



Corporate social responsibility (CSR) and public engagement for a Chinese state-backed mining project in Myanmar – Challenges and prospects

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ABSTRACT

Engagement with the public and stakeholders is an indispensable way to reduce negative effects associated with extractive projects, and is a key dimension in corporate social responsibility (CSR). In response to social protests against extractive projects in Myanmar resulting in project suspensions, Chinese state-backed companies have paid increased attention to CSR and public engagement. This paper will examine one of such cases – the Letpadaung copper mining project invested by Myanmar Wanbao, a subsidiary of a Chinese state-owned enterprise (SOE). Based on semi-structured interviews with villagers at Letpadaung, it will evaluate the extent and nature of public participation, as well as the challenges of implementing CSR in Myanmar's political context.

This paper finds that Myanmar Wanbao actively and visibly tries to salvage its corporate image by establishing a number of public engagement channels and investing in community development projects. While yielding initial results with some villagers expressing support for the project, there is much room for improvement. The company needs to strengthen its engagement with common villagers, not only local elites, and ensure alignment between CSR efforts and villagers' immediate needs. Influenced by Chinese elite-centred governance principle, ideology of mass participation, and prevailing risk management mindset, public participation is found to be tokenistic, which does not concede power to the public to contribute to the decision-making of the project. It also explores how CSR and public engagement initiatives of foreign companies are restricted by the local power and governance structures in the host country.

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1. Introduction

Extractive projects are particularly prone to inducing negative effects: they could further entrench existing power asymmetries within the country, exacerbate conflicts, or impoverish certain populations. Engagement with the public and stakeholders, especially non-state actors, is an indispensable way to minimize these negative effects, and is a key element in corporate social responsibility (CSR) programs. However, as with other Chinese investments at home and

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¹ The term 'state-backed' is used as these projects are joint-ventures majority owned by Chinese state-owned enterprises (SOEs), namely China Power Investment Corporation (CPI) with 80 percent stake of the Myitsone Dam, and China National Petroleum Corp (CNPC) with 50.9 percent stake in the Sino-Myanmar oil and gas pipelines. In the case of Letpadaung copper mine, the investor is Wanbao Mining, a wholly-owned subsidiary of Norinco, a Chinese SOE. Their partners are Myanmar government ministry (in the case of Myitsone Dam), Myanmar conglomerates/state-owned companies, or multinationals headquartered in other countries (in the case of Sino-Myanmar gas pipeline).

overseas, the predominant approach to these projects is state-centric and top-down, whereby transactions are made amongst government officials and business elites, bypassing domestic accountability structures (Alden and Hughes, 2009; Mohan, 2015; Tan-Mullins et al., 2010). This is changing in Myanmar though, as local resistance against major Chinese state-backed¹ investments resulted in project suspensions, heavy financial losses and reputational damage. Chinese companies could no longer afford to dismiss public demands. This paper examines how a Chinese state-backed mining company, Myanmar Wanbao Mining Copper Limited, implements its CSR program, paying particular attention to the community engagement aspect. This case is chosen among some other prominent Chinese extractive projects in Myanmar because the company involved – Myanmar Wanbao, has shown significant revision in its approach to CSR and community development.

Community engagement is an important dimension of CSR (Gilberthorpe and Banks, 2012; Mutti et al., 2012) and is essential for companies to obtain the social license to operate (SLO) in the mining sector (Owen and Kemp, 2013). It should not be regarded

as a superficial PR or window dressing tool, but should provide communities with opportunities for active participation and empowerment (Prno and Slocumbe, 2012: 349). The increasing call for SLO has “helped enable the voices of mining affected communities to become much more influential in mineral development decision making and political processes” (Prno and Slocumbe, 2012: 349). This paper seeks to examine how deeply and effectively communities at the Letpadaung copper mine site are involved in the decision-making of the CSR activities, by employing Arnstein (1969) ladder of participation as a benchmark.

In October 2014, the China Chamber of Commerce for Minerals, Metals and Chemicals Importers and Exporters introduced the ‘Guidelines for Social Responsibility in Outbound Mining Investments’. Its comprehensive scope covers human rights, labor issues, environment, and community engagement, amongst other key aspects. It is an important step driven by Chinese companies’ desire to learn better practices (Davis, 2014), and is perhaps a response towards various levels of protests against Chinese investments across developing countries, including Myanmar. However, actual implementation of these non-legally binding guidelines is often questionable. Little research has been conducted on how Chinese companies conduct CSR overseas, their level of success, and the underlying difficulties. Addressing this gap, this paper examines the Chinese state-backed Letpadaung copper mining project in Myanmar. It focuses on a particular aspect of CSR – community engagement, and explores the difficulties on the ground in effectively engaging with villagers affected by the mine.

The contribution of this paper is four-fold. Firstly, systemic studies of public participation in the extractive industries have mainly focused on the legal perspective, which examine how responsive nations are in terms of allowing it to be part of the legal structure (Zillman et al., 2002). This paper contributes to the literature by evaluating how public participation is manifested in a particular copper mining project. Secondly, it provides an in-depth study of how a Chinese state-backed company engages with the local mine communities in its overseas investment, which has been little studied due to the long-standing practice of inter-elite brokerage in China’s foreign investment practices. Thirdly, it provides insights into the manifestation of CSR, a western construct (Hilson, 2012: 132), for a Chinese state-backed project in another developing country. It is now common knowledge that Chinese companies built schools and gave scholarships (Brautigam, 2009; Pegg, 2012), but they “have no concept of the human rights core of the issue” (Brautigam, 2009: 304). Given this departure from the western notion of CSR, it is important to research the dynamics on the ground with local authorities and communities, as well as whether there are actual benefits for communities. Fourthly, this paper highlights the challenges of implementing CSR in an authoritarian context such as Myanmar. While some scholars have argued that greater emphasis should be placed on local socio-political contexts (Gilberthorpe and Banks, 2012), and investigated the dynamics between CSR and local elites and politics in authoritarian states (Welker, 2009; Zalik, 2004), this paper contributes by looking into how local politics may hinder CSR implementation in an authoritarian setting.

This research finds that Myanmar Wanbao actively and visibly tries to salvage its corporate image by establishing a number of public engagement channels and investing in community development projects. However, while yielding initial results with some villagers expressing support for the project, there is much room for improvement. The empirical data and analysis presented in this paper will identify these gaps and explore how public participation is manifested in a Chinese state-backed project operating in an authoritarian environment. It will highlight how public

engagement and CSR initiatives of Chinese companies, or any foreign investors, are restricted by the local power and governance structures of the host country.

2. Public participation and CSR

Following Beierle and Cayford (2002: 6) and Few et al. (2007: 47), I define public participation as mechanisms intentionally instituted to involve the lay public or their representatives in decision-making, rather than processes emerging from grassroots. For a project in the extractive industries, this typically involves public hearing, public consultation, the exercising of rights to information and to justice, decisional transfers, benefit-sharing, and so on (Zillman et al., 2002). This paper excludes some methods of participation that are less regulated (such as protests) in order to focus on organized bureaucratic processes, rather than individual actions or power politics. Distinguished from stakeholder engagement, which generally connotes a more pluralist notion of interest group involvement, public participation has an added dimension of power distribution. This is especially true in relation to whether the grassroots or mass public are empowered to participate meaningfully in the decision-making process.

In the most ideal form, public participation can be viewed as a mechanism for reconstituting decision-making structures, ‘empowering’ the public and marginalized group, in order to achieve a more equitable distribution of political power and change in existing decision and power structures (O’Faircheallaigh, 2010: 23). Arnstein (1969) calls this citizen power at the top of her ‘participation ladder’. At the middle and lower end of this ladder is tokenistic participation, which includes information dissemination, consultation, and placation. Tokenistic participation allows the public to know about the project and people may even have a voice, although “they lack the power to insure that their views will be heeded by the powerful” (Arnstein, 1969: 217); decision-making remains separate from the public (O’Faircheallaigh, 2010: 20). The extent of decision-making power delegation to stakeholders has been linked to the quality of stakeholder engagement (Manetti, 2011), and managing stakeholder groups is a key success factor for CSR (Sangle, 2010). Literature has further found that in order for CSR to help bring about a “fundamental change in distribution of benefits and costs from large-scale resource exploitation”, companies need to move away from consultations, given that consultations “start with a premise of asymmetric negotiating power” (Ali, 2008: 248–9), which is an indication of tokenistic participation. Rather, they need to engage in meaningful negotiation with local communities, which demands not only specific attention to local power relations such as social hierarchies (Ali, 2008: 248–9), but also the empowerment of communities to participate in development decision-making, given the structured power asymmetry between the mine company and local communities (Howitt et al., 2008).

There is a universal demand for public participation in the development of mining and energy resources (Zillman et al., 2002: 7). Advocates believe that genuine public participation can tackle issues of environmental justice by redressing the unequal distribution of environmental costs and benefits. When marginalized groups are included in the “social determination of environmental change” and “the people who make the decision are the same as those who pay for and live by the consequences of the decisions”, it is far more likely that environmental justice can be achieved (Anderson, 1996: 9). This is especially important for developing countries such as Myanmar, in which accountability structures are not always in place.

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