalisation of the investment regime to attract foreign direct investment was seen as beneficial for the country’s economic development; that perception has now changed. The mining sector is at the heart of the debate on how to maximise the benefits from projects with foreign direct investment with a state intervention.

The rise of conflict and ambiguity levels in the mining sector of Argentina points towards an absence of a national consensus on how to manage mining as a sector. But this research suggests that changes are required to review the entire institutional framework in order to maximise benefits from the sector for the long-term welfare and social cohesion of the nation if the government decides to develop the mining sector. Although CSR does play a role in the relationship between mining companies and stakeholders, there is a need to strengthen national regulation and enforcement in order to exclude the purely discretionary character of corporate operations in addressing important social, environmental and economic issues that are so critical to communities.

Mining companies in Argentina have not always been responsive and forthcoming in their CSR practices. A substantial effort is expected to improve corporate relationships with local communities and civil society groups. All respondents indicated that inadequate communication (access to information, its completeness, relevance and accuracy) is the major obstacle to effective stakeholder engagement. For the informed discussion on the extent of environmental, social and economic impacts of mining
companies, there is a need for cooperation in the area of research and development on sustainability indicators that could be shared with wider stakeholders.

Following the criticisms from the social stakeholder network, there is a merit for mining companies in Argentina to reassess their CSR strategies and address stakeholder concerns in the areas of motivation, implementation and performance. Overall, CSR is perceived as primarily a morally neutral practice (Greenwood, 2007). However, the relationship with stakeholders is arranged in a way that supports the specific interests of a company, and puts forward a more 'manipulative' strategy aimed at convincing or 'guiding' stakeholders to align themselves with the company (Polonsky, 1995). Regarding motivation, the study reveals that at best, CSR is perceived as a lip service to social pressures with a mere PR exercise; at worst, CSR is seen as manipulative tool used by companies to undermine political institutions supporting democracy. It is argued that companies use CSR to convince stakeholders that voluntary actions are better than compliance with regulation standards while making a case for 'self-regulation'.

In terms of implementation, CSR is perceived as patronising and paternalistic, when companies undermine knowledge and skills of local communities to identify their own needs and priorities. This leads to a lack of adaptation to local conditions, as companies appear to enforce their own vision of community good'. Mining companies are perceived as inflexible to engage with stakeholders, and incorporate community views in design of community development solutions. In terms of performance, the general view is that CSR does not have a substantial impact on poverty reduction or environmental management, and therefore, CSR outcomes have a negligible contribution to a society's welfare. The perception of undermining social performance of mining companies also relates to high expectations formed around MNCs, many of which have been exaggerated to win public support during the stages of exploration, prospecting and mine development.

There is a clear difference between the CSR that stakeholders expect and the one that stakeholders think companies implement. Actions need to incorporate a proactive attitude towards environmental issues, both in finding socially acceptable technologies and in incorporating stakeholders in environmental management. The social dimension of CSR, although questioned by local authorities as an attempt to replace the local authority to gain public support during the stages of exploration, prospecting and mine development.

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D. Mutti et al. / Resources Policy 37 (2012) 212–222
221


