

## Abstract

*Chinese overseas investments have encountered heightened public resistance in its recipient countries. Chinese policymakers, companies and scholars have recognized the need for a bottom-up approach (下层路线) to engage with the public and project-affected communities. This paper examines the corporate social responsibility (CSR) program of the Letpadaung copper mining project, funded by Myanmar Wanbao Mining Copper Ltd, a subsidiary of China's state-owned weapons manufacturer, China North Industries Corporation. In particular, it analyzes community engagement and consultation processes, and identifies some of the inadequacies. While the new CSR initiatives demonstrate the company's commitment in improving community relations, engagement needs to be deepened and broadened beyond and below local village elites. CSR programs also need to be aligned with villagers' imminent needs.*

## Introduction

Infrastructure investments, particularly those in the extractive industries, are prone to inducing negative social and environmental effects: they could further entrench the existing power asymmetries within the communities, 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 international environmental governance policies. Chinese government and State-owned Enterprises (SOEs) have engaged exclusively with the Myanmar state up till recently, as is a common practice in China's foreign investments.

However, facing much local resistance in Myanmar, some Chinese companies have started to engage directly with non-state actors as well. This marks an important shift in China's foreign investment practice. This article will focus on one of these companies, which is responsible for the highly disputed Letpadaung copper mine, to examine its public engagement approach. Although the recent rounds of protests, where a police shot a villager to death, deserve much attention, this article will not examine this particular case. Nonetheless, its critique of the ongoing public engagement efforts of the Chinese company will shed some light on why local grievances remain intense despite the company's initiatives (while acknowledging that Myanmar local government's inadequacies also play a significant part). The analysis of this report is based on field research that was carried out in July 2014, in which in-depth semi-structured interviews were conducted with 23 villagers from 18 villages. Since then, Wanbao has initiated other activities, such as a contribution plan for people who lost their land. The author acknowledges that there are on-going changes in Wanbao's CSR program since July 2014, which cannot be analyzed in detail in this report.

## Background of the Letpadaung copper mining project

In June 2010, under the former military regime, Wanbao Mining Corporation, a subsidiary of China's state-owned weapons manufacturer, China North Industries Corporation, finalized a joint-venture agreement with the military owned Union of Myanmar Economic Holdings Ltd. (UMEHL) to build a copper mining project, with a total estimated investment of USD1.065 billion (Sun, 2013: 5). This project involves around 7867.78 acres of land, which includes 5057 acres of cultivated land (Letpadaung Investigation Commission, 2013). It affects 26

villages (and displaces 441 households from 4 villages) at the base of mountain of Letpadaung.

In 2012, Myanmar began to see widespread protests against the lack of transparency about project details, thousands of acres of seized land, negative social and environmental impacts, as well as unfair benefit sharing between the two countries. The rallies took place both near the mine site and in the city of Yangon. Protests became violent, resulting in project suspension in November 2012. The President's Office then issued a statement in December 2012 to form a parliamentary investigation committee, chaired by Daw Aung San Suu Kyi, to look into whether the Letpadaung copper mine project should continue. The inquiry commission report (the 'Report') was released in March 2013. To the dismay of many Letpadaung villagers and activists, the Report supported continuation of the project provided that investors made necessary improvements. Furthermore, there are new profit-sharing terms in place, which give the government 51 percent of the profits from the copper mine, much increased from its original 4 percent share. UMEHL is to receive 30 percent (reduced from 45 percent) and Myanmar Wanbao will receive 19 percent (reduced from 51 percent).

## **Wanbao's CSR programme**

In the aftermath of the violent demonstrations culminating in the Report, Myanmar Wanbao embarked on many notable initiatives, with a commitment to invest USD 2 million annually to ensure international standards of environmental protection and 2 percent of its net profit for corporate social responsibility activities. It initiated a Corporate Social Responsibility (CSR) programme, engaging a Community and Social Development (CSD) team that comprises of village elders and leaders, with the stated goal of better understanding the needs of the neighbouring villages. In terms of increasing transparency, the company published multiple documents including the Environmental and Social Impact Assessment (ESIA) and disseminated other project information, created a Facebook page, and became more open to receive media interviews. These efforts are indications that company decision-makers are apparently well aware of the need to engage with the project-affected communities and ensure open communications with the media. Much akin to its western counterparts, its communication rhetoric includes promoting sustainable development and empowering villagers. Many interviewees do notice these increased actions Wanbao made after the investigation report.

*"Before the Report, there was no meeting with company staff, no CSD representatives, no channel to contact the company, and no development projects. After the Report, the CSD team is the only way to make demands to the company, if we want to give pressure to the company, we go to the CSD member. Also, we now know the amount of the budget for the development projects." – Driver, 27, male, Wa Dan Village*

*"From Wanbao's funding, our village received two schools, water supply, mobile clinic, and is starting a social welfare office and a library" – CSD member, 38, male*

While these are significant strides of change that deserve recognition, many villagers nonetheless remain oblivious to how these changes can positively impact their life. As elaborated below, there are two main reasons for this: the first is elite-favoured engagement, in which local village heads do not effectively represent people's needs. The second is misalignment between CSR initiatives and villagers' pressing needs – the

company's CSR activities are unable to solve their problems, which results in many of their demands seemingly falling on deaf ears.

## Lack of representativeness of the CSD team

A fundamental problem with the governance structure is in the formation of the Community and Social Development (CSD) team in March 2013. A core component of the CSR project, it has the stated goal of ensuring community assistance that is driven by local people and fostering understanding of the village needs. A CSD member from each village (or a group of villages in some cases) acts as a communication bridge between the company and the villagers. According to interviewees who are CSD members, they receive salary from Wanbao and report to a CSD supervisor in the Public Relations Department. The CSD members regularly meet with relevant government officials and seniors of Myanmar Wanbao, including the Managing Director – Mr. Geng Yi.

Although the CSD team was introduced for the purpose of ensuring CSR projects are driven by local people, it is still top-down and elite-driven. CSD team members are village leaders and may not always represent the poorest and most marginalized. When the CSD team was first established, the CSD members are either existing village tract administrators (*Ok Chok Yayhmu*) or those who are closely related to them. There is not enough research on the governance structure at the village level in Myanmar in general<sup>1</sup>, and there is no clear understanding on how village leaders are chosen across Myanmar<sup>2</sup>. What is observed at the villages surrounding the Letpadaung mine site is that ordinary villagers generally feel that *Ok Chok Yayhmu*'s do not represent their interests well, and look after only the interests of those with close familial and personal ties. Therefore, many are doubtful towards whether the CSD members have an interest in representing them and bringing their demands to the company.

*“When the CSD team started, some members were from the USDP party [the ruling military-backed party], some are Ok Chok Yayhmu’s” – CSD member, male, 62*

*“My family or I never bring our demands to the CSD member, because I think he was selected by the government, and we don’t believe him” – Clothes trader, 26, female, A Le Taw Village*

Reflecting this arrangement, the responses to the interview questions from CSD members and non-CSD members were divided. There is a clear division that the CSD members interviewed are supportive of the mining project and see benefits it brings to them, while non-CSD members expressed many grievances. Similarly, among the interviewees, only CSD members saw positive changes that improved their lives after the Letpadaung Investigation Commission Report, while most of the non-CSD members thought the changes visible to them (e.g. increased staff visits to their village) had not yet brought any meaningful improvement to their lives. Subsequent to the field research, Wanbao has ‘started having villagers themselves elect their own CSD members, this is making sure that the CSD members are more representative and more inclusive of all villagers and their needs (Myanmar Wanbao CSR 2013-2014: 20).

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<sup>1</sup> An exception is Kyi Pyar Chit Saw and Matthew Arnold (2014).

<sup>2</sup> It is known that the 2012 Ward and Village Tract Administration Law technically stipulates elections for village tract administrators, but there is no clear understanding on how they are actually chosen (appointed or elected) across Myanmar in reality, both before and after the passage of this law.

## Top-down communication

The pattern of top-down, elite driven communication is reflected not only in the structure of the CSD team but also how the public meetings were conducted. Several public meetings have been held to make announcements regarding the project and the ESIA reports, as well as to 'seek suggestions from the locals' (New Light of Myanmar, 2014). Villagers perceive that only village leaders and 'important people' were invited to the public meetings at the township level. Other villagers joined the meeting on their own initiative without invitation.

*"In the first meeting in October 2012, we could not make any demands, so we boycotted the second meeting. In the second meeting, a villager from Watt Mae complained about environment issues. The officials said they cannot stop the mine and villagers left the meeting. In the third meeting, the government didn't invite villagers who are active in demonstrations, but only those who are close to the authority, so we didn't go." – Teacher, 56, male, Tawkyang Village*

For a corporate, it may be the most cost-effective way to selectively communicate with people who can supposedly disseminate information and make decisions. These township meetings are organized in coordination with senior officials from Myanmar's Ministry of Mines and Environmental Conservation Department, who are likely the ones who host the meetings. Therefore, the decision about which stakeholders to invite to these township level meetings is likely not entirely at the company's discretion anyway.

While this kind of public meeting did not even occur before the demonstrations in 2013, and since then improved in quality gradually (with people feeling they can express themselves more openly), more could be done in terms of extending the invitation to a wider spectrum of stakeholders. This includes ordinary villagers, the media, and other concerned civil society and professional organizations from outside the village.

Apart from the public meetings, some day-to-day communications are also top-down and often stop at the level of local authority or the *Ok Chok Yayhmu's* of the villages.

*"Before the Report, no information was disclosed to villagers. After the Report, they passed information to some Ok Chok Yayhmu's and the police." – Teacher, 56, male, Tawkyang Village*

*"At the beginning of the mining project, Wanbao staff came to Ok Chok Yayhmu and informed them they are working on the mining project, but they didn't reach the (common) villagers." – Poultry farmer, 35, male, Aung Chan Si Village*

When it comes to smaller scale communications though, there are visible efforts that senior and operational level staff members initiate meetings with villagers. It is a noteworthy improvement that there are a number of staff visits at the monasteries and homes of ordinary villagers, which did not happen at all before the demonstrations. Most of the interviewees mentioned that Wanbao employees have visited them more than once at their villages. This is a good start, but is marred by problems of inadequate or inappropriate responses from the company.

## Inadequate responses from the company

Although most interviewees expressed they feel free to express themselves in public meetings or when company staff visit their village, one follow-up remark that all

interviewees who are not CSD members always added was that the company did not respond to their demands promptly or at all. This lack of follow-up action was noted by all of the non-CSD members who had a chance to voice their demands to the company staff<sup>3</sup>. A usual response from company staff to their demands was that they will 'report the issue to their boss', with no visible follow-up action taken. This gives villagers the impression that the engagement efforts through township meetings and village meetings are only 'for show', that the company staff 'only speak, but take no action', and that they keep breaking their promises. This perception weakens the already fragile relationship and erodes any trust there might be.

On the other hand, only one interviewee from the CSD pool expressed that the company staff did not completely follow up on some problems. This contrast again indicates that the vast majority of non-CSD members – common villagers who have no connection to power or village leadership, rarely see their demands fulfilled.

*"The staff came here twice and stayed for an hour each time. They listened to the demands of our village, but there was no action afterwards, so we don't believe them after that, and we don't want to go to the meeting anymore." – Housewife, age 50, Kyaw Ya Village*

*"We had some discussion about pollution with the liaison officer, but they said they needed to report to Wanbao seniors, and our requests were not processed. There has been no action from Wanbao. We wanted to tell them, 'if you don't have the power to make decision, don't meet with us again'". – Farmer, 51, male, Ton Ywa Ma Village*

While lack of responsiveness towards feedbacks is not unique but is a common complaint in many businesses, for Wanbao it could be a particular challenge if there is an internal lack of resources and expertise to promptly and professionally handle these requests. The team of staff handling the relationship with villagers, consisting of four Chinese and four Myanmar staff members, was only recently formed in 2013 after the parliamentary investigation, and may not have much experience in community development and handling villagers' complaints. However, many large mine sites, particularly those in developing countries or where there is a large indigenous population, have dedicated community development units or departments (Kemp, 2010:3). Development projects require a different set of skills from public relations. As Wanbao has only recently started this function, not to mention that it was started on the ground of damaged relationship with the communities, it is not surprising that there are many gaps, resentments, and much room for improvement.

Apart from issues of capability and experience, the bottlenecks are likely a result of the centralization of power in Myanmar – CSR activities need to be approved by a high-level official – the Sagaing region Chief Minister, who monitors and supervises CSR plans, and has veto power (Interview with Dong Yunfei, Admin Manager of Wanbao, Yangon 29 May 2015). There is also the fact that there is a division of responsibilities between the company and the local government that some villagers are not sympathetic towards. As Dong mentioned:

*"There are requests that exceed our capacity and are the responsibility of the local government. For example, after a constructed school is transferred to the local government, the government doesn't have the budget to manage. Therefore the communities still complain and do not sense the benefits that our CSR project brings them. The local*

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<sup>3</sup> 12 out of 15 non-CSD interviewees complained about the lack of follow-up action, the other 3 non-CSD interviewees have no channels to voice their demands at all or only want the project to stop, so it is not an indication of responsiveness.

*government also knows it is their responsibility, but they also blame the company” – Interview, 28 February 2014, Yangon*

Stakeholder engagement is not meaningful if the feedback mechanism lacks a downward response. Apart from the abovementioned reasons for such an inadequate responsiveness, there is a more fundamental problem underlying – a mismatch between what the company intends do with its CSR campaign and what the villagers really need. This brings us to the next fieldwork finding.

### **Misalignment between CSR efforts and villagers’ imminent needs**

From the CSR reports and websites of the company, one can easily find much information about the development projects Wanbao initiated, from building of schools and clinics, to health, water and sanitation. Wanbao’s blog states that ‘by the end of November [2013], the company has invested more than 1 billion Kyats [about USD 1 million] for 30-plus CSD projects in road repairing, school building, water supply system renovation, electricity facility installation, hospital construction and medical care for 33 project-impacted villages in the region to actively fulfill its corporate social responsibility’. It gives the impression that the company is indeed concerned about the well being of the villagers, but villagers’ complaints about inaction still abound. One of the reasons is because there is a misalignment between the benefits that the company stresses it will bring, versus the real needs of the villagers.

*“They talked about building schools and clinics, and microfinance project, but we don’t want these, we want the environment to be protected, because the acid destroys our farms. And we want compensations. But Wanbao staff did not give any information about the mine’s impact on the environment, nor did they ask us about the environmental problems we face” – Farmer, 55, male, Ton Ywa Ma Village*

*“We are not as concerned about schools and hospitals, job opportunities is the higher priority for us. Most of the time, we only demand job opportunities (when Wanbao staff come to meet with us).” – Male, 52, farmer, Kyauk Pyu Daing Village*

Schools and hospitals do not solve the immediate needs of the villagers. After the farmland and water sources have been either taken away or polluted, their immediate concern is their livelihood; how they can continue to make a living. Corporate charity efforts that ‘repair with the right hand what [they] ruined with the left hand’ (Zizek, 2009) are proven again by this case to be insufficient and fundamentally inappropriate. The company does try to mend the situation by giving two percent of its profits per year for development projects, presuming that they will ease grievances, but such offset mentality does not work.

This is not to say that development projects should be scrapped – some villagers do express that they do not have enough electricity and need funding for it, but these development projects alone are insufficient to ensure the well being of the villagers are minimally affected by the mining project. Wanbao promises job opportunities in proportion to the amount of land lost per household, but it has not yet been able to provide as many jobs to fulfill this promise<sup>4</sup>. Social accountability requires the extractive project to be concerned with villagers’ needs from the early planning stage of the project. Now that the Letpadaung copper mine

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<sup>4</sup>Subsequent to the field research, Wanbao also introduced a ‘compensation plan’, whereby annual contribution payments of USD 70-160 per month per land-lost person will be made to all the land-lost villagers. This is in addition to the previous land compensations and subsidies that Wanbao contributed (Myanmar Wanbao CSR 2013-2014: 58). The responses towards, and impact of, this kind of handouts are yet to be determined.

project has already started without considering these issues, development projects alone will not ease villagers' grievances, as they do not solve problems of environmental degradation hence livelihood erosion.

There is no doubt that the company puts in efforts in the development projects, and even consult villagers about their demands regarding these projects. **Stakeholder engagement has visibly increased after the Investigation Commission Report in 2013. However, it also takes an overall responsible mining model for the findings of stakeholder consultation to translate into solutions feasible for the company to carry out. If the company's current business model, structure, resources, and capacity can only entertain development projects such as schools and hospitals, as well as monetary hand-outs, findings from stakeholder consultation will not generate much improvement on the lives of the villagers, nor will they mend the relationship between them and the company.** Improvements will be seen only if the company business model is transformed to incorporate social accountability as its priority.

This leads to cases of active non-cooperation with the company. Some (though not all) villagers express defiance towards whatever livelihood program the company suggests. Even when meeting face-to-face with company staff about CSR projects, they insist in termination of the mining project. Political activists leverage on these sentiments and continue to mobilize protests among villagers, who even kidnapped a few Wanbao workers in May 2014. Faced with such resistance that ranges from latent non-cooperation to open defiance, stakeholder engagement is challenging and sometimes does not enlist support as wished. There is a prevalent feeling among villagers that the CSR projects are merely a way to lure them to accept the copper mine project and the compensations allocated to them. Important as it is to garner support from the communities, stakeholder engagement should not be a way to lure support towards corporate goals and directions. Stakeholders are to be respected, not manipulated.

## Conclusion

Wanbao actively and remarkably tries to salvage its image by opening a number of public engagement channels and investing in community development projects. While yielding some initial results, there is a long way ahead to reverse the damages done in the past and people's trust towards the corporation.

Several issues have been identified above, but an important point to note is that the course of stakeholder engagement action that Chinese companies, or any other foreign investors, can choose is heavily determined by the local political environment, its contingencies and restrictions. Decisions regarding which stakeholders to invite to public meetings, what level of information to disclose to the public, which village representatives to include in the CSD team, which community development projects to fund, are all by no means at the sole discretion of Wanbao. This issue of local governance is entangled with politics within local authority.

Furthermore, under the Letpadaung Production Sharing Agreement, 'the Government is responsible for all consultation with the community and UMEHL is responsible for all elements associated with land acquisition, compensation and resettlement' (Knight Piesold Ltd, 2013:4). For this Letpadaung case, contractually speaking, Wanbao has no responsibility over compensations and resettlement. Although it nonetheless continues to engage with local communities, it is at the mercy of the Myanmar government and its military-owned

counterpart (UMEHL) in terms of how these arrangements are to be made. The Myanmar state's inadequacies and instances of corruption often contribute to villagers' grievances.

Bringing the focus back to Wanbao's initiatives, it has strengthened its public engagement approach, although there is much room for improvement in terms of deepening and broadening the spectrum of stakeholders. As discussed, the CSD team was first established with members who are village leaders or those close to them. For the company, engaging with 'local elites' already ticks the box of engaging with 'local people', and it can claim that it engages with the local, conveniently neglecting the fact that many local elites are not concerned about the needs of who they are supposed to represent. In some cases, they are even perceived as representatives of the company rather than the villagers, or worse, yet another wall that blocks communication between them.

The second important gap identified is misalignment between the CSR initiatives and villagers' imminent needs, which at least partially explains the inadequate responses by the company to villagers' demands and complaints. With the relationship marred by past disputes and mistrust, many villagers now 'just want the project to stop' and are not receptive to any other solutions Wanbao offered – be it microfinance or capacity building for small businesses. It will be a difficult journey to win their support for the mining project or any associated CSR activities. With that having said, Wanbao management and the whole industry should re-evaluate what kind of CSR programs actually work. Offset mentality where one destroys first and repairs later will not rebuild trust and support that were eroded in the first place. Challenging though it is, it is time for company and industry leaders to reflect on their existing business structure, resources, and capacity to incorporate CSR into the business model, rather than treat it as a side philanthropy project or image campaign.

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