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Getting the whole story: How managerial perspectives on Antamina Mining Company's environmental strategy can alter the received wisdom about the role of international NGOs in shaping policy

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Getting the whole story: How managerial perspectives on Antamina Mining Company's[1] environmental strategy can alter the received wisdom about the role of international NGOs in shaping policy

Abstract:

Case Studies are often used to describe interactions between multinational mining companies (Mining MNCs) and non-governmental organizations (NGOs), particularly on issues concerning harm to the environment or poor people. These case studies are most often reported from the point of view of the NGOs and activists involved in the interaction, and do not adequately include the perspective of the firm. This paper looks at the case of Antamina Mining Company in Peru, where the firm made a dramatic shift in a key decision regarding the environmental impact of their operations. An initial analysis of the case attributed the shift entirely to an NGO campaign. This study interviewed the managers of the firm, and discovered that while the NGO played an important role, the change in policy was primarily driven by internal economic considerations. The paper shows that including the perspective of managers is important in establishing accurate case studies about the critical drivers in MNC environmental and social policy.

Keywords: non-governmental organizations, multinational mining companies, managers

[1] The official registered name of the mining firm is Compania Minera Antamina S.A. However for the purposes of ease of reading in this paper, we will use the English translation "Antamina Mining Company".

1. Introduction

International mining companies are under increasing scrutiny by individuals and organizations concerned with protecting the natural environment. Indeed, there is a growing international community of non-governmental organizations (NGOs), academics, journalists, activists and individuals who observe, challenge and report on the activities of mining multinational corporations (MNCs), particularly where issues of harm to the environment and to indigenous people affected by mining are concerned (Kapelus, 2002: 276). Such activities are increasingly recognized as important in promoting global solidarity and structuring new forms of international accountability (Teegan, Doh and Vachani, 2004; Szablowski, 2002; Spar and la Mure, 2003). However, this emerging celebratory literature can result in an incomplete and inadequate understanding when it focuses only on the NGO side of the NGO-MNC confrontation. Just because an MNC appears to be acceding to the demands of an environmental NGO does not mean that the MNC changed course because of the NGO's campaign. The MNC side of the story must also be investigated carefully in order to avoid drawing false conclusions about relative power in driving decision-making.

This paper illustrates the point by means of a case study of a confrontation between a mining company in Peru and an international environmental NGO. It explores the case of the construction of a pipeline to transport copper and zinc concentrates from Antamina's open pit copper mine in the Andes to their port facilities on the Pacific coast. The paper presents an alternative perspective and analysis to the received wisdom on the matter – arguing that it fails to explore, or even consider, the role of managerial decision-making in shaping the outcome. The paper demonstrates that interviewing the managers within the firm is an important part of constructing a balanced, accurate account of the causes and outcomes of interactions between mining MNCs and international NGOs that seek to shape their operating procedures.

2. Case Studies written from the perspective of the NGOs

The expansion of the mining activity of multinational mining firms across the globe has attracted the attention of individuals and organizations concerned with the harm that mining activity might have on the natural environment or the welfare of people living near mines. As such there has been an increase in interaction between mining MNCs and an international community of NGOs, academics, activists and individuals monitoring and advocating particularly where issues of harm to the environment and to indigenous people affected by mining are concerned (Kapelus, 2002: 276). There has also been a corresponding body of literature around how this international community has engaged with and changed the policies and behaviour of firms. The literature regarding mining tends to be written from the perspective of the NGO, celebratory of the effects of NGO intervention, and to attribute firm policy reversals solely to the campaigning and intervention of NGOs and their allies (De Echave, 2005).

For example, in his 2005 paper on "The Concerned People Against Asbestos" (CPA) victory against the Cape PLC asbestos mining firm in South Africa, McCulloch (2005) focuses on the mobilization of a small community organisation through networks that he argues enabled them to achieve a significant out-of-court settlement.

The CPA began in early 1996 as a grassroots community organisation based in the small asbestos-mining town of Prieska, in the Northern Cape Province of South Africa. The CPA emerged in response to high rates of asbestos related diseases[2]. After a Canadian doctor, Dr Randeree, helped the CPA collect evidence of the prevalence of such disease, the CPA networked with the National Union of Mineworkers (NUM), which gave their cause a powerful voice at a national level in South Africa (McCulloch, 2005: 67). Dr Randeree also put the CPA in touch with London law firm Leigh, Day and Co, which had brought an action against a chemical company exporting hazardous technology from the UK to South Africa. Leigh, Day and Co agreed to take on the Cape PLC case, with funding from the British Legal Aid Board.

The CPA continued to pursue their case at a national level, attending the 1998 National Asbestos Summit and meeting with the head of environmental planning in their provincial government. The CPA also organized marches, vigils and demonstrations, inviting the South African press and the BBC to increase support and publicity for their cause [3]. In 2002 the legal action against Cape PLC had stalled, and the lawyers decided to cojoin the case with a case against South African mining conglomerate Gencor, who had controlled the

[2] Exposure to asbestos causes three major diseases, all of which can be fatal. Asbestosis and lung cancer are lung diseases resulting from long-term exposure to asbestos, generally confined to people working in the asbestos mines. Mesothelioma is a cancer of the lining of the lung or abdominal cavity, which can result from a trivial exposure to asbestos. This form of disease can have a latency period of up to 40 years (McCulloch, 2005: 63).

[3] McCulloch (2005: 71) reports that around 2000 the CPA stopped talking to the press as they felt sensationalist stories, raising unrealistic expectations from their constituency

mines through their Gefco subsidiary from 1980 until 1996. In March 2003 an out-of-court agreement between "thousands of South African workers and the two mining companies" (McCulloch, 2005: 73) was signed. In it, Cape PLC pledged British Pounds (GBP) 7.5 million in compensation to 7,500 workers, and Gencor agreed to set up a trust fund of GBP 37.5 million for its workers an also pay GBP3.21 million to those Cape Claimants who were also exposed at Gencor's operations. The Gencor Trust was the largest settlement in South Africa's history.

McCulloch's article tracks the mobilization of the CPA until the final court case, suggesting that the court victories in March 2003 were ultimately a result of the CPA's networking and campaign, supported by the legal process. However the agreements were settled out of court, in which the preferences of the managers of the firms must have played an important role. Although the circumstantial evidence suggests that the firm was backed into a corner, the managers involved on the firms' side did not confirm their motivation for agreeing to that settlement at that time. Perhaps the new settlement was reflection of other pressures or a co-incidental policy shift? For example, McCulloch (2005: 74) acknowledges that the whole affair took place in the legacy of the anti-apartheid movement which had caused a sea change in approaches to human rights in South Africa from the time the issue was first raised in 1996 until the settlement was reached in 2003. Perhaps the internal policies of the firm shifted as a result of this change in the broader political context of South Africa, rather than as a direct result of the CPA's campaign and legal pressure? What were the financial considerations of the firm? Perhaps Gencor had more concern about branding and their social license (Smith, 2007: 66) to operate in the South African context than Cape PLC. This paper argues that without actually speaking to the managers of the firms it is possible to misunderstand the relative power driving decision-making. Speaking of the settlement against the holding firm, McCulloch concludes that "The CPA's victory suggests that such communities have levels of political and organizational skill, which given the right alignments can be irresistible" (McCulloch, 2005:63). While the CPA campaign undoubtedly played an important role, this paper argues that without speaking to the manager's involved in the finalisation of the settlement, it remains a guess as to which causes and drivers of the firm's decision to settle were, in fact, "irresistible" (McCulloch, 2005: 63).

Haarstad and Floysand (2007) criticize the desirability vs. destructiveness debate on globalization by showing how the process has empowered not only MNCs, but also their opposition. They investigate the case study of opposition to mining in Tambogrande, Peru. Haarstad and Floysand show how local farmers networked with national and international NGOs to launch a campaign against the construction of a gold mine (owned by Manhattan Minerals) in their valley. At a local level the farmers were concerned with the impact of the mine on their agricultural lifestyle. Haarstad and Floysand (2007:302) argue that in order to rally support at a national scale, the NGOs helped the local farmers to articulate their cause in terms of protecting the bounty of their local produce: mangoes and limes. These fruit were viewed as typically Peruvian and the sense of patriotism they evoked at a national level rallied support to the cause of the farmers. At an international level, the NGOs rearticulated the farmer's case as human rights and democratic choice issues: popular discourses in international activist networks. Again, this rearticulating of the farmers' cause mobilised an international audience to their side. Haarstad and Floysand argue that the rearticulated narratives empowered the local farmers. Haarstad and Floysand also include the public narratives employed by the mining company. However, they don't support their argument by showing the effect of the rescaled narratives- we never see the outcomes of the case. The readers are not shown what the results of the competing narratives were, or how the rearticulating of the farmer's cause at different levels affected the firm. Like McCulloch's paper, Haarstad and Floysand present a detailed investigation of the development of networks and NGO- local farmer's interactions, but the actual effect of these actions is assumed: local communities, empowered by links to NGOs, were the principle cause for the capitulation of the mining MNCs.

Kuecker (2007: 94) describes the case study of the people of Junin in the Intag region of the Imbambumba Province in Northern Ecuador, who through "links established between local organizers and NGOs in Ecuador and elsewhere helped the community to raise the costs of development [of the mine] sufficiently to drive the mining company [Bishi metals, a subsidiary of Mitsubishi] away". In 1993 Bishi Metals established a camp in Junin to explore the development of an open pit copper mine in the Andean mountains near the town. Concerned about the effects of mining and the arrival of foreigners in their town, the 50 or so families living in Junin formed an NGO called the Ecological Defense and Conservation of Intag (DECOIN), which networked with a national NGO Accion Ecologica, based in Quito. DECOIN and Accion Ecologica organized workshops about the disadvantages and dangers of mining and took a team of community members to a mine site in Peru, in order to witness first hand the environmental impact of a large open-pit copper mine. Accion Ecologica helped develop international solidarity with the aims of the local NGO, mobilising support for the people of Junin. DECOIN also instigated coffee-growing projects to illustrate the alternatives to mining (Kuecker, 2007: 101). In 1997, after repeated requests for meetings with the mine and state were ignored, the Junin community torched a Bishi Metals mining camp.

Kuecker declares the people of Junin “victorious in keeping mining out of their community” (Kuecker, 2007: 95). It is true that Misubishi did not proceed with the exploitation of the INTAG deposit. But Kuecker does not include the firm’s perspective on why this was so.

Kuecker includes a general comment about the power of communities against mining firms from a CEO of (non case-study mining MNC) Rio Tinto Zinc: “ we are being naïve about how easy it is to operate in someone else’s backyard. We…see problems virtually everywhere.” (Kuecker, 2007: 104)

Kuecker (2007: 104) also says:

> “Community resistance tips the balance of comparative advantage by adding negative factors to the cost of production, which includes not only having to abide by environmental regulations that may call for expensive technologies, machinery and skilled labour but also maintaining a favourable corporate image. Gedicks (2001) shows that corporations spend millions of dollars on advertising, funding NGOs that disseminate propaganda and supporting academics who advocate under regulated or unregulated mining. Other costs include extra staff required to handle community resistance, lawyers and lobbyists and payments to corrupt officials or to buy off recalcitrant communities. When such costs go up, the multinationals often leave. The cost threshold for Mitsubishi was crossed with the burning of its camp.”

In the above paragraph, Kuecker includes a lot of general statements without actually investigating whether they were relevant to the costs facing Mitsubishi at the time of their cessation of activity of Junin. The author does not include any interviews with or public statements from the firm in the case study. Perhaps there was a change in the price of the metals, which discouraged the mining firm from developing the mine. Perhaps there was a policy shift at head office level to mine only where there was no community conflict. This paper argues that without actually interviewing the managers who made the decision to cease exploration and exploitation of the Intag copper deposits, there is a risk of falsely attributing the actions the firm primarily to the NGO and local community actions.

This trend of celebrating the NGO/community perspective is supported by a plethora of NGO reports and websites such as Earthworks (2008); Oxfam America (2003), Corporate Watch (2009), MiningWatch Canada (2000), Thaindian News (2008). Documentaries on the subject include low budget, independent pieces like Weiherman’s (2008) “The Price of Gold: Human Rights

Violations in Peru", reporting on the case of Yanacocha mine in Peru. There have also been bigger budget films such as Boyd and Caballos' (2007) documentary "Tambogrande: Mangos, Murder and Mining" (Which received 20 international awards and was invited for screening at 40 film festivals around the world). "Tambogrande: Mangos, Murder and Mining"[4] offers a useful insight into the dynamics that may have contributed to the missing voice of the firm and managers. In this film the circumstantial evidence points strongly to the role of NGOs and the people living in Tambogrande in preventing the exploitation of an open-pit gold mine beneath their town, but the filmmaker's requests to interview managers were refused.

In the literature on non-mining MNCs, authors have paid more attention to the internal workings of the firm. Spar and La Mure (2003: 94) explore hypotheses of the variations in how multinational firms respond to NGO-led campaigns. Spar and La Mure focus on how their case study firms weigh up the activists' demands. They find that that where the costs of compliance are low and the benefits high, multinational firms are more likely to concede to activists' demands. This calculus of costs occurs along three main dimensions: transaction costs, brand image and competitive positioning. Transaction costs are what it will cost the firm to concede to the activists' demands. For example a firm is more likely to change an offensive billboard or advertising campaign than to move established operations where significant capital has already been sunk (Spar and La Mure, 2003: 95). Brand image entails the decrease in sales to the firm of having their brand associated with negative publicity (like child labour). This is most costly to businesses whose products are distinguished primarily through brand, such as clothing and apparel. Finally competitive positioning refers to the improvement to a firms' brand if they are seen to be more socially responsive than their competitors[5]. Spar and La Mure (2003: 94) argue that the calculus of these costs is indicative of the MNC's compliance to activist demands. Ultimately the decision to capitulate or resist activist demands is made by managers within the firm and an understanding of the firm response to activist pressure should include the perspective of managers (Spar and la Mure, 2003: 97).

Bansal and Roth (2000: 717) investigate the causes for what they call the "ecological responsiveness" (or the ways in which the company reduces environmental impacts) of 53 companies across a range of industries (not including any mining firms). In their preliminary model (Bansal and Roth, 2000: 718), the authors highlight legislation, stakeholder pressures, economic

[4] This documentary depicts the same mining-NGO conflict described by Haarstad and Floysand (2007)

[5] This was also shown by McWilliams and Siegel (2001: 626)

opportunities and ethical motives as potential drivers of corporate ecological responsiveness. It is clear, even from this preliminary list that NGO and social movement pressure, which would fall under stakeholder pressures, are but one aspect of a range of the drivers faced by management. Bansal and Roth (2000: 721) used in-depth interviews and seminars with managers, supported by publicly available material on the firms' environmental record to build a complete picture of why some firms are more ecologically responsive than others. In this sense their analysis relies heavily on the reporting of the environmental managers and directors that made the decisions regarding each firm's ecological response.

Literature on Corporate Social Responsibility (CSR) shows that there has been a shift within firms themselves to greater environmental and social responsibility (Rosen, 2001). In the case of mining there are two papers (Kapelus, 2002; Humphreys, 2000) showing that MNC Rio Tinto's response to pressures from NGOs, communities and social movements is inextricably linked to the values of the managers of the firm, firm policies, legislation and the financial realities facing the firm at the time. It suggests, contra to the celebratory case studies, that the mining MNC should not be seen as a black box, with policy changes and social outcomes attributed solely to the strategies of NGOs, social movements and communities.

This paper argues that if we are using the case study method employed in the recent literature, we cannot assume that a change in firm policy or behaviour that occurs at the time of an NGO campaign is necessarily a direct result of that campaign. I argue that for a fuller understanding of why firms appear to respond to pressure from social movements and NGOs, we need to interview the people who actually made the decisions to change: the managers of the firm in question (Berger, Cunningham and Drumwright, 2007). The following case study, of Antamina Mining Company in Peru, highlights the risks of assuming the effects of NGO action. The case study shows that the NGO reporting on the case did not account for the economic reasons that ultimately determined the behaviour of the mining firm.

3. The Case Study: Antamina Mining Company

In 1996 the Peruvian government auctioned off a huge copper and zinc deposit in the Andean Sierra to Canadian partners Rio Algom Limited and Inmet Mining Corporation, who established the Antamina Mining Company to exploit the deposit (Tufano and Moel, 1996).

In 1998 the owners outlined the details of their plans for the construction and operation of the mine in an Environmental Impact Study (EIS). The mine itself would be an enormous industrial complex consisting of a 2km x 1km x 500m copper and zinc, concentrator plant and tailings dam situated at between 4 200 and 4 700 meters above sea level[6] in the remote Northern Peruvian Andes, near San Marcos in the Ancash department. The asset had a projected mine life of 20 years (Pratt, 2001). The ore would be mined and processed at the site at a rate of about 80 000 tons of ore per day to produce copper and zinc concentrates[7]. Up to 6000 tons of copper and zinc concentrates would be produced daily and must be transported 300km to a port to be constructed near a town called Huarmey on the Peruvian Pacific coast (Portocarrero, Sanborn, Del Castillo and Chavez, 2007). At the port the concentrates would be loaded directly onto bulk carriers for shipment to customers.

In the first version of the EIS (Klohn Crippen, 1998) published in March 1998 Antamina stated that they would build a port facility near Huarmey, and that they would transport the concentrates in trucks on the most direct route from the mine to the port. They would use the existing roads where possible, over a pass (at an altitude of 5300 metres above sea level[8]) and construct a new highway where necessary. The proposed route included a section of road that would run through the Huascaran National Park. However, the firm made an about turn in their plans. By January 1999 Antamina produced a revised EIS, stating that the ore would not be trucked, but that the concentrate would flow down to the coast through a concentrate slurry pipeline, which would be routed around the Huascaran National Park. The rest of this paper will explore why the firm made this change in plan.

3.1 The Mountain Institute

In 2001, *California Management Review* published an account of Antamina's change in plan from the perspective of The Mountain Institute (Pratt, 2001). The Mountain Institute is a US-based, independent[9], international NGO supporting global networks of work in mountain conservation, as well as range-based programs in the Himalayas, Appalachians and Andes. The organisation

[6] Interview with the CEO, President and General Manager of Antamina from 1997 until January 2003. December 2008. Lima, Peru.
[7] Ibid.
[8] Ibid.
[9] The Mountain Institute was independent as it had a broad base of donors, including various UN agencies and developed country governments. They were not funded by any of the stakeholders in the case study

aims to conserve mountain ecosystems, strengthen livelihoods for indigenous and traditional mountain communities, and promote education and advocacy on mountain issues (Pratt, 2001: 39). At the time of the purchase of Antamina, The Mountain Institute was supporting projects to manage the Huascaran National Park in collaboration with the Park authorities and local communities.

The Mountain Institute was very concerned about the impact of Antamina's decision to truck the ore concentrate through the Huascaran National Park. The park had been designated a Peruvian National Park, an International Biosphere Reserve under the Man and the Biosphere Program of the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and a World Heritage Site. The Mountain Institute was worried that improved roads and increased traffic would disrupt the delicate eco-system of the park. According to Pratt (2001: 39) the road would have disrupted the habitat of several endangered species including the *puya raimondii*, which stand 40 feet high and is the world's tallest flowering plant.

The Mountain Institute was in contact with the managers at Antamina. They had tried to convince the company to use alternatives to the road through the park, and sent senior staff to the public comment period on the EIS. They suggested routing the road around the park along a 17km longer route, or transporting the concentrate through a slurry pipeline. According to Pratt (2001: 40) these options were "both initially rejected as to costly or too time comsuming" and were not adopted by the firm.

According to Pratt's (2001: 40) account, the turning point came when The Mountain Institute arranged a meeting with Antamina's financial advisor: Rothschild NA. At this meeting The Mountain Institute stressed its interest in maintaining a constructive dialogue on the issue of the use of the road, and recognized the importance of the mine in facilitating economic development for the area. However, The Mountain Institute also warned that if the road was routed through the park, the Huascaran National Park would be placed on a global "Endangered Parks" (Pratt, 2001: 40) list, which would be monitored closely by environmental groups everywhere. When other NGOs learnt of this threat they would protest strongly in the countries of the headquarters of the financers and shareholders, which could significantly delay the project. Pratt (2001: 40) argued "this new perspective [the possibility of international scrutiny] led the consortium [Antamina Mining Company] to rethink its plans and to reroute the road around the park, eventually opting for the slurry pipeline".

3.2 The Managers' Perspective

For this paper, I wanted to create a more complete picture of why Antamina Mining Company decided change to a pipeline to transport their concentrate around the park. Pratt's analysis did not include the perspective of the managers who actually made the policy changes. Berger et al (2001: 136) use the interview method to collect data on Corporate Social Responsibility, because "when one wants to understand the internal dynamics of an organisation, managers' perspectives of the organisation and its inner workings are helpful." With a similar objective in mind, to create a more complete and accurate version of the events, I endeavoured to interview several of the managers from the firm involved in the case. Interviews conducted for this study included an interview with managers involved in the decision making process in 1998, including the then Director of Institutional Affairs for Antamina; the then Chair of Antamina's Finance Committee and the CEO, President and General Manager of Antamina. These individuals are currently (2009) employed in various positions, in different countries, and located in Australia, Canada and Peru. As such it was felt they were unlikely to collude, and their versions of the events could be considered credible. I also interviewed the current South American Regional President for The Mountain Institute, who was involved in the 1998 case. The semi-structured interviews were conducted over the telephone in a series of conversations to clarify any questions. The managers of the firm were able to explain their perspective of the factors within the Antamina Mining Company at the time of the discussion over the best method to transport the ore. Their reports show that although the input of The Mountain Institute was helpful, underlying economic options, not mentioned by Pratt (2001) played the critical role in their change of plans

3.2.1 The financial position of the owning partners

When the owning Canadian partners, Rio Algom and Inmet, initially developed plans for the construction of the mine, they agreed to keep their up-front capital expenditure low. At that time Inmet had limited capacity to raise sufficient capital. Antamina's Director of Institutional Affairs explained the partners' financial circumstances:

> "Rio Algom was on much more solid financial ground than Inmet was. And so they had various approaches to the question: do you invest more capital upfront to reduce operating costs, or do you try to get the capital costs down as low as possible, even if it means higher operating costs. Inmet was afraid that they might have to sell out, or

> dilute their holdings, so they wanted to keep the costs down. When we were doing that, the plan was to truck the concentrate to the coast."[10]

Because of Inmet's financial constraints in March 1998, Antamina aimed to keep capital expenditure down by trucking the ore concentrate from the mine to the port along the route described above.

3.2.2 Pressure from the lenders

Chair of Antamina's Finance Committee reported that in March 1998, around the time of the publication of the EIS, his committee organized a site visit for the potential lenders to the project, including the Canadian Export Development Committee (EDC) and the German bank Kreditanstalt fur Wiederaufbrau (KfW). After travelling along the sections of existing road that would be included in the transportation route, the lenders expressed their reservations, not about the routing of a section of the road through the Huascaran National Park, but about the quality of the road and the risks of road accidents along the entire route. Antamina's Finance Committee Chair said:

> "We took the representatives on a visit to the project site, driving along the roads that would be used for concentrate transport. After seeing the extremely difficult conditions on the road and the large number of small communities along the road, several of the lenders told me they were very concerned about safety issues…
> They weren't so much concerned about spillages. Copper and zinc concentrates are fairly inert, so as long as they don't end up in large quantities in a waterway or something like that, if they are spilled on the ground they are easy to clean up and don't cause any lasting damage.
> The problem was the volume of trucks. We're talking about 50 000 truck shipments every year. In one direction that's a truck every 15 minutes but going past any particular point there would be a truck every seven minutes along some winding roads from an elevation of more than 5000 metres down to sea level over a 20 – 30 year mine life. The public safety concern was that there would be, over the years, possibly hundreds of injuries and death to people and livestock."[11]

[10] Interview with the Director for Institutional Affairs for Antamina (October 1997- October 1999) Antamina. Interviews conducted in Melbourne, Australia in December 2008.
[11] Interview with the Chair of Antamina's Finance Committee (1997-2001) Interviews conducted in Toronto, Canada. January 2009.

The potential lenders to the project hired an independent engineer, Pincock Allen and Holt[12] to audit all aspects of the project, and they drew attention to the concentrate transportation route, which had concerned them on their visit to the mine. The independent engineer found the firm's strategy for transporting the ore inadequate:

> "The lenders had expressed their concern to the independent engineer and asked them to focus specifically on the adequacy of the measures proposed by Antamina to deal with their public safety concerns [about trucking the concentrate along the proposed route]. The independent engineer reported that these measures were inadequate. So when the report was issued in draft, my recollection is that is caused a lot of consternation at shareholder level"[13]

This consternation at lender and shareholder level increased the pressure on Antamina's managers to find an alternative way to transport the concentrates.

3.2.3 Change in availability of capital: the role of the 1998 shareholder buy-in

A few months later, an international financial contraction forced 50% partner Inmet, already under pressure, to sell out their share of ownership of Antamina. Antamina's CEO of the time reports:

> "This was occurring in the famous Russian financial crisis of summer 1998. Lack of access to capital eventually forced Inmet to leave and Rio Algom invited two new shareholders, Noranda and Teck…"[14]

Inmet was not able to stay in the project and sold out to Noranda Incorporated and Teck Corporation. Under the new ownership structure Rio Algom Limited and Noranda Inc. each owned 37.5% and Teck Corp. would own 25% of the company (Shearer, 1998)[15]. According to the managers interviewed for this

[12] Pincock, Allen and Holt are a mining engineering firm based in Denver, Colorado.
[13] Interview with the Chair of Antamina's Finance Committee (1997-2001) Interviews conducted in Toronto, Canada. January 2009.
[14] Interview with the CEO, President and General Manager of Antamina from 1997 until January 2003. Interview conducted in December 2008. Lima, Peru.
[15] Mitsubishi Corporation became a shareholder about a year later, so the ownership structure at the start of construction was Rio Algom Ltd and Noranda Inc at 33.75% each, Teck Corporation at 22.5% and Mistubishi Corporation at 10%.

paper, the financial flexibility of the new owners ended the pressure to keep upfront capital expenditures to a minimum. Under these circumstances the managers were able to reconsider the ore shipping options. They concluded that transporting the concentrates through a slurry pipeline would not only appease the lenders and the conservationist community: it would also have a greater net present value (NPV), making it more cost effective over the life time of the mine. Antamina's Director of Institutional Affairs reports:

> "Operating the trucks would have been much more expensive over the long run, an order of magnitude more expensive. If the shipping cost \$2 per ton by pipeline, it cost \$20 by truck, so the savings of going with the cheaper, short-term option would be lost pretty quickly…
> It wasn't just a victory of the advocacy NGOs fighting the mining companies. The financial situation had changed and we did what was economically most vital."[16]

Similarly the CEO saw the issue as essentially one of costs:

> "There was a trade-off between CAPEX and OPEX. With the pipeline we would have a much higher investment at the beginning but a net positive operating cost"[17]

The buy-in of Teck and Noranda in summer of 1998 increased the capital available to Antamina. With a little more availability of capital, the managers were able to evaluate the costs to the project of the options more holistically, over the life of the project. In looking at the NPV of the options over the life of the project it made economic sense for Antamina to build a slurry pipeline through which to transport the concentrates down to the coast.

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[16] Interview with the Director for Institutional Affairs for Antamina (October 1997- October 1999) Antamina. Interviews based in Melbourne, Australia in December 2008.
[17] Interview with the CEO, President and General Manager of Antamina from 1997 until January 2003. December 2008. Lima, Peru.

3.3 Why did the managers change the method and route to ship the ore concentrate?

In March 1998 the managers of Antamina published an EIS that confirmed their intention to truck the ore concentrate by road, along a direct route through the Huascaran National Park. By January of 1999, plans had changed and the ore concentrate would be transported along a slurry pipeline around the Huascaran National Park. A road would be constructed along the route of the pipeline where there was no existing road to transport supplies up to the mine, although this road would not be used to truck ore concentrate. What caused this change in plan?

The answer is not clear-cut, because the interviews with the managers revealed that the change in decision actually had two components. In the first place the managers had to decide *how* to ship the ore concentrate. This decision essentially comprised a choice between trucking the concentrate by road, or by using a slurry pipeline. The second consideration was *where* to route the chosen option: should it go along a direct route through the Huascaran National Park, or should they opt for a longer route around the park. Pratt (2001) does not perceive the nuance in the choice and ascribes the entire switch, to the pipeline and the road route, to the pressure from The Mountain Institute, and in particular a key meeting with Antamina's financial advisors. Pratt does not even mention the ownership change that took place at Antamina and the subsequent change in availability of capital.

In the first decision, which was how to transport the concentrate, the interviews with the managers revealed that it boiled down to a question of economics. With the upfront capital available, it made more economic sense for Antamina to build a pipeline, which incidentally also addressed the safety concerns of their lenders discussed above.

The interviews reveal that once the managers had more financial flexibility, The Mountain Institute did play an important role in influencing the second part of the decision: where to route the highway. The role of The Mountain Institute was important in persuading Antamina's managers to route the road around the park. For example the Director for Institutional Affairs stated:

> "I think the way we carefully avoided the park with the pipeline route was directly as a result of The Mountain Institute's campaign. I don't think there was a permitting issue, if we had crossed any corner of the park, and there are places where the pipeline skirts, I think within 1km

> of the park border, which had an initial cost, relative to just cutting through from point A to point B in some places."[18]

The Chair of Antamina's Finance Committee saw the influence of The Mountain Institute in starker terms:

> "If we had persisted on going through the park, frankly the project would never have gone ahead. The NGO opposition would have been insurmountable. Reputational damage and bad publicity would have led to no funding." [19]

Pratt was right to draw attention to the role of The Mountain Institute in shaping a better environmental outcome. The international conservationist community played an important role in averting potential damage to the Huascaran National Park. However, two of the "lessons" that Pratt (2001: 41, 42) draws from the case are as follows:

1) that Antamina would have saved money if they had consulted with the NGOs and other stakeholders from the beginning
2) that managers take a risk basing decisions on the information provided in the "EIS for hire" offered by "conventional consulting firms".

In the light of the information revealed in the interviews with the managers themselves, these "lessons" become irrelevant. The change in the decision on how and where to transport the concentrates did not result from ignorance followed by enlightenment imparted by the NGOs, but was the logical solution given the change in financial constraints on the managers of Antamina. Without speaking to the managers who actually made the decisions, Pratt failed to provide a complete picture of the causes and consequences of the case.

The analysis of the case of Antamina Mining Company illustrates a bias in the reporting of mining-NGO interaction. The history has been written from the NGO perspective, describing their "victory" over the mining company. This bias is possibly worsened because the mining company itself had no incentive to set the record straight: it is beneficial for them to be perceived to be prioritizing social concerns. The Director of Institutional Affairs explained how this occurred in the case study:

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[18] Interview with the Director for Institutional Affairs for Antamina (October 1997- October 1999) Antamina. Interviews based in Melbourne, Australia in December 2008.

[19] Interview with the Chair of Antamina's Finance Committee (1997-2001) Interviews conducted in Toronto, Canada. January 2009.

> "Internally, economic reasons compelled us to go with the pipeline. But we didn't make a point of going out afterwards and saying 'we changed our mind because of this and not because of that'. We didn't see any value in going to the NGOs and saying 'well you know we probably would have ended up doing this anyway, because the ownership changed, even if you hadn't done anything.
> The NGOs did a good job, it was a good, clean effective campaign and they should be given credit for what they did. But the idea that it would have gone ahead if they hadn't…
> The public history had been written by the NGO side, so that's why it's written that way…"[20]

The case study addressed in this paper is a useful illustration of the way in which failure to include the perspective of the managers in the firm in the analysis of a situation can result in a misunderstanding of the role of the relevant organizations and the underlying political and economic forces actually determining outcomes.

4. Conclusion

Levels of engagement and interaction are increasing between multinational mining companies and NGOS and social movements concerned about harm to the environment and people living near mines. The literature reporting on these interactions tends to take the form of case studies, which focus on the development and strategies of the NGO campaign, celebrating changes in the mining MNC policy as a result of the pressure from NGOs and their allies. This paper argues that there is a risk of attributing firm capitulation to NGO pressure if we do not speak to the managers within the firm to establish how and why they made their decisions. The paper investigates the case of Antamina Mining Company in Peru to show how an economic decision by managers to use a pipeline to ship ore concentrate from the Antamina open pit mine to their port facilities at the coast was inaccurately attributed solely to NGO intervention.

The evidence from work outside of the mining sector, where firm perspectives have more often been included supports the argument that NGO campaigns have played an important role in changing the behaviour of firms. After considerable reading on mine-NGO interaction I believe that many of the specific decisions and broader changes in policy can, in fact, be attributed to NGO activity.

[20] Interview with the Director for Institutional Affairs for Antamina (October 1997- October 1999) Antamina. Interviews based in Melbourne, Australia in December 2008.

However, on a case-by-case basis, we cannot assume that just because there was coinciding NGO activism it was the primary cause for change in firm behaviour. As in the Pratt case, it might not have been. The paper shows that interviewing the managers within the firm is an important part of constructing a balanced, accurate account of the causes and outcomes of interactions between mining MNCs and other groups.

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