The evolution of Corporate Social Responsibility (CSR) discourse in mining:
Canadian mining companies in Latin America
(2003 to present)

A RESEARCH PROPOSAL

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I. PROPOSED RESEARCH TOPIC:

The proposed paper will examine the evolution of Corporate Social Responsibility (CSR) discourse of Canadian international mining companies in Latin America from 2005 to the present. Among the issues to be studied are the nature of the discourse and the external drivers that have shaped it. Special attention will be given to the relation between the CSR normative discourse of global entities, the Canadian state, the major national mining associations, and Canadian international mining companies. Trends along corporate sectoral lines, specifically between extractive/senior and exploration/junior companies, will be analyzed and compared to ascertain the effects of sectoral distinctive characteristics on CSR-related discourse and practices.

II. LITERATURE REVIEW:

Scholarly literature on Canadian mining in Latin America

During the past decade, there has been a growing academic interest on CSR in developing countries. CSR literature on this topic is characterized by a tendency either to generalize about all developing countries or to focus at a national, rather than regional level, and to focus more on the theoretical than the empirical level. Moreover, the region least covered is Latin America (Visser, 2008).

CSR Academic literature on CSR and mining is also expanding. Still, research on the subject is relatively scarce, focusing mostly on mining companies’ CSR practices and strategies in different countries and how they relate to local communities and stakeholders, the rational for CSR in mining, and sustainability issues (Vinto & Comajuncosa, 2010).

Several studies have been undertaken to explore the trends in the disclosure of CSR related information by mining companies. In their study of the world’s ten largest mining companies, Jenkins and Yakovleva (2005) found that even though there was evidence of increased sophistication on that regard, there was considerable variation in the maturity of their reporting content. A similar pattern has been found in the case of multinational companies operating in the Latin American region. In their groundbreaking work on Canadian mining in Latin America, Sagebien, Lindsay, Campbell, Cameron, & Smith (2008), studied the disclosure patterns of twelve mayor companies. The authors found that all of them disclosed their efforts in some way; that the vast majority reported them in their annual
reports and on their website, and, finally, that there was a wide disparity in terms of the information offered regarding their practices.

Mining in Latin America

Latin America possesses one of the world’s largest reserves of silver, gold, iron, copper, nickel, manganese and other valuable minerals. (Vale, 2005a, 2005b). Whereas traditional mining centers became less attractive for investors, resource availability, relatively lower risks, relaxed labor laws, bilateral trade agreements, tax breaks and other benefits enacted by regional governments in the 1990s, transformed Latin America into one of the world’s most important destinations for investment in mining (Sagebien et al., 2008). At the beginning of that decade, Latin America accounted for 12% of all worldwide mining project investments in the sector, while by the late 2000s the amount had risen to 31% (Ericsson & Lof, 2009).

Since 1994, Latin America has been the preferred location for mineral exploration (MEG, 2010; Conroy, 2009). In 2009, 26% of the global budget for exploration was invested in the region, compared to 19% in Canada, 15% in Africa and 14% in Australia. Five Latin American countries—Mexico, Peru, Chile Brazil and Argentina—accounted for 20% of the total allocations (MEG, 2010). Also, in 2007, Latin America accounted for 28% of the total value of all metals produced at the mining stage (Ericsson & Lof, 2009).

Spurred by trade and investment liberalization policies, foreign direct investment (FDI) in Latin America increased substantially during the 1990s and 2000s. By 2007, FDI inflows in the region had risen to a historic high (US$126 billion). In this process, South America’s extractive industries were the main beneficiaries (UNCTD 2008). In 2009, projected greenfield primary-sector investments, which amounted US$11.2 billion, were concentrated basically in extractive operations mostly in mining. As in other parts of the world, the 2009 global economic crisis eroded FDI flows to the region. Still, Latin America’s mining sector fared better than its counterparts in other regions of the world. Recent developments, including a revamped demand from the BRIC countries (Brazil, Russia, India and China) along with long-term trends seem to indicate a rapid recovery for 2010 (United Nations, ECLAC, 2010; Santacruz, 2010; Conroy, 2009).

Even though Latin America remains the most attractive location for exploration and investment, the region is perceived from a political viewpoint as one of the riskiest ones for conducting mining operations. In 2008, the Canadian-based Fraser Institute, which conducts annual surveys of metal and mining exploration companies, ranked Latin America as the second riskiest region, giving five of the ten bottom scores to regional governments. (Fraser Institute, 2009). The extent of this situation is reflected in the fact that transnational corporations are increasingly using international arbitration tribunals to resolve disputes over natural resource rights. In 2010, Latin American governments, which comprise less than 10 percent of the members of the World Bank’s International Center for Settlement in Investment Disputes (ICSID), are the targets of 21 out of 32 (66%) of all lawsuits related to extractive activities. A third of the lawsuits are mining related (Anderson, Perez-Rocha, & Dreyfuss, 2010).
Canadian Mining in Latin America

Canada is one of the global mining powers. A leading exporter of mineral and metals in the world, it has traditionally been a net investor abroad. Since 1997, the stock of outward Foreign Direct Investment (FDI) has exceeded the stock of inward FDI (Holden, 2008; Peeling 2010). The fastest growth of outward FDI has been in the energy and mining sector (Holden, 2008). Mining is indeed, the second industrial sector, after financial services, in term of outward FDI. It accounts for 12% of the total outward FDI (MAC, 2008; Sagebien et al., 2008).

Canada has become a major financial center for the mining industry. In June 2010, there were 338 mining companies listed on the Toronto Stock Exchange (TSX) and 1,133 in the TSX Venture Exchange (TXS, 2010). Almost half of these companies’ ventures are located outside of Canada. It is also estimated that about 60% of the world exploration companies are Canadian (Peeling, 2010; Sagebien et al., 2008). Moreover, over half of the larger mining companies (companies planning to spend more than US$3 million) are based in the country (Natural Resource Canada, 2008).

Latin America has emerged as a major destination for Canadian FDI. At present, Canada is the third largest investor in the region (7%), behind the United States (37%) and Spain (9%) (United Nations, ECLAC, 2009; Estrada, 2010). Also, it is by far the most important destination for Canadian investment in mining, surpassing Africa by a wide margin. Between 2002 and 2008, Canadian mining assets in the Latin American and Caribbean region grew from $8 to $57 billion (Peeling, 2010). Also, in 2008, Canadian companies held 49% of the larger-company mineral exploration market in Latin America (Natural Resource Canada, 2008). Although Canada’s share of this market fell to 32% in 2009 as a result of the global economic crisis, it is still the largest, by far, of all international competitors (Natural Resource Canada, 2008).

Due to the importance of mining for the Canadian economy, the federal government has played a key role in the promotion of mining in the international area. The wealth in mineral resources, along with geographical proximity, led the Canadian government to pay special attention to the Latin American region. During the 1990s, it played a central role in the efforts of international agencies—the International Monetary Fund (IMF) and the World Bank (WB)—to promote the liberalization of trade and investor rights in the region (Clark, 2003; Sagebien et al., 2008). Since 2007, international mining has become a key component in the Canadian government’s strategic policies to enhance the nation’s competitiveness in the global arena, specifically in emerging markets. The promotion of Corporate Social Responsibly (CSR) as a core element in Canadian international mining, specifically in the Latin American region, is an integral part of this strategy (MAC, 2008).

Mining

In broad terms, mining refers to the extraction of valuable minerals or other geological materials from the earth. There are three main types of mines: metal, non metal and energy related (coal). Mining involves four main phases: exploration, mining and milling, smelting and refining, and mine closure (Castrilli, 1999). Unlike the first three phases, the mine
closure is a relatively new phenomenon, resulting from societal pressures and government regulations.

The mining industry is comprised of two sectors: exploration and extraction. Whereas exploration activities are usually undertaken by small companies dependent on venture capital, extractive activities are for the most part in the hands of large and multi-national companies. From a corporate perspective, mining companies are defined by the way in which they obtain their revenues. A senior company generates its revenues from the production and sale of the mined commodity. A junior company, on the other hand, is not involved in extractive activities and, as already noted, raises it funding by issuing treasury shares (Natural Resource Canada, 2010).

Unlike extraction, exploration is a highly speculative activity. Although potentially a highly rewarding activity, it is also highly expensive. Many juniors are undercapitalized. In general, most of them have limited success. The failure rate in the sector is high. Also, unlike senior companies, juniors do not stay long in the locations they operate. These characteristics impact the way they relate to sustainability and CSR issues (Hohn, 2009; Brereton, 2002; Thomson & Joyce, 2000).

As an extractive activity, mining is part of the non-renewable natural resource sector. Thus, by its own nature, it usually has an irreversible physical impact on topography and a potentially negative impact on the environment, including the disruption and destruction of ecosystems due to the use of toxic substances in the extraction process, water contamination, and noise and air pollution (Ali & O’Faircheallaigh, 2007; Castrilli 1999). All these issues could also have a deleterious effect on human health, and could lead to disruption of communal lifestyles, traditional production methods, cultural norms and values, and the displacement of communities (Sagebien et al., 2008; Clark, 2003). Downsizing policies caused by the cyclical nature of metal markets as well as the mine closure phase could also result in social disruption (Ali & O’Faircheallaigh, 2007).

Until recent times, mining companies carried out their activities with little or no concern to environmental or societal issues (Jenkins, 2004; McKinley, 2008; Víntoró & Comajuncosa, 2010). In Canada, for example, the pre-1990s mining legacy included abandoned mines and toxic sites, acid mine leakage, air pollution and greenhouse gas emissions, disruption of habitats of endangered species, ecological damage in remote and sensitive areas, garbage littering, radioactive contamination, sedimentation and brown rivers, mine tailings, changes in topography and water patterns, water pollution, and disruption and destruction of wildlife populations (McKinley, 2008). According to the author, the emergence of the corporate social responsibility movement has positively changed the situation and as the movement “continues to evolve and expand, it will have a substantial impact on improving the environmental and social performance of corporations” (194). As a final note, he proposes that “the most significant and interesting prospect for future research would involve an analysis on how CSR performance of multi-national mining companies differs in the developing and the developed world” (195).
Corporate Social Responsibility

Since its emergence as a theoretical entity in the 1950s, CSR has been an elusive concept. (Crane, McWilliams, Matten, Moon, & Siegel, 2009). Even though there is no consensus on a single definition, it can be argued that it "represents an organization's dedication to economic, legal and ethical responsibilities" (Ziek, 2009). Accordingly, the Canadian government defines it as an “an evolving concept that is generally understood to be the way firms integrate social, environmental and economic concerns in their values, culture, decision making strategy, and operations in a transparent and accountable manner, thereby establishing better practices within the firm, creating wealth and improving society” (Industry Canada, 2009). More recently, the World Bank’s International Finance Corporation (IFC) has interpreted it as "the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development (World Bank’s International Finance Corporation, 2010).

Scholars agree that CSR came to global prominence in the 1990s (Crane et al., 2008; Scherer & Palazzo 2008). CRS' phenomenal growth is related to the globalization phenomenon and the emergence of transnational risks, and to new political actors and institutions in the global arena, including international organizations, transnational corporations, non-governmental organizations and civil society groups (Scherer & Palazzo, 2008).

The emergence of a global CSR discourse can be traced to the early 1990's. A watershed was the first United Nations' Conference on Environment and Development, where participant nations committed themselves to a "comprehensive action programme to attain sustainable development and address both environmental and developmental issues in an integrated manner at global, national and local levels" (United Nations, Economic and Social Development, 2009). That very same year, a global network of multinational corporations called Business for Social Responsibility was created for the purpose of enabling members to use social responsibility as a competitive advantage (Carroll, 2008).

By the late 1990s, global CSR has come of age. In 1998, the World Bank’s FIC adopted its Environmental and Social Safeguard Policies and its Disclosure Policy. Two years later, the United Nations launched the Global Compact: a voluntary collaborative initiative in which participating private corporations adhere themselves to ten universally accepted principles in the areas of human rights, labor standards, environment and anticorruption. Participating corporations were required to provide to all stakeholders an annual progress report on their initiatives for implementing the ten principles (United Nations Global Compact, 2008). Meantime, CERES, a network of investors, environmental organizations and other public interest groups concerned with sustainability issues partnered with the United Nations Environment Programme, to develop global guidelines for reporting on the socioeconomic and environmental activities of corporations. In 2000, the Global Reporting Initiative's first Sustainability Reporting Guidelines were formally launched (2010).
Corporate Social Responsibility and multinational mining companies

The history of global CSR and mining are closely intertwined. As Jenkins (2003) has noted, historically the mining industry had demonstrated little concern over the social and environmental impacts of their operations. By the early 1990s, however, along with the rapid expansion of multinational mining companies in developing countries, a global anti-mining movement emerged characterized by growing opposition to multinational companies and increased collaboration between non-governmental organizations, social movements, and indigenous communities affected by mining activities (Kapelus, 2020; Jenkins, 2004; Cowell et al., 1999).

Concerned about the growing global anti-mining movement and its potentially negative effects on the industry, nine of the world's largest mining corporations launched in 1999 the Global Mining Initiative, which included a major study on mining and sustainability entitled “Mining, Minerals and Sustainable Development” (MMSD). The purpose of the initiative was to prepare the mining sector for the Second United Nations' Conference on Sustainable Development, which was scheduled for 2002. In the meantime, the multinational mining companies established in 2001 a new global organization --the International Council of Mining and Metals (ICMM)-- which included sustainability as a core value. One outcome of these developments was the publishing, in 2003, of ICMM's Sustainable Development Framework. Grounded on the idea that sustainable development was a source of competitive advantage, the Framework presented 10 basic principles of good practice, including ethical management, sustainable development, and contribution to the social and economic development of local communities. Principle 10 called for the implementation of "effective communication" and "independently verified reporting arrangements with our stakeholders" (ICMM, 2003). Thus, by early 2000, the mining industry had become a central protagonist in the global discussions and debates on CSR (Cowell et al., 1999; Jenkins, 2004).

The mining industry remains the center of strong criticism partly due to its very nature as a non-renewal natural-resource sector, and the non compliance of many companies with CSR guidelines, including those regarding human rights (Frynas, 2005; Poppelwell, 2009). Partly in response to the specificity of the industry, in 2007, the World Bank’s IFC adopted for the first time ever environmental, health, and safety guidelines for mining (IFC, 2007).

As Jenkins and Yakovleva (2005) have noted, mining has been subjected to increased public demands for social and environmental accountability more than any other industrial sector. Moreover, "[f]or mining, one outcome of the CSR agenda is the increasing need for individual companies to justify their existence and document their performance through the disclosure of social and environmental information" (2005).

CSR and Canadian Mining in Latin America

In the early 1990s, Latin America underwent its first modern mining rush. Spurred by a price increases in the global markets, the region experienced a second mining rush in the early 2000s. Canadian multinational companies led the way. Opposition to mining projects in the region became more organized and proactive. Writing in 2005, a mining consultant
manifested his concern about the emergence of a "cult against mining" and concluded that [t]he mining industry has never been so stigmatized (Vale, 2005a, 2005b).

Accusations of wrongdoing in CSR related areas against Canadian companies prompted governmental intervention. In 2005, the Canadian House of Common’s Standing Committee on Foreign and International Trade created a Subcommittee on Human Rights and International Development to study activities of Canadian mining companies and other resource companies in developing countries. The Committee called for the establishment of new accountability mechanisms to ensure that companies comply with clearly defined CSR standards and the reform of the national legal code to ensure that Canadian mining companies were held accountable for environmental and human rights violations in those developing countries where they have mining operations (Canada, Parliament, 2005). The following year, the Department of Foreign Affairs and International Trade sponsored several roundtables on mining and social responsibility, comprised of representatives of the mining industry, nongovernmental organizations, and academicians. In 2007, the Advisory Group presented the final report. The document included a Canadian Corporate Responsibility Framework, which called for new standards and public reporting requirements for mining companies. It also recommended putting in place a complaint mechanism for monitoring overseas operations of Canadian mining companies (Advisory Group Report, 2007).

Even though the Canadian government did not accept the legal and administrative mechanisms proposed by the Roundtable, it responded with “Building the Canadian Advantage”, a new corporate social responsibility (CSR) strategy for the Canadian international extractive sector. The new strategy is grounded on the idea that lack of commitment by Canadian mining companies to the “highest ethical, environmental and social standards . . . can cause harm to communities abroad and undermine the competitive position of other Canadian companies” (Canada Government, 2009).

Meantime, the major national mining associations took several steps to avoid the imposition of more stringent regulatory mechanism for member companies operating in foreign nations. In 2004, the Mining Association of Canada (MAC), the figurehead of the Canadian mining industry, launched a new CSR initiative: Toward Sustainable Mining (TMS). The new initiative required external standardized verification to all members every three years (MAC, 2008). In 2003, the Prospectors and Developers Association of Canada (PDAC), the main representative of the exploration companies, developed e3, a list of guidelines for excellence in exploration. In 2009, it made public e3 Plus: A Framework for Responsible Exploration. Unlike the MAC, PDAC does not require its members to adhere to the Framework (PDAC, 2009).

III. RESEARCH QUESTIONS:

CSR in mining has been the object of intense controversy during the last decade. Regardless of the debate, there is still no attempt to study the evolution of the CSR discourse in the mining industry. This paper will try to address this issue, using the experience of Canadian mining companies in the Latin American region as a case study. To accomplish this objective, the following questions will be answered:
* Has the discourse of the Canadian mining companies in Latin America changed across the years?

* If so, how has the discourse changed?

* What has been the role of external drivers -- global and national -- in the shaping of the discourse?

* Is there a correspondence between Canadian mining companies and global, state CSR policies?

* Is there a common discourse among mining companies, regardless of their sectoral identity?

* If not, what are the differences in terms of their discourses?

IV. SIGNIFICANCE OF THE STUDY:

As already noted, the literature search demonstrates the absence of scholarly studies on the evolution of CSR discourse in the mining industry both at the global and regional level. Thus, the proposed research will be the first empirical study on the subject. Also, this case study will increase our knowledge of corporate adaptation strategies to a rapidly changing global and regional climate. As such, it will be an empirical contribution to the expanding literature of strategic management. At another level, it will further the understanding of the impact of external drivers in shaping the management decision-making process. Finally, the study would also serve as reference material to managers, researchers, students, and other individuals and organizations interested in CSR and the mining related themes.

V. METHODOLOGY

As noted, mining has historically been a global activity. Since the last third of the last century, major mining companies have been increasingly looking at the developing world as a market for capital investment. Since Latin America has become the preferred region from mining investment, it has been chosen to undertake the present case study. Also, Canadian international mining companies have been selected as the unit of analysis due to their preponderant presence in the region. This case study is instrumental in nature. On the one hand, it seeks to gain a better understanding of the evolution of the CSR discourse of Canadian mining companies in Latin America. On the other, it also seeks to shed light on the nature and evolution of CSR discourse of mining companies in the developing world.

The method selected to carry out the research is content analysis. As Krippendorff (2004) has noted, content analysis is "a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use" (18). Thus, it allows for making claims about the data and the contextual frame, historical and otherwise, in which it was produced, and carrying out both quantitative and qualitative analysis.
The selection of the context analysis method for this study offers several advantages. It can detect the intention of the communication as well as communication trends of the selected mining companies. It can also provide historical insights across time. On the other hand, content analysis is extremely time-consuming, especially during the data making process. The problem is compounded by the extent of the documentation that will be used for identifying and retrieving relevant data. Therefore, to facilitate the process, a mixed-model qualitative/quantitative data analysis software package such as QD Mine will be used. Once the data is coded, analyzed, and classified, the discourse of Canadian companies will be to compare it with global and national (Canadian state) standards and norms across time.

At present, there are approximately 283 Canadian multinational mining companies operating in Latin America (Business Americas News, 2010). For the purpose of this study, a sample of 30 companies (about 10%) will be chosen. The sample will be geopolitically confined to the five main centers of Canadian mining investment in the region, namely, Mexico, Peru, Chile, Argentina and Brazil. Another selection criterion will be the mining companies’ sectoral classification: exploration (junior) or extractive (senior). Three of each sector will be chosen per country. The last criterion to be considered is the mining companies’ CSR track record according to reputable mining industry watchdogs.

This selection of the 2003 as the first chronological delimiter responds to the fact that on that year the powerful International Council of Mining and Metals published its Sustainable Development Framework. For the first time in history, the most important mining companies agreed on the same performance obligations and pledge to "seek continual improvement in our performance and contribution to sustainable development" (ICMM, 2003). More importantly, the 10th principle states the ICMM members’ obligation to report on their socioeconomic and environmental performance as well as their contribution to sustainable development.

VI. DATA COLLECTION

To carry out the proposed research, several sources of data will be used. Two comprehensive online data bases—the Toronto Stock Exchange (TSX) and Business News Americas (BNA)—will be employed to select the sample. A search in the TSX database will yield a listing of all Canadian mining companies by sector. The leading source of information concerning business in the Latin American region, BNA maintains an updated data base on different economic sectors, including mining. It offers profiles of all mining companies operating in Latin America, including the countries where they have mining projects.

The main source to trace the evolution of CSR discourse of the mining companies will be their annual reports. Of all the communication means used by mining companies to disclose their CSR activities, annual reports are the most publicized (Saleh, 2009; Jenkins & Yakobvleva, 2005).

Traditionally, annual reports are corporative means to present positive and proactive images to its stakeholders. More recently, they have also been used to deliver appealing messages to potential investors and organizations concerned with CSR related issues (Bardelli & Pastore, 2006). Rigorously crafted content analysis, however, allows the researchers to go beyond the
intentionally constructed discourse. As Attarca and Jacquot (2005) have noted, "annual reports are becoming the 'favorite investigation medium' to analyze the content and the springs of managerial discourse" (cited in Bardelli & Pastore, 2006, 9). As noted by Saleh (2009), most of the studies on corporate social responsibility discourse, especially in emerging markets, use content analysis as a method and annual reports as focus of their analysis.

Data will also be gathered from other secondary sources. To develop chronological benchmarks for tracing the evolution of the companies' CSR discourse, we will gather data, specifically standards and norms guidelines from websites of premier global and national mining associations: the International Council on Mining and Metals (ICMM), the Mining Association of Canada (MAC) and the Prospectors and Developers Association of Canada (PDAC). Other complementary sources to be used for this purpose will be the websites of global public policy entities, such as the World Bank International Financing Corporation, the United States Global Compact, and Canadian state agencies, including the Department of Foreign Affairs and International Trade, and the Canadian Parliament’s Standing Committee on Foreign Affairs and International Trade.
VII. BIBLIOGRAPHY:


