

NGO Learning Circle  
on NGO Engagement  
with the Private Sector  
on an Agenda to End Poverty

Case Studies

**Canadian Council for  
International Co-operation  
Policy Team**

**June 2000**

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# CCIC Learning Circle on NGO Engagement with the Private Sector on an Agenda to End Poverty

## Case Studies

### Introduction

On November 1999, CCIC launched a Learning Circle on “NGO engagement with the Private Sector on an Agenda to End Poverty”. It included two workshops that built on each other and some research tasks during the intervening period. In the context of the learning circle the word “engagement” is used to refer to a variety of approaches NGOs are using to influence and change corporate behaviour and to promote corporate accountability, from confrontational advocacy to dialogue, strategic alliances and program partnership.

During the first workshop participants agreed on the following three forward-looking areas for further research: a) the complex relationship of accountability and ownership of strategies; b) the inter-play of different NGO's strategies and point of leverage and c) the impact assessment of the strategies used. To nurture Learning Circle's discussions and learning during the second workshop, three preliminary case studies were developed during the intervening period.

The three studies cover different strategies used by NGO when they engage with the private sector. *Save the Children and Greenstone* is an example of a potential program partnership in the extractive sector based in the South (Nicaragua) with Canadian NGO involvement. The object of the collaboration was a community development plan to be funded through CIDA and local funds, along with private sector (Greenstone) money. However, due to financial problems Greenstone left the country and the project was never realised. This case study examines the role played by CIDA, and how, under certain circumstances, the different strategies NGOs used to engage a company can be counterproductive and undermine their efforts to make the company more corporate accountable.

The *Ethical Trading Action Group (ETAG)* is an example in the apparel industry in Canada of advocacy through a partnership of NGOs. The partnership sought, but up to now has failed to realise, a Code of Conduct in the North (in Canada), with implications for Southern groups. This case study permits the examination of a campaign, taking place over a short and recent time period, and the efforts of a coalition of different groups—churches, labour and development groups—to keep various forms of engagement with the apparel sector at the same time. One particularity of this case is the examination of the role of a third party, in this case the Canadian government (DFAIT), who facilitated the process of negotiation of the Code.

*Placer Dome in Marinduque (Philippines)* is an example of a sequenced advocacy and partnership in the extractive sector where the company sought partnership in response to advocacy activities from NGOs both from the North and the South. The research highlights the differences that emerge in the engagement strategies of Canadian NGOs towards Placer Dome, which became more complicated when the company offered to put funds in place for a sustainable development program in Marinduque and to channel these funds through NGOs.

The case studies were developed through both documented research and a series of guided, recorded interviews with key informants from the NGO community (both in the North and in the South), the corporate sector and third parties, if the latter played an important role in the case. For reasons of confidentiality the names of the people interviewed are not included in the sources of the case studies. The information obtained was put together in a format that would allow Learning Circle participants to foster the discussion and analysis.

Authors of the case studies used different approaches when writing them up. However, all three case studies use the following three common sections:

- i) A background section that provides a summary of the strategies used by the NGOs involved or the identifying milestones in its development;
- ii) Perspectives from the different key actors regarding the issues of accountability/ownership, synergy of strategies and leverage and the impact of the strategy used; and
- iii) A conclusion where the writer provides some reflections or insights on the issues raised through the case study that could help fostering the learning circle discussion.

Save the Children-Canada  
and Greenstone Resources in Nicaragua

A Case Study

Madeline Lunney

May 2000



# Save the Children-Canada and Greenstone Resources in Nicaragua A Case Study

## 1.0 Background

In 1995, Toronto-based Greenstone Resources bought the concession rights to 70% of mining areas in Nicaragua, including a 5000 sq. km. area of the mining triangle in the North Atlantic Autonomous Region (RAAN). The concession takes in three towns: Siuna, Rosita and Bonanza. These towns constitute 38% of the RAAN's area and 50% of its population. The population is multi-ethnic, including the Mayangna indigenous group, as well as Creoles and Mestizos. 60% of the region's population is under 20 years old.

This mining sub-region is rich in forest and mineral resources, with the largest tropical rainforest in Central America. However, historically it developed as an enclave community to service the mines and currently it is one of the poorest regions of the country, with unemployment at 90%. The majority of the population is engaged in subsistence farming, artisanal mining and forestry activities. Greenstone invested \$80 million in its mining operations in Nicaragua, making it the country's largest investor at the time.

In August 1996, the RAAN was severely affected by Hurricane Cesar. With four other NGOs, Save the Children Canada (SCC) - Nicaragua formed a program committee to monitor reconstruction efforts and to discuss other possible initiatives for the Atlantic Coast. The organization had 18 years of experience in Nicaragua, but was not yet working in the mining triangle.

## 1.1 Brief History of the Save the Children-Greenstone Relationship

### 1996

- ❖ Reports by environmental groups and in the Nicaraguan press harshly criticised Greenstone Resources for polluting the environment with its cyanide-based gold extraction process.
- ❖ The Canadian Consul met with Greenstone representatives to propose options for improving their image in Nicaragua. Officials from CIDA's Office of Canadian Co-operation (OCC) facilitated meetings between the community and the mining company.
- ❖ The company pledged money for a social fund for improvements to the communities. The Canadian Consul encouraged Greenstone's Chairman of the Board to speak with SCC representatives in Nicaragua and consider channelling funds through SCC.
- ❖ Exploratory meetings between the OCC, Greenstone representatives and SCC led to community consultations. SCC proposed that OCC and Greenstone jointly fund a needs assessment in the communities of the mining triangle.

## **1997**

- ❖ A needs assessment was conducted through a local NGO. The objective was a community development plan that would be funded through CIDA's children's fund and local counterpart funds, plus money from Greenstone.
- ❖ As a result of the needs assessment, SCC developed a proposal designed to promote institutional strengthening among area NGOs and local government officials.
- ❖ Long-term outcome would be the communities' autonomy from the mining company, more diverse sources of income and increased technical expertise in program design.

## **1998**

- ❖ The social fund was on hold because, according to Greenstone, it was not yet making a profit on mining operations in the area.

## **1999**

- ❖ A local environmental NGO, the Humboldt Centre, released the results of soil and water samples indicating cyanide and copper concentrations far above acceptable limits at Bonanza. It charged Greenstone with contaminating the local environment, putting people and livestock at risk, and undermining the local economy.
- ❖ Greenstone stock had fallen from a high of \$22 in 1996 to around 15 cents. The company began to sell off its assets in Nicaragua and recalled its foreign staff.

## **2000**

- ❖ Greenstone ceased trading on March 13 and closed its Toronto offices shortly thereafter.
- ❖ SCC has made use of the original needs assessment in funding proposal for the region.

# **2.0 VIEWS OF PARTICIPANTS**

## **2.1 Type of Engagement/Strategy Used**

Save the Children Canada (SCC) looks at the private sector in trying to diversify sources of funding and viewed the relationship with Greenstone as an opportunity to access funding for its program in Nicaragua. There were many questions because of the nature of mining, but the Nicaraguan office was "willing to explore the possibility as long as Save the Children could exert a high level of control over that process." For example, the organization would insist that more than half of the funding for an initiative such as the needs assessment come from a source other than the company. For Save the Children, the relationship with Greenstone was not so much a partnership as an experiment in fund diversification.

Investment in infrastructure and community development is required of foreign companies in Nicaragua. Greenstone initially felt it lacked the capacity to administer the funds. It became evident that a knowledge-based organization like SCC was needed to follow up with ideas for projects. SCC in Nicaragua emphasised that the process was designed so that Greenstone could not dominate. The model was to “break up the company town mentality” by giving the company one vote and one seat at the table, along with community representatives. The relationship was promoted by the Office of Canadian Co-operation because of Greenstone’s status as a Canadian company and the largest foreign investor in Nicaragua.

Another strategy was “not to enter the process alone”. SCC had been working with its partners in the Emergency Program, and later the needs assessment involved 18 local agencies, along with municipal representatives, clergy, farmers’ organizations, women’s groups, environmental organizations and local activists. Therefore, the organization presented a united force when dealing with the company. However, SCC revealed that due to historic mistrust and lack of consultation, many community-based NGOs were reluctant to advertise to their constituents that they were collaborating with Greenstone.

SCC in Nicaragua worked on the assumption that “international co-operation is changing . . . the money is not flowing in ... we need to open ourselves up to experimenting, but none of our counterparts could do it openly. A Nicaraguan organization would have exposed itself to pretty severe criticism.” The organization used the committee as a sounding board once it had established that the community wanted to move forward. Increasingly the committee consisted of local people, rather than the Managua-based NGOs. Along the way a few groups withdrew from the committee and took a more critical position with the mining company. They were more openly critical of Greenstone, but did not engage the company.

SCC staff explained that they “took their time” in approaching the partnership with Greenstone. Partnership with a mining company was a delicate matter, given the history of conflicts and the environmental degradation left in the wake of previous mining operations. For SCC, the purpose of the needs analysis was to “buy time” and look at the way that Greenstone conducted itself.

The relationship was characterised by a report from the OCC, which initiated the contact, as one of “comparative advantages to fulfill mutual interests.” SCC presented proposals to various funders. Its work in the community was not limited to the relationship with Greenstone. However, the OCC said, the relationship was a way to maximise resources. According to OCC officials, the relationship was beneficial for their office as well because it meant they would be less isolated, more aware of what was going on at the community level.

There were a number of difficult moments in the relationship, SCC staff revealed. Early on, it was clear that the company was not going to make a lot of money at the mine. Because there were financial problems at Greenstone, the second wave of managers was more interested in “giving out baseball caps than in pursuing the areas identified in the needs assessment.” They went on to make other contacts at the Ministry level and they stopped seeing SCC as instrumental in delivering community programs. They created their own interventions based on “successful models” that had worked in Venezuela. It had always been difficult to establish a direct line of accountability with the mine managers, but now the company said it had no funds and no time to invest in the community relationships. SCC decided it was no longer worth pursuing the process and the committee was dissolved.

SCC explained: “[Greenstone’s] interest was more in getting good publicity because they were under attack due to environmental concerns. Since [Save the Children] wasn’t interested in playing the role of supporting Greenstone publicly or being vocal about our involvement . . . we weren’t going to speak in the press about Greenstone when they hadn’t really done anything yet... weren’t going to defend them against the environmental groups that were criticising them.”

For the former Chair of the Greenstone Board, the relationship was initiated because of his personal interest in Save the Children. The company’s officers sought to improve relations with the community, believing that this was in their best interest. He commented on the “desperately poor conditions” in Bonanza and said that, in his opinion, organizations should concentrate their efforts on children. He acknowledged that there had been no mechanism in place to institutionalise the relationship between Greenstone and SCC. Therefore, when a change in personnel took place, SCC was in the unfortunate position of having to sensitise company executives all over again.

Regarding alternative strategies, another SCC staff member explained that “As an organization we have not done a deep analysis of our engagement [with the private sector].” In Peru, the organization is looking at the difference between fund raising and program development, the latter allows for private sector investment for mutual benefit. In Peru they have created Save the Children Inc., which will provide services, possibly to the mining sector. She explained that “[Save the Children works] to be able to offer the private sector the opportunity to invest in good programs, but we have not yet developed a written strategy on the criteria for engagement... If it can benefit children and we can do something positive, we are willing to explore it.”

A representative from the company stated that he believes “companies from a first world country should reach out beyond immediate operations and do something in the community” when operating in developing countries. For him, it was “conceptually helpful” to be able to link up with a Canadian NGO. Unfortunately, he commented, they “were overtaken by events”. While “it was clear that the company did not work as hard as [it] might have done on the public relations side”, it could have been a useful partnership for all involved had the company not run into financial difficulties. He remains convinced that “while a private company can’t take over the social responsibility of government, it should help local governments” and contribute, where possible, to alleviating poverty, especially among children.

For Southern representatives, the critical issue was to represent the interests of their constituents, which ranged from exploring the possibilities for funding small projects to forwarding specific agendas, as was the case for the small miners’ union. The miners’ union viewed the consultations as an opportunity “to benefit from the knowledge of other organizations.” Regarding engagement with the company, they were sceptical, doubted that the company was sincere and concerned that they “didn’t know everything about the company.”

For representatives of the Ministry of Health, the community consultations provided an opportunity to make people aware of health issues and the extent to which these are common throughout the region. One community member stated that she “wouldn’t be against working with private enterprise. [The Ministry of Health’s] mandate is to address health issues. But it’s really the responsibility of everyone: individuals, families, all of the State organizations, as well as the private sector. We have to manage information and participate in finding solutions.”

Community representatives were well aware that the company sought to improve its public image. Most people felt that the end result of Greenstone's contribution had been positive, but very small compared with what was promised and what was needed. Some Southern informants spoke of concrete improvements in the community and almost all were very positive about the capacity building workshops. One local official reported that he appreciated being given time to consult with the communities, and spoke of the benefits of capacity building for his staff.

Another community leader commented on the scale of collaboration among the various organizations and municipal governments: "We were putting together projects for the integral development of the community but we didn't have the support necessary. There are some NGOs who have abandoned their work and left the area." He spoke of the frustration felt by community members after investing six months of work in the community consultations, only to find that Greenstone had withdrawn its support.

For an informant who used to work with the Ministry of the Family in Rosita, the process became a locus of community organizing for women, who were empowered to elaborate and present their own projects. Through participation in the consultative needs assessment, communities were encouraged to conceptualise and discuss shared concerns. She saw the process as a good beginning, but stated that the problem was lack of sufficient resources to meet community needs. She insisted that there needs to be more investment in the RAAN and that all kinds of organizations and private companies would be welcome to consult with the community on possible projects for mutual benefit.

SCC representatives stated that they had been able to build relationships with community organizations. They believe it is important to try to experiment. The process strengthened Save the Children's presence in the area. In the end, Greenstone contributed very little money to the community, but it did fund the needs analysis and a portion of the capacity building workshops. Ultimately as a result of proposals based on the needs analysis, SCC now has a program budget of \$US1.2 million that it "wouldn't otherwise have." These funds are being used at the community level to address needs identified in the original community consultations.

## 2.2 Complex Relations of Accountability and Ownership of Strategy

Generally, Southern informants agreed that community members had a voice in deciding priorities to be discussed within the needs assessment and town hall discussions. However, this was more apparent vis-à-vis SCC. One Southern community leader stated that there had been no relationship with the company. Another expressed dismay that Greenstone had not been "more honest about its expectations."

Another civil society representative referred to the process as being akin to venturing down a road without knowing one's destination. He charged that the communities were not adequately informed of Greenstone's problems and were therefore unprepared when the process was cut off and the funds were not forthcoming. He stated that SCC could have communicated more effectively and "should have been more open about the process." "The communities did not receive the support necessary to continue the process of organizing and planning that was set in motion by the consultations. There were many projects that were never approved. In this respect the objectives were never clear and were set by other actors."

In order to ensure accountability toward the affected communities, the needs assessment was carried out by a local NGO and government agencies and civil society groups were invited to take part. SCC emphasised that every decision was made with the participation of the community. SCC had a “foot in the door” with the NGOs, which had a history in the region and could trade on that trust built up with the community. None of the Southern representatives believed that their organizations had to make compromises or surrender autonomy in order to participate in the process.

SCC felt it had exercised transparency in its dealings with the company on behalf of the community partners. SCC staff also spoke of efforts to keep other NGOs working in the area informed of their activities.

Later, SCC felt that some Canadian NGOs, reacting to misinformation about the nature and level of Greenstone’s participation in the community processes, had failed to support the initiative in the mining triangle. It was felt that there was little support for experimentation in terms of engaging the private sector. Engaging with a mining company was very controversial and, rather than contacting SCC, other organizations were quick to criticise.

SCC believed it was able to avoid being manipulated and constantly monitored the company’s financial situation. There was a coincidence of interests and strategies with the first group of people. That coincidence was not there with the new group of officers. The flow of information was cut off along with the funding.

A Former Chief Operating Officer stated that the Greenstone considered itself accountable to the Nicaraguan government as well as to Canadian investors. When Greenstone went into a community it assessed what had to be done “on the social side”. The company “wanted to show social responsibility” and that “it was easier to deal with an NGO than work through the government.” The funds for community work usually came from Greenstone’s profits, but the company never made a profit in Bonanza, he said.

Because Bonanza was a large region and the need was so great, the company made use of SCC’s expertise to identify how to work there. He explained that “typically in remote locations with finite populations it’s important to get involved.” In the past, the company “picked up the tab for everything,” concentrating on health and nutrition issues for mine workers and their families. Historically the mining companies located their operations away from settlements and basically built the community. The people living in the communities were people the mining company brought in. The population growth in places like Bonanza “has an impact on services” and necessitates a change in strategy to ensure that employees are productive.

Greenstone saw SCC as an initial interlocutor. In response to the question about whether Greenstone had met its objectives for the partnership, the company representative stated that “there had been some positive outcomes” and that staff of the current mining operation in the same communities continued to work with local people.

## 2.3 Synergy of Strategies and Points of Leverage

SCC had 18 years of experience in Nicaragua and was aware of the unique issues confronted in the Autonomous Regions. SCC staff believed they had good relationships with other Canadian organizations in the region and local NGOs, and were aware of these organizations' mandates and activities.

SCC said it attempted to engage other NGOs working in Nicaragua. There was a lot of divergence of views among Canadian NGOs. A SCC informant commented that sometimes "Canadian NGOs take away the community's voice because we have our own perspective on how things work but we fail to see that people's main concern is survival and if they think that something positive can come out of a relationship with a mining company, despite the fact that they know that mining companies do all kinds of negative things, they're willing to sit at the table and see whether they can negotiate."

SCC acknowledges the need to address macro-economic and political issues in terms of addressing poverty and does advocacy on specific issues. SCC is moving toward defining its role in advocacy.

A SCC informant commented that "working with resource companies is very difficult because of the nature of what they do. Having said that, NGOs have to diversify their funding sources. We need to develop criteria around how to engage with the private sector . . . If we feel that a company is really committed to negotiating fairly and is willing to legitimately reflect our values, we're very open to sitting down with them." But this thinking hasn't yet been captured on paper.

During the time that SCC pursued its relationship with Greenstone, the miners' union was also negotiating with the company for the right to prospect for ore on Greenstone's concessions. The artesanal miners had previously been allowed to mine on the periphery of the concession. Greenstone prevented them from starting their own union and limited their access to the ore.

An environmental organization in Nicaragua continues to monitor the water and soil quality in mining areas and to lobby the national government against more permissive mining legislation that would give the government unprecedented powers to grant concessions at the expense of local governments and autonomous communities. Representatives of the organization participated in some of the community consultations with Greenstone.

Their perspective is that an organization such as SCC that is known for promoting "human rights and children's development" should not have accepted funds from Greenstone. An activist with the Centre saw the relationship as a way to promote the company. In her opinion the national government should have acted as the mediator in the conflict between Greenstone and the community. Here she referred to the miners' negotiations and the charges of environmental contamination that has polluted water and soil, and threatens the health of community members and livestock.

The organization is lobbying to get the national government to accept responsibility for the social and economic development of the zone and some community members saw the project with SCC and Greenstone as interfering with this work. However, the former mayor of Bonanza,

now working at the environmental organization, said that under the right conditions it might be possible to effectively dialogue with the mining company. He spoke of support for the community consultation process in principle.

## 2.4 Impact Assessment and Monitoring

The answer to who benefited most in the relationship differed among informants. Overall, it was agreed that there had been positive impacts, although Southern representatives were disappointed that some of the benefits hoped for never materialised.

Representatives of Southern organizations were generally pleased with the capacity building process, but a few local officials commented that there had been insufficient support for taking the initiative further. The needs are great, they explained, and the community had an expectation that more projects would be funded. One local official said he believed there should have been written commitments at the outset and suggested that the coalition had been unsuccessful in pressing for more project funding because there had not been a lead organization at the local level.

One health professional praised the focus on the participation of civil society in proposing solutions to collective problems and said that the benefits were most evident at the level of the participating community groups.

Whether because Greenstone didn't "do enough promotion of its efforts" on behalf of the community, as stated by a company representative, or whether the company's problems simply outweighed any positive actions, no one interviewed believed the relationship between SCC and Greenstone had significantly strengthened its global corporate position.

When asked whether things had changed for mining companies a former Greenstone official said "the pressure causes you to think more about your actions" and noted that the pressure came "more from the outside than from inside the country." As to whether the partnership with SCC had changed his own outlook on social responsibility, he stated that he believed it was important for companies to assess the needs of the community and that, depending on the size of the community, he would be willing to recommend partnering with an NGO again in the future.

One civil society representative expressed frustration over the SCC-Greenstone relationship and suggested that the time and resources devoted to developing this were wasted.

SCC "didn't get a lot of money, but did what [it] wanted to do anyway." And "felt it was a win-win situation" because the organization was able to proceed with the needs assessment. "In the traditional mining company model," explained SCC, "their idea of social programs would be baseball caps, sewing machines. But our idea was to get to know the people through the needs assessment." The organization effectively used the process to build relationships with local municipal governments. It is now working more with numerous community groups in the RAAN. SCC stated cautiously that it would pursue the relationship again, despite the difficulties. There were few trade-offs and it is important to innovate and diversify in order to better serve the community.



### 3.0 Conclusion

Some community representatives were willing to consider working with the private sector “if the company is sincere in wanting to assist the community.” To that end community groups could buy some time working with SCC and observing the process of engaging with Greenstone. However, as this process was cut short, the lessons learned in terms of private sector partnerships were never fully developed.

It seems clear that some representatives of civil society wanted to dialogue with the mining companies in order to explore partnerships, access funds and make demands on behalf of their constituents. One representative commented that “this was democracy in action.” Therefore, SCC saw themselves as acting on this imperative from the community and believed that they would be able to maintain transparency and some distance in terms of allying themselves with Greenstone. Nevertheless, it is clear that not all community members were willing to dialogue with the company. How does an NGO in this situation serve the community without alienating other activist/pressure/lobby groups?

Clearly it made sense to include local organizations and municipal officials in the committee discussions and needs assessment. But it appears that some stakeholders had unmet expectations about their roles, or the roles of their organizations, in the projects that would have been generated if the funding from Greenstone had been received. Whether this was true at the time, or reflects changing perceptions over the last few years, is not certain. It seems that some community organizations associated SCC very closely with the company in terms of the failure to secure funds for the projects proposed after the capacity building workshops.

In its 1998 Annual Report, Greenstone stated that it believes that building relationships with communities in the mining areas is good business. In NGO-type language laced with paternalism, it boasted: “Our approach is to partner with the community on social programs that improve the quality of life. Providing communities with direct partnership in decision-making ensures that real needs are met and that local organizations learn to take responsibility for their own development issues.” Community members countered that the social programs included road repairs the company made for its vehicles, newsletters, “silly things” like baseball caps and company newsletters, and planting trees with no economic value.

In a 1999 article in *America’s Update*, Carolyn Bassett observed that “there are two key problems associated with Greenstone’s approach to environmental responsibility. The first is that aid projects that restore some small portion of the ecological balance in a region where community health has been severely eroded by mining and logging are no substitute for strictly adhering to appropriate regulations in the first place. The second is that the aid projects have not been based on sufficient consultation to determine the needs and preferences of the local communities.”

Save the Children had sought to counter this lack of consultation. However, soliciting funds from a company like Greenstone raises a variety of difficult questions and contradictions. The obvious concerns are doing the company’s public relations work, lending it greater legitimacy in the community, being co-opted or interfering with the activities of other organizations. At a fundamental level, there is the question of whether to engage the private sector to “partner” in community development at all. SCC stated that it would likely have done the needs assessment without Greenstone’s support.

A SCC staff member commented that she used to tell Greenstone that “if it raised salaries the company could do more in terms of the development of the community than with investing the same amount of money in a community program . . . Maybe the private sector wouldn’t need NGOs as much if they were more fair in their labour practices.”

The question of who monitors the company’s activities is key. SCC stated that it participated in the partnership because it was confident that the communities’ needs were being addressed. The mining practices of Greenstone were not discussed in the context of the community meetings because it was expected that the company was operating according to national and international standards. However, a consultant’s report for the Office of Canadian Co-operation declares that through the trilateral project “Canadian mining corporations have learned how to implement more modern, humane and environmentally friendly mining practices which take local populations into consideration.” In fact, the company’s mining practices were never part of the equation.

Although an informant at the OCC asserted that mining companies (like Triton, for example) now go above and beyond what is required by law, it is obvious that Greenstone believed its obligation was only to the minimum standards, and at times its activities fell short of those. Environmental groups in Nicaragua, supported by groups in Canada, want to force Greenstone to compensate the RAAN communities for environmental damage that has polluted water and soil in the area around the mines, and put the health of people and their livestock at risk. But now that the company has ceased operations in Nicaragua and Canada, where do they go to demand this compensation?

There are contradictions and dilemmas for all the actors involved. A number of these were raised during interviews: SCC pointed out that local people were not involved in the environmental campaigns against Greenstone. Campesinos from other countries were invited to the mine. How do the environmental groups conduct campaigns without alienating those who depend on resource extraction for their livelihood? For local officials, the mining sector is problematic because it is one of few sources of income in a very poor area. Demanding the closure of the mines could be an unpopular stance. Municipal officials spoke of efforts to enforce the region’s autonomy and control over resource concessions and the fact that the money Greenstone paid in taxes, a portion of which should have gone to the municipalities in the RAAN, was distributed at the discretion of the national government. How can the communities effectively lobby the government for their share of these funds while pressuring foreign companies to invest further at the local level?

Local critics argue that foreign companies easily co-opt or control officials from the Ministry of Natural Resources, whose trips to the coast were often financed by the mining companies. Government officials have no resources and laws are not enforced. Operating in the Autonomous Region of Nicaragua should have meant that Greenstone was answerable to the indigenous communities. However, Save the Children, the municipalities and other actors accepted it as a legitimate presence in the mining triangle.

SCC did not have high expectations of Greenstone because early on company officials stated they didn’t have enough money. However, community members had higher expectations because of the apparent wealth of the company (In Bonanza, the foreigner managers lived on a hill above the town, with electricity and running water - in scarce supply in the town - and rarely interacted with the local community.), the consultative process undertaken and, perhaps, the participation of the Office of Canadian Co-operation.

A SCC staff member in Nicaragua mentioned that she is now more sceptical about private sector partnerships, but continues to be open to the directions of the community. SCC did an evaluation of the relationship with Greenstone along with community partners in Siuna. People are deciding whether they will approach the new owners of the mine there, who are Nicaraguan. The consultant who carried out the needs assessment is adamant that civil society is growing in strength and capacity in the region and that the fact that there are so many actors with different perspectives on the Greenstone experience illustrates this.

It was generally felt among those interviewed that the majority of corporations probably wouldn't change their activities to be more in sync with the agenda for corporate social responsibility. One informant stated: "My expectations are as minor as ever . . . NGOs are starting to talk a little bit like the private sector, but the differences are still significant. . Making money for your stockholders is still the bottom line."

However, if there existed the possibility that the company could be pressured into making a commitment to the development of the zone, the idea was that the local organizations should have the opportunity to negotiate. Given these groups' orientation to the needs of their members, this could have contributed to the agenda to end poverty. The community was clearly interested, but a genuine opportunity to pressure the company to change its operating principles and values never materialised.

One of the Southern informants summed up the problem with "How do we change the paradigm that those who invest capital are the only ones who benefit?"

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Staff of Save the Children in Nicaragua and Canada  
Staff at CIDA's Office of Canadian Co-operation in Nicaragua  
Current Consul (Office of the Canadian Embassy) for Nicaragua  
Representatives from an environmental NGO operating in the mining triangle  
The consultant who co-ordinated the needs assessment with a local NGO  
Five community representatives who participated in the  
committee discussions and needs assessment

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ETAG  
(Ethical Trading Action Group)

A Case Study

Jamie Swift

May 2000

# ETAG

## A Case Study

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"The tension that has always prevailed within capitalism between monopoly and competition, between centralization and decentralization of economic power, is being worked out in fundamentally new ways capitalism is becoming every more tightly organized through dispersal, geographical mobility and flexible responses in labour markets, labour processes, and consumer markets, all accompanied by hefty doses of institutional, product and technological innovation."

– David Harvey, *The Condition of Postmodernity*

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### 1.0 The ETAG Initiative: Review of History and Strategy

The Ethical Trading Action Group (ETAG) has been an effort by Canadian NGOs to promote fair and ethical employment practices in the South. The NGO strategy has involved advocacy and dialogue, focusing on Canadian-based retailers, contractors and sub-contractors in the apparel and footwear sector and related consumer products industries. The immediate goal has been the negotiation of a Canadian base code of labour practice for these industries.

ETAG emerged from the efforts by Canadian NGOs to promote economic justice in a labour intensive industry undergoing significant locational shift. These changes reflect broader changes in the geography of global production. This effort brought together a coalition of development, labour, religious and community organizations around the issue of sweatshop working conditions both at home and abroad.

The coalition took shape before negotiations over a code of labour practice began and remain intact even though these negotiations broke down in the spring of 2000. It undertook its activities against a broader international background, with Northern and Southern activists advocating a fairer, more ethical system of international trade. This campaign has been accompanied by a struggle with the meaning – and application – of the various codes that would provide a way to assess whether particular corporate practices are, indeed, fair and ethical.

The coalition's strategy has involved:

- ❖ support for worker organizing in the South and the North through a Canadian campaign aimed at raising the profile of sweatshop labour
- ❖ pressuring retailers and manufacturers to respect worker rights in the South and to agree on minimum labour standards there
- ❖ mobilisation of citizen-consumers in the North to advocate worker rights both South and North by broadening the coalition of Canadian organizations active on issues of ethical trading and corporate accountability
- ❖ networking with Southern groups, sharing information and analysis on code initiatives
- ❖ ensuring that Canadian activity has meshed as smoothly as possible with Southern advocacy and organizational work around issues of labour rights and just working conditions
- ❖ pressing Canadian governments for proactive policy and legislative approaches that would make retailers and manufacturers more accountable for harsh sweatshop practices South and North

## 1.1 Background

ETAG's work has its roots in the recognition by Canadian NGO activists of what has been called the "Global South," specifically that sweated labour was not confined to offshore free trade zones and maquiladoras. Campaigning for fair wages and working conditions for home workers and contract shop workers in Canada has strengthened links with Canadian trade unions. This alliance was part of broader connections between Canadian groups concerned with social justice internationally and the country's labour movement. These links (both institutional and personal) matured gradually over the course of at least two decades of liberation support and solidarity work. They are tighter than those in the United States, where the mainstream of the labour movement was emerging more slowly from the Cold War chill that often tainted its overseas relationships, particularly with its Latin American counterparts.

By the mid-nineties concern over sweatshop conditions in the South had resulted in specific campaigns focusing on high profile brands and retailers. The Canadian Catholic Organization for Development and Peace co-ordinated a campaign around Nike that was subsequently co-ordinated by the Maquila Solidarity Network. The MSN, together with the Union of Needletrades, Industrial and Textile Workers (UNITE) focused on the GAP. Both firms are instantly recognisable to the mass of consumers. Both typified capital's shift to flexible accumulation – corporations have moved away from direct control of production, concerning themselves with "sourcing" production of physical goods (in this case shoes and apparel) from outside contractors while concentrating on the production of images and instant recognition.

The Toronto-based Labour Behind the Label Coalition took shape in 1996. It included development, religious, community and labour organizations, many of them national. The Coalition's work on domestic sweatshop issues has included a Wear Fair Charter for fair treatment of garment workers, publicity (including sweatshop fashion shows) exposing unfair labour practices, as well as campaigning against intransigent companies while dialoguing with those that respond positively to Coalition initiatives.



In October 1997, the Coalition joined with a wider group of labour, religious and citizen organizations, starting a Citizen's Petition that called on the federal government to launch a national task force on sweatshop abuses. The proposed task force would have included retailers and manufacturers as well as Canadians concerned about how their clothes were produced. Within eight months the petition had gathered some 30,000 signatures and the support of 200 organizations. Several major retailers, threatened by shareholders actions from the British Columbia Federation of Labour, agreed to support the task force. In June 1998 the retailers' umbrella group, The Retail Council of Canada (RCC), also lent its support to the task force proposal. The inter-church group Ten Days for Global Justice conducted a postcard campaign in support of the task force.

This process was accompanied by a series of meetings (later named the Ethical Trading Forums) facilitated by the Maquila Solidarity Network (MSN), a key organization in the Labour Behind the Label coalition. These discussions gave rise to a multi-sector steering committee, the Ethical Trading Action Group. ETAG included some of the original supporters of the sweatshop initiative as well as the Canadian Council for International Co-operation, the Steelworkers Humanity Fund and the Canadian Labour Congress. MSN acted as secretariat for both ETAG and the Labour Behind the Label coalition.

By the spring of 1999 the federal government, unwilling to launch a task force, agreed to appoint former MP John English to facilitate meetings between the sweatshop coalition and industry. The first of these took place in May, at which time a joint industry/civil society-working group was mandated to develop a code of labour practice. The group included the Steelworkers Humanity Fund, UNITE and the MSN together with the Retail Council and the apparel and shoe manufacturers associations. As 1999 drew to a close, the negotiations were foundering on whether freedom of association should be in the code and whether the code should be based on ILO core labour rights conventions. ETAG began a letter writing and media campaign aimed at persuading two leading retailers (Sears and the Hudson's Bay Company) to get involved directly. Although the two firms did subsequently participate in joint meetings, the negotiations broke down permanently, with the Retail Council saying that it intended to adopt its own code. Again, the sticking point was language respecting the right to organize and bargain collectively (the ETAG position) versus the lawful rights of free association (the RCC position).

Throughout the process the NGOs involved were able to continue their traditional advocacy work while engaging businesses in direct dialogue over the issues that concerned them.

## 1.2 Effectiveness of Strategy

The effectiveness of the ETAG strategy can only be judged from a long-term perspective. Evaluating it depends on a corresponding evaluation of other factors, including, the changing structure of Canadian retailing and manufacturing; the laissez-faire stance of the Canadian state; the shifting strategies capital has adopted to the control of labour and labour markets; and the ways that Canadian activists have appreciated the importance of everything from Southern organizing to the corporate colonisation of public and private space at home. An overarching concern has been the extent to which the Canadian NGO engagement with the corporate sector can gain some political space for Southern organizing.

## 2.0 The Views of the Participants in the ETAG Process

In spite of the lack of success of negotiations over a Canadian base code of labour practice, none of the participants indicated that the process of government-mediated engagement between NGOs and the private sector was a waste of time. Instead, all informants agreed, to varying degrees, that engagement through dialogue had been useful, albeit for different reasons.

One industry participant had predicted the eventual outcome from the start. The reality was that the Retail Council could only go so far "and still have a hope of involving a large number of retailers in getting a code approved." And this would, predictably, not be "satisfactory to the union groups." Still, this participant felt that the process was a "constructive step as far as it's gone" because a lot of issues were raised and discussed fairly thoroughly. "People know what the questions are."

Another person from the same side of the table hoped communications remain open and that some sort of process continues. One of the positive things to emerge was information sharing and "the understanding from both sides of what the challenges are. That is very important."

From the other side, an NGO participant reported that you have to take a long view. "We're still at the very early stages of trying to get the companies to do anything any differently." Although this person's first response was to consider the process fruitless, "If you look back over a ten year period you have made some gains in terms of what the corporate sector thinks it has to take into account." This respondent suggested that it is important to recognise the internal dynamics within some firms, where individual managers can gain space: "There are some companies where management people do want to do right thing but don't have much room."

Another NGO representative emphasised that although the ETAG initiative emerged out of "old-fashioned solidarity work," it is important to recognise the realities of campaigning. "You eventually have to talk to the organization or company you're campaigning against because you have to have demands to make gains. (The other side will) say 'what do you want?'"

Still another NGO representative took an historical perspective on engagement, situating positive social changes that have come about as a result of broad-based pressures. At some point it is critical to have some corporate support. "That goes back to the establishment of the welfare state," said this informant, adding that there was business support for policy milestones like Medicare. "You have to keep working on some allies within the corporate sector or else you're up against a brick wall." Compromises are key to any negotiations and that it is unrealistic to assume that companies would be able to change conditions overnight. "Our approach has not been to aim for a pass/fail... At this point all their factories would fail."

On this score, a business representative suggested that the problem from the start was that the process had too many similarities to traditional labour negotiations. "That preordains a win/lose" situation that this informant said the business side was not looking for. "We wanted to work together," and, finding common ground "mark it, and move on." This more co-operative approach would be much better than labour-style bargaining that "imputes that one side is better than the other. It shouldn't be that way."

## 2.1 Who's at the table?

Each side expressed clear frustration over the perception that they were talking to the wrong people.

The NGOs felt that they could have made more progress if they had been dealing directly with major companies as opposed to industry associations. "The associations are death as far as I am concerned," said one activist. "We never wanted to deal only with the associations. It just happened that way." This respondent felt that companies could use their umbrella groups as shock absorbers to insulate them from outside pressure, that it would be preferable to deal directly with major companies. A government observer of the process agreed that one of the reasons why the talks did not bear fruit was that "they were dealing with an association, not individual companies."

Another NGO person hoped that, given the failure of the parties to reach an agreement on a base code of conduct, the groups advocating the code would in the not-too-distant future be able to get several of the big retailers "to differentiate themselves from the Wal-Marts of the world."

And it seemed important from this perspective to make sure that the right business people are involved in the process. One respondent felt that the companies could learn something through engagement. They can accept the principles proposed by NGOs, if only for "pragmatic reasons." But again, it is insufficient to engage just with public relations of industry association people. Such an approach can easily lead to being so "buried in corporate culture" that "you never come out again" and "become so compromised you're not recognisable."

From the company perspective, one participant stated flatly that the wrong people were there representing both NGOs and business. This person felt that the process started off in a very positive way but got bogged down because the people at the table had a vested interest in prolonging the process. Although careful to emphasise that they were "well-intentioned" and "had their hearts and souls in it," the participants simply didn't have the clout to cut a deal. Instead of "hands-on" heads of unions and the CEOs of retailers, those involved (employees of industry associations, NGOs and unions) "are gainfully employed" by the process and therefore have a material interest in dragging things out.

Another private sector participant was frustrated by the unity on the other side of the table, particularly with respect to religious and labour positions. The NGOs "and particularly the churches should be working to their own agenda and not the agenda of labour. It became clear the two were not separate." This participant had assumed that church groups would be playing a facilitation role. While recognising that freedom of association was a legitimate labour issue, "I didn't see that as being the agenda of church groups." From this perspective, the churches were "irresponsible" for associating themselves with "derisive, inflammatory and misleading" statements by labour leaders.

On this score, an NGO person chuckled that it must be "very confusing to industry" to encounter the interlocking personal and institutional connections that existed within the church/NGO/labour coalition. Indeed, the coalition was successful in maintaining its unity and coherence throughout the process. Another acknowledged that the coalition was comprised in part made of people

who had been working together for many years. And another (from a church background) indicated that the coalition shared a joint analysis, agreeing that anything that frees up the ability of unions to operate within a country is also going to lead to better working conditions. "That's really the main force for improving things – the workers themselves in those countries."

## 2.2 Early Days

Most participants agreed that the process of engagement between NGOs and the private sector on this issue is still at an early stage. Emphasising the need for a longer view, an NGO representative recalled the many years that Canadians concerned about the crushing level of Third World debt had been working on that issue before succeeding in getting the multilateral powers-that-are to budge on the issue. "We're still at an early stage on this."

A business representative and self-described "pragmatist" declared that if you really want to accomplish something "you take your best shot at a first go and get people involved and working with it." Once this process gets started, slowly but surely people start to modify their positions and improvement results. Then, within a relatively short period of a few years "you'd have a pretty good program." But, he added, "If you keep saying 'it's all or nothing right now, sign here'," then you will lose the retailers who simply will not be willing or able to go that far that fast. Another company person added, in more general terms, that "Dialogue is a good thing and should always be ongoing."

A government observer stated that it had been "a rich learning experience" for both sides to get to know the other and to understand where the issues are coming from, adding that the process had also been instructive on shedding light on factors peculiar to the Canadian situation and in particular the nature – and rapidly shifting landscape – of the retail sector and manufacturing sectors in this country.

Another businessperson stated that, now that the negotiations have ended, the company side would certainly be willing to work with "those NGOs who are prepared to work with us." This suggests that, like the NGO person who felt it was important to differentiate the more accommodating retailers from "the Wal-Marts of the world," the business side recognises that it would be tactically savvy to deal with separate organizations rather than a common front. This business representative said that it might be useful to work with "some NGOs in those countries" where child labour is an issue, citing India and Bangladesh in particular. And using standard NGO vocabulary, this informant felt that it was time for business to conduct some pilot projects "on the ground." (The Canadian NGOs involved in the ETAG process is unlikely to be persuaded that such initiatives, confined to the issue of child labour, would be sufficient to satisfy their concerns over the issue of freedom of association.)

From the government side came the observation that the end of negotiations in the spring of 2000 was not "the end of the world." The issue was out there before ETAG took shape and will certainly not evaporate overnight. "It's a process we're dealing with....patience is required."

A Southern observer of the Canadian code-making process agreed that a go-slow attitude is appropriate. "We can wait. We do not have to be dictated by the agenda and pace of company initiatives." A Canadian NGO representative concurred. "There has to be a slower kind of process to figure out how it can be done in a way that involves Southern organizations."

Another government observer who agreed that it was still early days ("It's in suspension, not dead.") returned to the composition of the negotiating organizations in explaining the slowness of the ETAG process: "When you're dealing with alliances, they have to get back to their people."

Finally, a veteran of numerous NGO efforts at engagement with the private sector noted that the question of the length of the process shed interesting light on the different perspectives of NGOs and business. For the former, "codes are simply an organizing tool" while corporations are more likely to look at them as an institutions that remain in place, insulating them from popular pressure. Industry "may be rightly suspicious that things aren't going to stand still."

## 2.3 Flexible Responses

There was no mention of partnership from the informants. Rather, the business side emphasised dialogue while NGO participants talked of both dialogue and advocacy. The message from business was simple and clear. Dialogue can only be a Good Thing. Advocacy (a polite code word for straightforward opposition or, as one NGO participant described it in rather more succinct terms, as "rabble-rousing") is not something that the business side feels is necessary. Indeed, the description of critical public statements from the other side as "derisive, inflammatory and misleading" sums up this perspective. No one relishes being denounced.

One participant echoed the NGO's side's general feeling about the need for tactical flexibility when engaging with corporations, a positive approach combined with a more critical one: "We're ready to play the negative card again." Having refrained from doing that while engaged in negotiations, this informant expressed the need to return to "more activist tactics."

Another NGO representative stated simply that "You need both – people bashing their heads and people teaching them things." This informant added that the ETAG process had an ongoing campaigning element. When negotiations seemed to be languishing, there was a major letter-writing campaign aimed at getting retailers directly involved in the talks. (Similarly, the threat of shareholder action – read, "advocacy" – had helped to persuade several retailers to back the proposed federal task force on sweatshop abuses.) There was campaigning when it was opportune. "You have to know when it's right to push hard and when it's right to be more conciliatory."

With respect to the issue of the way engagement with the private sector fits in with neo-liberalism and the broader trade and investment liberalisation agenda, an NGO participant pointed to "the key role" that corporate interests play in the current political and economic context. "We need to target that directly as well as government." This observer described the importance of two-pronged campaigns that involve people as both consumers and citizens. Consumers make their views known to businesses (in this particular case, retailers) and citizens pressure governments.

"We've never been prepared to let governments off the hook," having always included government action in campaigning efforts. "I don't think ethical consumer stuff is going to do the trick by itself. Ultimately you do need government policy to make things mandatory." Nevertheless, consumer action can certainly be a very effective educational and mobilisation tool as well as being effective in garnering media attention.

While acknowledging that ETAG tried to alert people-as-consumers to the realities of sweatshop labour, another NGO person emphasised that when people are mobilised to take part in a campaign, however briefly, they tend to get involved not just as consumers. They act in other capacities, with other identities – perhaps as members of a parish, perhaps as students: "Sometimes we overplay the idea that it's just a consumer movement. It's not really a consumer movement in terms of who is participating in it."

As global production is outsourced, there is an emerging need to build momentum for international regulation. One NGO participant stressed the importance of building civil society/private sector consensus around standards that closely approximate International Labour Organization conventions. If such a consensus emerges, then "shouldn't the government be willing to promote that within trade agreements?" The difficulty, of course, lies in getting the private sector to come to such consensus in the first place. The growing resistance adds another layer of complexity to the neo-liberal project and its lead institutions. "There are lots of differences between groups that want to just abolish the World Bank, the IMF and the WTO and groups that want to push for changes in their nature. The choice isn't the WTO or nothing. There are other international institutions."

For such an international strategy to be effective and accountable, ongoing communication is a prerequisite. Canadian NGOs seemed confident that the ETAG process recognised the need for consultation with Southern organizations. As one respondent put it: "Who are you negotiating on behalf of and how are you accountable to them? Everybody has to deal with that question."

A Southern counterpart agreed that serious problems always arise, particularly in the area of international codes and code verification, when the agenda is "Northern-driven without proper consultation with Southern partners." In the case of ETAG, the consultation had been "quite OK." Careful cultivation of North-South links had contributed to positive international connections, especially when compared to the way similar processes had unfolded in the United States. "This is a very important step to have taken despite the fact that the process looks slower than other initiatives, especially the company-driven ones."

A Canadian NGO representative added that US groups had sometimes framed the code of conduct issue in a way that Southern organizations (and governments) see as protectionist. The Canadian approach had been "quite different, both in the level of consultation and in the way we've framed our demands to take account of Southern concerns." Southern partners have generally "felt much better about the Canadian approach." But the same observer cautioned that, despite "very good back and forth on this one," consultation and information sharing must be ongoing. And not just for the sake of accountability: "We need to work on issues where there is some research capacity in other organizations. We can't do it all ourselves."

"We learned with our failures and problems with European and American partners," observed a Southern informant who described tensions over Northern protectionism between NGOs and unions in the EEC and the USA. The Canadian NGOs and unions would appear to have avoided this pitfall by careful preparation.

## 2.4 A role for government?

Both the business and the NGO sides of the ETAG process expressed clear disappointment in the level of government support for their efforts. Given that NGOs had initially campaigned for a wide-ranging government task force initiative, they assumed that the modest compromise of government-mediated talks would be accompanied by a measure of public support that would help the process along.

One NGO participant reported that, since the coalition on that side of the table was aware of disunity among the parties in the American code process, its members carried out a lot of internal consultation to learn about each other's perspectives, thus avoiding schisms. They did not put as much energy into familiarising business organizations with the issues involved, assuming that there would be enough support from the government for this to occur. Citing the U.K. government's investment of half a million pounds in a similar process, "We thought that the government would take some initiative in creating forums for business to talk to other businesses involved in similar processes in other countries."

This did not happen. Describing government support for the process as "minimal," an NGO participant said that Ottawa should have taken a stronger role. "Their ability or willingness to engage with business and push them on things like core labour rights was probably non-existent."

From the business side, one participant remarked that the government did not step in to help the process along very much. "They co-ordinated meetings but that was it." This informant felt that, in the wake of the end of the talks, "there will be more of a call for government to get involved and try to do something."

Another business representative described the government's financial support of the process simply as "bupkes." (Uriel Weinreich's Yiddish-English/English-Yiddish defines bupkes as "beans," or, more precisely, a diminutive for that legume...) From this perspective, people had little familiarity with different codes and who was using them, who wasn't and why not. There needed to be a far better understanding of the meaning of all the different code initiatives being discussed internationally. "You throw everyone into a room. They have very limited resources."

Lack of resources was cited by a government informant as one of the constraints on Ottawa's participation. The government is committed to "promotion, facilitation and advice... to the extent we have money, energy and resources." Another government observer of the process felt that Ottawa would now pay more attention to the area of corporate social responsibility, having previously opted for allowing the push to come from "a voluntary direction." Moreover, the government side makes much of external pressure building in the form of new OECD guidelines, and the emphasis on freedom of association and collective bargaining in the United Nations Secretary General's "Global Compact."

### 3.0 Conclusion

Chinua Achebe called his classic 1958 novel, "Things Fall Apart." The story shows how colonialism has no respect for the pre-colonial, pre-modern order. The Nigerian novelist took his title from Yeats:

Things fall apart; the centre cannot hold mere anarchy is loosed upon the world.

Social relations and productive processes are constantly transformed. All that is solid, as another famous writer put it, "melts into air."

Much has changed since the 1960s when most of the NGO activists in the ETAG process may have read Achebe's book. But the sense of things falling apart remains, with time and space collapsing even more dramatically. Capitalism has as little respect for its own past as it does for that of indigenous societies. We now have a regime of flexible accumulation, with virtual companies focusing on image and brand production rather than on shoe or shirt or even automobile manufacture.

The process of flexible accumulation has been reproduced across economic sectors. The workers of south China's free trade zones or Mexico's maquiladoras are not paid by Daimler-Chrysler (the decentralisation of production has not hindered the further centralisation of capital) or Sanyo or Nike. Geographer David Harvey asks if flexible accumulation is anything more than "a jazzed-up version of the same old story of capitalism as usual." He argues that this is a historical and simplistic, ignoring Marx's insight that capitalism is a dynamic, revolutionary force. Changes in the nature and locale of production have been accompanied by changes in the "conditions of consciousness formation and political action."

This now-familiar story clearly has implications for those backing an agenda to end poverty, who are part of the movement opposed to negotiations over trade agreements that enshrine corporate rights while shuffling aside human rights – including the right to organize. Political actions aimed at supporting the global working class are changing, with consumer-based actions focused on corporate sourcing strategies gaining significance.

The NGO participants in the ETAG coalition seem to have no illusions about consumer-based action and engagement with business being sufficient, by themselves, to tackle the huge task of ending global poverty. (Indeed, it seems to this writer that merely posing this question presents challenges of scope and complexity too mind-boggling to contemplate.) That said, these are people with years of experience both North and South. Their work on this issue shows that they regard engagement with business and the accompanying as a necessary part of a broader movement to improve the lives of working people. Their strategy might be described as "flexible action" confronting "flexible accumulation."

Emerging as much from concern over Canadian sweatshops as those in the South, the ETAG NGOs (most of which are not traditional overseas development organizations) would not regard efforts to improve conditions at home as separate from their advocacy and dialogue work on codes of conduct for Southern sourcing. Capital is international and so are efforts to make it accountable. Against this background, the Canadian NGOs have been ultra-conscious of the



need to maintain solidarity among one another as well as with the organizations they identify as their Southern allies. They spend a lot of time and energy on successful process, communication, and accountability.

That said, ETAG is a Canadian initiative. As such, its efforts around corporate accountability in the retail sector and with respect to corporate cultural icons like super brands suffer from limitations imposed by the dependent nature of the Canadian economy and changes in global capitalism. Nike is not only not Canadian company. Indeed, its American managers have contrived its swoosh as a global symbol. Any Canadian advocacy or dialogue with this sort of firm would be of very limited effectiveness unless it was part of a co-ordinated international campaign. In fact, Canadian NGOs have been active in such campaigns.

During the ETAG process, one major player in Canadian retailing (Eaton's) crashed and another (Dylex) was teetering seriously. Eaton's was symbolic both of two things: incompetent management and the changing structure of Canadian retailing. The commanding heights of the sector are now overwhelmingly American-controlled (any claim by The Bay to Canadian control is uncertain). The most intransigent company (Wal-Mart) is a relatively recent arrival but has quickly gained some 40% of department store market. This offers NGOs both challenge and opportunity. It would seem highly unlikely that the Wal-Marts of the world will ever respond to pressure (advocacy, dialogue, whatever) from Canada alone. Whether the Retail Council will comply with NGO requests for a code that satisfies concerns over freedom of association is similarly unlikely, though NGOs still hope to be able to make progress with other major retailers. Developing co-ordinated campaigns with American organizations that share their concerns would seem to be the only way to deal with the Wal-Marts of the world. And international action – particularly in the world's biggest markets – remains an effective way to concentrate the attentions of the Nikes and the GAPs of the world. Such action has apparently been used effectively in the past.

Which brings up the issue of what the Learning Circle heard about a "credible threat." Despite some NGO misgivings about this not sounding very positive, the fact remains that major firms are unlikely to change their ways unless they are convinced that they can be hurt if they fail to do so. Labour negotiators know that a strong strike mandate or high prices in the newsprint market combined with low industry inventories are more likely to yield a decent contract than lukewarm support from a membership that's aware of high inventories and low prices. Despite some business misgivings about the ETAG negotiations seeming too much like labour-management bargaining, the fact remains that the NGO side had little in the way of a credible threat to force the other side to agree to one of its key demands. As the NGOs acknowledged in the wake of the end of the talks, Canadian companies "have not yet" been subjected to the same public pressures around sweatshop issues that European and US businesses have faced. So despite the leading role that ETAG NGOs played in setting the agenda for this effort to promote corporate accountability, they have yet to develop the clout needed for successful follow-through. None of the NGO respondents seemed surprised by this, seeing these efforts as simply part of a long-term process.

(It is worth noting that MacMillan-Bloedel's agreement to alter logging practices only emerged after many years of protests and threats. Hundreds were arrested for civil disobedience at Clayoquot Sound and Greenpeace was able to use the images of clear-cut logging to threaten the firm with European consumer boycotts. The anti-sweatshop movement cannot yet deploy such an arsenal, though increased mobilisation young people and the steady growth of the movement against corporate globalisation in the wake of Seattle signal shifting political terrain.)

The coalition that took shape to engage business on the sweatshop issue was flexible enough to move from dialogue to advocacy as events unfolded. The transition between different modes of engagement was apparently smooth. This is important when confronting the protean power of global capital. At the same time, the coalition did not lose sight of the ultimate reality of social change. Although Marx was keenly aware of capitalism's revolutionary potential, he would not have disagreed with the statement that the main force for improving things in the South is "the workers themselves in those countries." Or, as one of ETAG's Southern counterparts asked, "Engagement for whom? By whom? Of whom?"

Another issue that arises from this case study is the role of the Canadian government. Both NGO and business agree that the government could have played a much more active role in supporting the ETAG process. And though a government observer claimed that Ottawa was prepared to do what it could given the available money, energy and resources, it is fair to raise the issue of another commodity that seemed to be in limited supply in this case – inclination. If the government had had the political will, or if it had felt that ignoring petitions signed by 30,000 Canadians supporting a task force would come with a political cost ("credible threat" revisited), a more stalwart response might well have been forthcoming.

The Canadian government, however, has been supporting the code of conduct and corporate accountability initiatives in its peculiarly indirect and piecemeal way. Several of the ETAG groups receive CIDA funding, though not for this process. The International Centre for Human Rights and Democratic Development organized a seminar on codes and labels and the North-South Institute conducted a roundtable on sweatshop issues. Both groups depend on government funding. And the International Development Research Centre funded the CCIC learning circle. At the same time (and despite some official optimism about government becoming keener on corporate accountability), proposed changes to the Canada Business Corporations Act do not address the problems faced by minority shareholders putting forward motions on social impacts of corporations. Indeed, they could make the situation worse.

In the end, Canadian groups organizing in support of Southern workers will continue to push for corporate accountability, part of an international movement that combines hard-edged oppositional politics with experiments in new forms of social regulation. Meanwhile, capital will seek to further extend its control over workers, communities and markets in a movement guided by the principles of free trade and a self-regulating market. Whether social regulation can ever be effective without some sort of state regulation (perhaps in new, multilateral forms) is uncertain at best.

Placer Dome  
in Marinduque

A Case Study

John Mihevic

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# Placer Dome in Marinduque

## A Case Study

### 1.0 Background

From 1968-1997 the Canadian mining company Placer Dome Inc. co-owned (39.9%) and operated two copper mines on the island of Marinduque in the Philippines. During the operation of the Marcopper Mines, waste in the form of tailings and leakage from the waste rock siltation ponds and waste dumps severely altered the ecosystems of the island's two major rivers (Boac and Mogpog) and one large bay (Calancan). On March 24, 1996, a massive tailings spill destroyed all life in the 26- kilometre long Boac River and damaged corals at the coastal mouth of the river.

A UN investigation found that poor environmental management by mine officials was the cause of the spill. During this investigation the UN team also found a leaking waste rock siltation dam at the headwaters of the Boac River, which had been leaking for some time. The UN team identified this leak as the probable source of the river's increasing acidification and metal contamination.

Since 1992 periodic fishkills have occurred in the Mogpog river; a result of ongoing leaks of acid and metals from another siltation dam. After this dam burst in 1993, the river and nearby villages were flooded with toxic waste. Today mine waste flowing over the road leading to the dam effectively cuts off access to the dam. This waste is now funnelling through the dam's overflow into the Mogpog River.

In 1997, a year after the Boac river spill, Placer Dome divested its shares in Marcopper. Though Placer Dome denies responsibility for the Boac river spill, the company has agreed to clean up the river and compensate affected villagers. Four years after the spill, 20% of the tailings remain in a catchment area in the river, the rest have been washed to sea.

Placer Dome has applied twice to Philippine authorities for permission to deposit the remaining tailings into the sea via Submarine Tailings Disposal, a practice considered illegal under current Canadian legislation. Both times permission has been denied and as such there has been no resolution to the tailings disposal issue. Negotiations continue with a view to breaking the deadlock involving Placer Dome, NGOs, the local community and the Philippine government.

In the aftermath of the 1996 spill Placer Dome officials were quick to engage with Canadian NGOs. Before this Canadian NGO involvement in the issue was limited to voicing concerns over the social and environmental impact of Placer Dome's operations in the Philippines by church and environmental groups in the form of shareholder resolutions. In the early 1990s, the dumping of the tailings ceased after the closing of one of the mines. As a result NGO involvement in the issue fell off but there continued to be an engagement with Placer Dome on other fronts relating to corporate responsibility. In 1992, a new mine was opened but instead of dumping tailings into the sea (which the Philippine government no longer allowed) they were being dumped into an old mine pit. In 1996 it was the drainage tunnel from this pit that blew open and caused the massive tailings spill.

After the 1996 spill, a number of other Canadian NGOs became involved. Initiated by Placer Dome, several meetings were held with individuals and with groups of NGOs. Most of the Canadian NGOs were at first willing to meet with Placer Dome because they thought the company was serious about responding to the crisis relating to the spill. However, clear differences in goals and strategy soon emerged. These differences were rooted in the relationships that the Canadian NGOs had with their Philippine NGO counterparts as well as the community groups in Marinduque. The key difference lay in the importance placed on the pre-1996 spill history of the problems relating to Calancan Bay and Mogpog River. The local community in Marinduque, represented by the Social Action Commission (SAC) of the Catholic Church and Marinduque Council for Environmental Concerns (MACEC) were adamant that Placer Dome's responsibility and liability **include** addressing all of the social and environmental problems relating to the history of Marcopper's operations in Marinduque. Placer Dome's interest was clearly to limit the extent of its responsibility to dealing **only** with the problems relating to the 1996 spill.

The extent to which Canadian NGOs were willing to accept Placer Dome's position over and against the position of the local community is indicative of the split that emerged in the engagement strategy of Canadian NGOs towards Placer Dome. A similar split occurred amongst a number of Philippine NGOs who became involved in the issue. The situation became even more complicated when Placer Dome offered to put funds in place for a sustainable development programme in Marinduque and to channel these funds through NGOs. This served to exacerbate the split amongst those groups willing to engage with Placer Dome in dealing with the aftermath of the spill only and those groups pushing for a more comprehensive response to the history of mining on the island as demanded by the local community. For its part, the local community felt that any funds should go directly to the affected groups and for the cleanup of the spill. It also placed those Philippine NGOs who were engaging Placer Dome in the position of being viewed as "co-opted."

## 2.0 VIEWS OF PARTICIPANTS

### 2.1 Views of NGOs

Ten interviews were conducted by phone over the period of May 16-June 8, 2000. Six were with representatives of Canadian NGOs and four with Philippine NGOs. Each of the paragraphs below represents points of views of the NGOs interviewed.

#### 2.1.1 Type of Engagement/Strategy Used

*As the responses to the questions suggest Canadian and Philippine NGOs adopted very different strategies in their engagement with Placer Dome. This is rooted in the differences in the overall goals behind their engagement strategy. Some were restricted to getting Placer Dome to clean up the 1996 spill and to arrive at a level of compensation for the affected community. Others were clear that the entire mining legacy on the island had to be addressed. Another important goal was to build the capacity and to empower both the local community as well as Philippine NGOs to actively engage on mining issues by assisting them through information flow, South-South exchange etc. In this instance the strategy adopted was not to engage directly with Placer Dome at all. A recent shareholder action focused not on the Marinduque issue itself but on getting Placer Dome to agree to a wider set of principles for all of its operations.*

## ❖ What was the goal and the strategy used to engage with Placer Dome?

### **Canadian NGOs**

That the actions that Placer Dome takes to mitigate its actions, the results of the spill or its practises, would take into consideration the desires and the views of the affected people, for example in terms of the cleanup. It was to get at the people's thinking about this, or about sustainable development, or about compensation, and to input this into Placer Dome's decision-making.

Our goal was bringing the voices of civil society if you want, the NGO, back to a Canadian forum and create some kind of pressure so that people would realise what the private sector is doing. We see ourselves as supporting communities, social movements on the ground, pressuring and equipping and strengthening efforts that are on the ground.

We were going in with the stance on whose side we were on, the side of the communities. Coming in at the time that we did we wanted to find a way that we could turn it into something where the communities would benefit and really hold the company accountable for what they had done. From the sounds of it the company, at least the Canadian side, seemed to want to do that.

We had two goals: The first was that we wanted to go to court with our shareholder proposal and win the court case so that there would be a positive decision giving the active shareholder groups a favourable legal position to work from. Our second goal was to gain support amongst shareholders so that Placer Dome would agree to a roundtable on environmental issues which would include independent NGOs, unions, people from the affected communities etc.

My NGO was set up in the fall of 1996, expressly to represent the views and requests of the three affected municipalities of Marinduque and to represent the messages they were sending to Canada about what they wanted Placer Dome to do after the spill in March 1996. I was bringing these to my engagements with the NGOs and with Placer Dome in Canada. I felt the need to set up this NGO of my own because Placer Dome had placed very clear limits on the company's own responsibilities in Marinduque. They said they would only deal with the Boac cleanup. They would not deal with the legacy of ongoing mining-related problems. Most of the Canadian NGOs appeared willing to accept these limitations, at least temporarily. But I couldn't do that, and that wasn't what the people of Marinduque were asking for through the church.

### **Philippine NGOs**

Our goal in addressing the problem brought about by Placer Dome was to obtain justice for the Marinduquenos affected by the tailings spill by way of permanently closing the mines that have not been operated in an ecologically friendly way, and that Placer Dome pay a just and immediate compensation to those directly affected and that they rehabilitate the Boac river.

Our strategy was capacity-building of communities, particularly in resource-management as part of their struggle for the legitimate right of these resources. That is basically the main strategy of our NGO, knowledge and skills formation: We assist communities, concretely, through education.

We would like to assume that Placer Dome is serious about its commitments. It was an opportunity to show that corporations like Placer Dome can undertake these kinds of initiatives and for them to own up to their responsibilities.

Our engagement was directed at influencing corporate behaviour especially on social accountability and adopting a dialogic approach to developing a strategic plan for the long-term rehabilitation from the spill.

- ❖ **What did your NGO hope to achieve with the chosen strategy?**  
**Did these expectations change during the implementation of the strategy?**

### ***Canadian NGOs***

If we reinforce and strengthen civil society that could exert pressure on government and government saw that these environmental measures ensured standards across the board for mining industries, this is the type of intervention that we saw as a way forward

Our expectations changed...our objectives shifted as we got more involved, but...it seemed simple in the beginning but we were quick to see that our interlocutor from the company was not the company alone and he had to keep going back to get the approval of the company before moving forward.

Our expectations did change. As a result of meetings with Placer Dome, we were invited to Placer Dome's Roundtable on sustainability held in Sydney Australia at the end of March. At the meetings in Australia there was significant movement from Placer Dome. A senior VP of the company along with several NGOs worked out a "Draft Agreement" which committed Placer Dome to several key good faith benchmarks: on riverine disposal methods; not exploring or development in National Parks or protected areas; and proceeding only when the local community supports the mining activity. As a result of this rather historic "draft agreement" being developed we decided to withdraw our shareholder proposal. Placer Dome finally took the environmental NGOs seriously when it was clear that we have some influence in the Socially Responsible financial investment community, and that we could assist Placer Dome in being part of the Socially Responsible Index Funds once again. Socially responsible investing is a \$3 trillion business in the US now; and several billion in Canada. (In this quote "we" is used to refer to certain individuals)

### ***Philippine NGOs***

Our strategy was to first engage in broad-based consultations with the communities, and we made the people realise that we had to speak with one voice, and act together if we wanted to have a forceful and effective action to address these problems. From that consultation emerged our NGO, a multi-sectoral group that seeks to address not only the tailing spill but all of the problems that have been brought about by mining operations in Marinduque.

Whereas before communities were complacent now they are more assertive so this changes the nature of our engagement. We saw our strategy as very effective so we didn't really change our strategy. We got into an assessment of our NGO's engagement in the threatened communities and one of the recommendations was to provide wide-ranging support by directly engaging with the communities using these same strategies.

❖ **What were the critical issues or moments in your NGOs campaign with Placer Dome?**

***Canadian NGOs***

Placer Dome has insisted on hiring technicians and trying to persuade both the international and local community that the submarine tailings disposal method is the safest way. But I think the main factor for their decision is that it's the cheapest way and they also want a precedent for other mining activities. The communities have consistently resisted that idea, of submarine tailings disposal. And every meeting we brought this issue to Placer Dome we were always met with technical people, explaining to you that it's the safest way.

Here you had this big spill and the company ready to do something, at least Placer Dome, and yet nobody on the ground was co-ordinating anything, and by that point the church refused to have anything to do with Placer Dome. They just sat back and a few of us were quite disappointed. My expectation was that they perhaps could have taken what the company was offering, and to demand more. The strategy of the church was to not engage at all so they had rallies, and they didn't want to talk to any of the company people. The NGOs, on the other hand were more open to pushing the envelope a bit more and trying to facilitate things further.

My initial engagement both with Canadian NGOs and with Placer Dome fell off sharply when I set up my NGO. I felt that neither the company nor the NGOs I was talking to at that point were going to broaden their scope. I started seeking other ways to put pressure on the company. I started having meetings with other NGOs that weren't involved in that initial engagement, I started a web page, I started writing for Canadian newspapers and Philippine newspapers, I started attending Placer Dome's GMs.

I know there was some suspicion about the NGOs wanting something out of it, money say. The talk was that the NGOs were looking for additional support, operational money, and these NGOs had been working there for along time. That was a struggle that was unfounded and helped to worsen the situation.

***Philippine NGOs***

We no longer engage with Placer Dome people because we saw that they were not really sincere in their efforts and in the realisation of their accountability and responsibility to the people. With their divestment they believe they no longer have any legal or moral responsibility for Marinduque.

We had tensions when it came to defining the means of cleanup. My institution's position was that we disagreed that tailings could be dumped into the sea. Sometimes we had confrontational moments. At that point they (Placer Dome) isolated us, not the foreigners but their Philippine counterparts. They hired expats believing that expats are "better" than Filipinos. It was difficult then because we were not involved in the technical studies.



## 2.1.2 Complex Relations of Accountability and Ownership of Strategy

*The reasons behind the differences in goals and strategies become evident when responding to the issues of accountability and points of leverage. Because the various actors saw themselves as accountable to different groups this resulted in different approaches on how to exercise leverage on Placer Dome. For its part, Placer Dome's goal has been fairly clear from the outset: to limit damage to its reputation in the wake of the spill and to limit its responsibility to responding to the spill only. These goals set the terms for its engagement strategy with both Canadian and Philippine NGOs. The extent to which the Canadian and Philippine NGOs accepted these terms of engagement determined the kind of role they were prepared to play.*

### ❖ Who determined the strategy to engage with Placer Dome?

#### **Canadian NGOs**

A group of NGOs determined the strategy to engage with Placer Dome. It was a national effort with our Philippine NGO counterpart. I wouldn't move unless they said yes.

The strategy came directly from what the church was asking for. They had total input, in terms of defining the goals. Their input was total in terms of what they were asking for. I decided what to do to try to get them what they were asking for.

#### **Philippine NGOs**

Placer Dome approached us but we did not want to compromise the position of the communities as regards their position on the issue. We recommended Placer Dome get in touch with the Social Action Committee of the Diocese of Boac so they could have a direct link to the community.

### ❖ What means did your NGO use to ensure accountability towards different stakeholders?

#### **Canadian NGOs**

If we took a course of action it was always discussed with our board. When Placer Dome would request a meeting, it was always presented through the board. I always made a point to inform the community in the Philippines that I was going to meet, and determine what were the outstanding issues for them, what they wanted us to bring to the table, and also reporting to them. So the information gathered about what Placer Dome said, for example about compensation, was always fed back to the community.

It became far more complicated after the spill. A number of development NGOs saw an opportunity to bring big bucks toward their organisation when they knew that Placer Dome as a deep-pocket company was going to have to be putting up some monies for redevelopment. I was very sceptical about reporting directly what we were learning to NGOs that hadn't clearly defined themselves, or clarified their role with companies.

We ensured accountability in two ways. One is that whatever we were doing in terms of initiative was also in conjunction with our partners. The other one was to consult other NGOs in Canada, the more people we can get, the more momentum of synergy we can gather, the better. Our colleagues in the South are people with whom we've been having long-term relationships. We work on long-term relationships. We act together to change something, and that is where we have our primary accountability.

### ***Philippine NGOs***

By being close by to the communities, we ensured accountability. They are part of the whole decision-making process. Not merely as consultants but they took part in every stage of the decision-making process.

### **2.1.3 Synergy of Strategies and Point of Leverage**

*What is most striking in the responses to these questions was the lack of a clear overall assessment of the various strategies being employed by the various actors. Only one NGO (a Philippine one) actually undertook a mapping assessment of all of the actors and interests. This resulted in the lack of a co-ordinated strategy in dealing with Placer Dome by NGOs to the point of acting at cross-purposes and in conflict with one another at times.*

- ❖ **Before engaging with Placer Dome, did your NGO make an assessment of the potential complementarity or conflict with existing strategies implemented by other NGOs/Civil Society organisations with regard to that company?**

### ***Canadian NGOs***

When Placer Dome said that it wanted to put together a consortium of Canadian and Philippine NGOs, it started to work through a couple of the churches, it was there that people were not being terribly critical in what constituted a relationship with the company. What did it mean for an NGO to have a direct partnership with a Canadian corporation?

The assessment of the groups involved was that we had to do something. How do we ensure that compensation and accountability takes place? And I think people were generally surprised at the seeming openness of the company we saw it was part of their cleaning up their name.

We decided not to engage Placer Dome directly. Once you get into a relation with a company, who are you representing? What's your accountability? If Placer Dome invites a series of NGOs, which they tried to do, and some NGOs, I think, went, they then say, 'we consulted with civil society' and this is the biggest trap. The NGOs and social movements have become stronger and are players in the political spectrum. They often get caught in this double accountability trap. It has to be clear who designs the agenda and who speaks for whom, and what is the mechanism so that these consultations are not used to legitimate certain interests that the company has.

### **Philippine NGOs**

Before engaging with the Marcopper issue we had formed a committee to oversee the whole activity in Marinduque in terms of managing the mining campaign, so we discussed this with the different groups who composed the mining campaign committee.

We conducted a mapping assessment of all of the actors involved on the island and outside to understand what were their key positions and interests. We understood that one of their (Placer Dome's) interests was to clean up their mess and to be responsible. So we saw a common ground of interest.

#### **❖ Was there a need for some trade-off and compromises in pursuing this case of engagement with Placer Dome?**

### **Canadian NGOs**

To Placer Dome's credit, it tried as much as possible, by using NGOs to try to bring the community to its side. But what it did NOT try to do was to really listen seriously to what the communities were saying. Now, Placer Dome had decided on the submarine tailings disposal method. The communities absolutely rejected it. So Placer Dome's interest is not in terms of responding to what the community requests...but what it wants to do and it tries to use NGOs to try and bring the communities on their side.

Playing the role of conflict negotiating required compromises which were not necessarily for me to make. I think people were having a hard time making those compromises and that's why things came to a standstill. Compromises were made, it was a give and take.

### **Philippine NGOs**

We still go on with this dialogue, they still have staff on the island, they frequently come to our offices, they give us documents. We still talk. We are on good terms because we understand that we have to settle this. It's just a matter of the right timing and the style of negotiating. We give them critiques, we recommend, we appreciate them if they are doing good...The non-confrontational approach is still working, even though we confront once in a while. We try to keep our balance in the negotiations as long as we keep track on the fundamentals on which we do not compromise.

#### **2.1.4 Impact Assessment and Monitoring**

*Most of the respondents did not feel the situation had improved, as the cleanup had not yet been implemented. A number did cite the empowerment of the local community and the strengthened capacity of Philippine NGOs to deal not only with Placer Dome but engage on the issue of mining in general. Most have learned important lessons from their engagement with Placer Dome especially about the need to be clear about what their goals are. For Philippine NGOs the abiding concern is that of appearing to be co-opted and of losing the trust of the communities they are supposed to be representing.*

- ❖ **What has changed for the community/people the NGO wanted to serve?**  
**Who benefited most from the NGO-business engagement – the Northern NGOs, Placer Dome, the Southern NGOs, the community?**

### ***Canadian NGOs***

I think there is a sense of the strength. Not change, but the strength they have as a community, even if they don't get any result. The fact that they have been able to carry on this struggle with Placer Dome.

I think big strides have been made. But more has to be done. I think the communities have learned a very clear lesson about mining and the need to get involved in the beginning. Secondly, they have been able to get a minimum of compensation and for example the social development plans have taken off. They have also been able to get some training in...market enterprise, as well as...mutual gains approach to conflict resolution. So there has been some capacity-building. On the negative side you still have a church that refuses to move. On the positive [side] the mine is closed. But at the same time the economy is stagnant. You have the implications of a stopped mine, with holes that are filling, and other ecological problems that Marcopper won't pay for...it's another bomb waiting to explode.

I would argue that we were instrumental in gaining a measure of rehabilitation in Calancan Bay. Related to that objective was getting Placer Dome to carry out independent environmental audits, of all of its sites both domestically and internationally. Placer Dome today does that routinely.

It has strengthened communities and actors within the community, that were not as strong before. It has also exposed the power relations in communities. Some people live very well in Marinduque and some people benefit from Placer Dome's presence. As long as you have only one local dominant player and there's no one who presents something different, it becomes very difficult for people to react and say, yes, there's another path.

For the first time Placer Dome was up against a coalition of environmental NGOs and a private company – involved in SRI – which has some influence in Placer Dome's long-term share price. Corporations are not willing to change at all unless they can see a tangible financial reason to do so. They aren't interested because it's the "right thing to do."

In the beginning, Placer Dome benefited from the engagements with NGOs a lot. I wouldn't say the northern NGOs benefited from it because it didn't go anywhere. The southern NGOs and the community in Marinduque certainly didn't benefit. The local church-based organisation was completely isolated in that process and it was horrible — they were being called unreasonable by Placer Dome. Because the NGOs were willing to accept the limitations that Placer Dome put on its responsibilities in Marinduque, they lost the ability to push the company at a time when the company was weakest. In those first six months after the spill, when the company was really weak, if we could have been united in pushing for what Marinduquenos were asking for, we might have made a real difference.

### ***Philippine NGOs***

In terms of benefits, I cannot quantify it, but I think the community has benefited more. Placer Dome's image became negative in terms of public opinion. It is the community, then, who is advantaged compared to Marcopper. Economic benefits? I don't think the community has gained from that.

❖ **Are the impacts positive or negative for poverty reduction?**

**At what level – small community, national level (regulatory) or international – were the impacts perceived most clearly?**

### ***Canadian NGOs***

There have not been [positive impacts], people lost their jobs, people lost livelihoods. I would not say that there has been an improvement in their lives, and also the fact that there's still the constant threat of, for example, tailings containment. On the other hand, I feel that the community feels that as long as the mine is closed they benefit.

What has really happened in the four years that I've been doing this, is the community in Marinduque has just become unbelievably strengthened in its resolve. The amount of support the church and the other local NGOs now has is very broad in Marinduque. It's not just that the three communities are united. It also goes from village level right up to the provincial board.

### ***Philippine NGOs***

Marcopper/Placer Dome now realise that they cannot just run away from their responsibilities because the people have become aware that they are to blame for what they have suffered for a long, long time and that they must answer for what they have done. Some people have been given compensation. People are also aware that the Boac River must be rehabilitated, not in the way Placer Dome wants, by disposing the tailings into the sea. Many people have become aware of the problem and they have come to realise that this method should not be allowed because it will bring environmental degradation to our sea.

❖ **To what extent has the NGO engagement with the Placer Dome allowed it to strengthen its corporate position globally?**

### ***Canadian NGOs***

The company went from an outright refusal that it had anything in the way of a responsibility to that local community, an outright refusal, to in 1996 at least beginning to say that it had some measure of responsibility for lost livelihood. I think the company has learned that it is to its own detriment if it doesn't learn to take seriously concerns that are raised by the local community, particularly over the social and environmental impacts of its operations. I think it has also learned that it has to take steps to meet NGOs part way, in learning a language to speak about its social and environmental impacts.

This is the third year in a row they've been questioned about Marinduque. I don't think they like it, I think one of the signs that it has backfired is that they are not as friendly as they used to be. Is this going to be benefiting Placer Dome over time? A lot of it will depend on the degree to which NGOs want to keep an ethical position in front of Placer Dome.

I think Placer Dome has learned from the experience. I think they've learned more about NGOs. And they have since participated in CIDA roundtable presentations on NGO-corporate engagement and they've done other stuff internally, actually talking about the Marcopper experience.

Placer Dome has really pushed this working-together-with-NGOs track. I would say Placer Dome has learned lessons through this. They were able to convince top management to adopt what they learned by reaching out to the major NGOs that might have been very critical, the ones who had been critical in the 1980s, and essentially neutralise them directly after the spill. They realised that if they could get NGOs to work with them then it would dampen the level of criticism that they might have otherwise had. I think that's really become part of the corporate strategy, just having the sustainability policy gives them an edge. Being able to say that they have this NGO engagement.

❖ **Did the changes achieved during the engagement justify the efforts, the costs, the trade-offs and the compromises undergone by your NGO? Why?**

***Canadian NGOs***

I wondered at times if our effort was worth it. The polarisation and the emotions...there were times that I felt that I wanted to drop everything. When you get linked with a company like that, even if it's not true, you are questioned, and you really feel insulted...but in retrospect, on the whole I think it was worth it. I think the communities have been able to get some advances and the NGOs have been able to use some of this to the longer-term advantage of the community.

***Philippine NGOs***

Yes it has been a worthwhile engagement for us. Yes we have consolidated the community actions now. Even now the campaign is still ongoing particularly at the local level in Marinduque.

❖ **To what extent did your direct or indirect involvement in this case change the understanding of your role as an NGO?**

***Canadian NGOs***

These days, four years later, I'm not sure how appropriate it is for any NGO to be working in a direct contract relationship with a company on a development issue.

This engagement has strengthened our perception of the limits and the dilemma of social partnership. It has also made us a lot more aware of the sophistication of this kind of engagement, all the dilemmas and difficulty of defining a position with regards to the private sector. The discourse from the private sector has evolved, it's a lot more sophisticated. The traps and the possibilities for some form of engagement that leads to some form of losing your

own critical capacity, your critical edge as an NGO, is there. We have been forced to re-examine our assumptions, make sure that we are clear on what we're proposing, and willing to force a debate, to try to open the space and crack into this implicit consensus among NGOs that this is the way forward, the inevitability of engaging with the private sector.

Key in our learnings has been that it's important when you go into the negotiation that you're clear what you're doing there. So every time you are stuck, you're able to go back to that and clarify what your role is and who you are representing. This crisis serves as a model of what not to do, of what can happen if standards aren't kept. I think people are on guard more so, to develop and monitor these standards. You have a company that has an enormous amount of resources potentially, and a name that is mud. So how can you make use of that? By pushing them to be more accountable. The company seems to be bending.

My understanding of what an NGO should do is firmly rooted in this experience. It's not that an NGO should not engage with a company. But an NGO should be very firmly rooted in what local communities are experiencing and what their needs are. The NGO, meeting with the company, should be a vehicle conveying those needs and demands of the community, instead of starting by asking the company what it is willing to do. Too many of these NGOs go to the company and say, how far are you willing to go, and then they have internal discussions about whether this would at least get something for the local communities. And that's completely wrong. If the local community wants the whole package and not a piece of it, then it's not right for Canadian NGOs to say, this is enough, at least they're getting something. .

### ***Philippine NGOs***

It taught us how to deal directly with a global interest, how to handle complicated negotiations.

## **2.2 VIEWS OF PLACER DOME**

*Two Placer Dome officials were interviewed. One has primarily engaged with Canadian NGOs on this issue while the other is based in the Philippines and has been engaged on the issue more recently.*

### **2.2.1 Types of Engagement /Strategy Used**

#### **❖ Why and when did you decide to engage with the NGOs and affected communities?**

The real reason for getting the NGOs involved was because they had a significant network in that area. As for Placer and Marcopper, most of their efforts had been on the other side of the island. They didn't have that built-in network. So the hope was that they could tap into this network of NGOs and get the information quickly into the communities. They also sought feedback from the communities as to what their concerns were.

The Marcopper spill created a very serious situation for the corporation because of its association with Marcopper and the perception that Placer Dome was going to have to do something about this, although legally it was the responsibility of Marcopper. I realised that the

NGO network was going to be significantly stimulated by all of this and I needed to find some way of at least getting into some kind of dialogue with them.

❖ **What were your objectives for this engagement?**

**Do you believe they were achieved?**

**What were the positive outcomes from your engagement with the NGO and/or the community?**

Our objectives were basically to develop a fairly broad-based support for our program of action with respect to cleaning up the river and compensating the affected communities. Now we were only concerned with the Boac spill, because it was a crisis that had occurred and many people were affected. Our objective was that the most affected parties were satisfied with the outcome. And that's still our objective. We've gotten some satisfaction in some areas. The compensation payments have been slower than people would want. I think there's been some satisfaction with the sustainable development program, but with everything that happens, there are always political auras around them, so even the electrification program is regarded as somehow a political payoff rather than a contribution to the improved socio-economic circumstances of those communities that never had electric power before.

The initial objectives, of trying to use the NGO network to get info into the community, that was pretty successful. In terms of cleanup objectives no, not effective at all and the reason for that is we haven't been able to come up with a public consensus on how to move the issue forward. And there has been enough public outcry, from a variety of sources, to stall the national government in their efforts to move it forward. There is a number of underlying agendas. One is that the Catholic Church, through their Social Action Committee, are very adamant that the mine will never start up. One of the ways from keeping the mine from starting up is to make sure that mine doesn't get its operating certificate by ensuring that the river never officially gets cleaned up. It all ties together. So there's an incentive not to have the river cleaned up regardless of the mechanisms.

### 2.2.2 Complex Relations of Accountability/Ownership

❖ **What mechanisms did you use to ensure transparency in your relation with NGOs vis-à-vis the community involved in the relation?**

The transparency itself has been difficult because there's a lot of suspicion. A lot of business in the Philippines is done under the table so these are natural suspicions. Having said that we've tried to get around it by disseminating the information as much as possible in the large groups that are fairly diverse groups with representation from a number of different components. We have openly tried to make ourselves available to discuss these issues but haven't been terribly successful because there isn't the desire to engage in such discussion because of the polarisation.

We really believed that we had to remain as transparent as possible. The public manner of communicating proved not to be the best, but we went to great lengths to make sure our messages were consistent, to all the people we were talking to. With respect to the communities, I think there was an effort to deal directly with them.



❖ **How did different stakeholders in the community perceive your business?**

In the context of the spill there have been two opposite opinions about Placer Dome. The larger, more international NGOs have a certain sympathy for the politics and the difficulties of working within a political 3<sup>rd</sup> world environment. They have expressed to me a certain sympathy with our position at Placer Dome. There have been some that have actually come out and said: look, in our opinion you guys have done more than we would expect a corporation to do given the specifics of the situation, although they are in the minority. From the other major NGOs: we think you're doing the right thing and we applaud you. The smaller, more focussed NGOs seem to focus on the end result, so they are unhappy. They say, "we're not at all on board."

### 2.2.3 Impact Assessment and Monitoring

❖ **To what extent did your direct or indirect involvement in this case change the understanding of your role as a corporation?**

It catalysed a lot of discussion within the organisation. Placer has been an organisation that has felt the need to involve the community but this really raised the level of awareness of some of the negative sides of mining. It opened up some interesting debates about how effective we were in terms of communicating with the community at large, building relationships, and so forth. It certainly promoted a much greater awareness of some of the impacts that mining could have and the community's thoughts on those issues. It also raised the question of are we really aware of our relationships with the community? So now there's a lot more effort going into really solidifying those relationships.

There grew an awareness that finding some sort of consensus with NGOs was a key to resolving the Marcopper issue, which alerted them generally to the role of civil-society organisations in corporate strategy and activities. Since then there's been a high level of understanding in Placer Dome, of the need to communicate with NGOs. Ongoing high-level engagement with NGOs started in 1997. We're also looking at NGO connections around new projects in the field and even some existing projects. It certainly has increased the corporate awareness that the sustainable development agenda that we've committed to can only really be achieved with some collaborative approach of working with NGOs.

❖ **Who do you think has changed most in this relation: the NGO or Placer Dome?  
What kind of changes has taken place?**

I would say the corporation has moved the most. There has been a tremendous advance in thinking, in Placer Dome, as a result of the experiences that we've had, both coming out of the Philippines but also subsequently...The community has changed in terms of its capacity for communal action in its best interest, socio-economic progress in the aftermath of the spill. The NGOs have evolved somewhat in their thinking with respect to the possibilities of working with corporations. We have not had a formal partnership but we've had ongoing efforts to see if we could work together in certain instances.

There's certainly been a large change within our organisation regarding understanding NGOs and the value of working with NGOs and trying to learn from all of the different perspectives on a particular issue. Having said that, most of the initiatives that the company has been involved in, are on a more global scale than working directly with smaller communities. Not to say that the individual mines don't work very closely with their communities. But the corporate initiatives are on a much bigger scale.

❖ **How do you see the role of the private sector in the community where they invest or source their products? Why?**

We recognise that we have to be an integral part of the communities and we have learned that those communities perhaps need to be larger in focus than what we have done in the past. We are of the opinion that there needs to be a flow of resources back to the community and into the province. But we're hesitant to put ourselves in the position of dictating to the government to what degree that needs to be done. We're somewhat reticent about getting involved in the details.

Is there a place for primary resource companies to become a surrogate government? Where that shows up is in terms of infrastructure. What responsibility does a resource company have in terms of sustaining that infrastructure and making it so the community can sustain it? Is that the responsibility of the resource company to do that or is that the responsibility of government? It very quickly gets into an interesting debate.

The old model of the relationship between corporation and community was quite paternalistic. Corporations would frequently build infrastructure. The new model is along the lines of sustainable development, trying to strengthen the capacity of communities to do things in their own best interests and broadening the base of institutional actors so the corporation is a catalyst.

❖ **To what extent, is Placer Dome willing to change and become more in tune with the corporate social responsibility agenda?**

Our way of understanding the corporate social responsibility is primarily encased in our sustainable development strategy where I think we are dealing with the major issues: responsibility, overall accountability, and ethical decisions. I think the corporation is enthusiastically moving in this direction, which has captured the imagination of management.

### 3.0 Conclusion

Some of the Canadian and Philippine NGOs have come away from this experience feeling they were used by Placer Dome as part of a public relations exercise in the critical period after the 1996 spill. There is also some residual questioning of the motives of other groups who were regarded as too closely aligned with Placer Dome. These groups maintain that their strategy of engagement was always to ensure that Placer Dome respond to "do the right thing." Others defend their decision not to engage directly with Placer Dome but instead work at strengthening

the capacity of the Philippine NGO counterparts. Finally, there is the recent experience of a shareholder action which is very clearly directed at Placer Dome's bottom line: Agree to a set of principles and we will consider listing Placer Dome in a Socially Responsible Index.

The case study of Placer Dome in Marinduque and Canadian NGO involvement provides a number of important lessons for NGOs in Canada and the Philippines, the affected community as well as Placer Dome. These are best teased out by working through a series of questions on this issue which may provide a useful set of guidelines for future engagement with the private sector by NGOs.

- 1) What were the factors that mitigated against Canadian NGOs having a coordinated strategy in their engagement with Placer Dome? Was it the response strategy adopted by Placer Dome? The different interests and self-understandings of the Canadian NGOs? The mixed messages of the various Philippine NGOs and communities?
- 2) Did the Canadian NGOs do a thorough assessment of the advantages and disadvantages of engaging with Placer Dome on this issue?
- 3) Did the actions of Canadian NGOs put their Philippine counterparts in a difficult position by having them viewed as being "co-opted" by Placer Dome by the affected community? To what extent did these actions soften opposition to Placer Dome in the critical period after the spill?
- 4) How do the NGOs involved deal with the potential pitfall of becoming "tainted" when funds are being offered for ameliorative programmes?
- 5) Do NGOs possess the requisite negotiating skills to engage effectively with the private sector?
- 6) Canadian NGOs played a variety of roles vis-à-vis Placer Dome, the affected community and Philippine NGOs. These included:
  - a) Channelling information from Placer Dome to the affected community and Philippine NGOs
  - b) Acting as a go-between and facilitator between Placer Dome, the affected community and Philippine NGOs, at times to soften opposition to Placer Dome.
  - c) As a means for Placer Dome to test whether certain responses would fly with the community.
  - d) Speaking on behalf of the affected communities to Placer Dome
  - e) Assisting Philippine NGOs re: capacity-building and empowering them to respond directly to Placer Dome.
  - f) Shareholder actions or the threat of shareholder action to push Placer Dome to agree to improve their practices.

What are the potential benefits and pitfalls to each of these approaches?

Which strategies are complementary and which are potentially in conflict with one another?

## Sources

Fourteen interviews conducted by phone or in person over the period May 16 – June 8, 2000. Six were with representatives of Canadian NGOs, four with Philippine NGOs and two with Placer Dome officials.

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David Steinhart. "Mine's Record Murky Waters". *The Financial Post*. April 7, 1999.

NGO Learning Circle  
on NGO Engagement  
with the Private Sector  
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APPENDIX

# APPENDIX

## Questions for Guided Interviews

The questions have been put in 4 groups, three of them focusing the three key areas for further research, and one on the type of engagement used and the underlining objectives of the engagement. The set of questions below tries to cover the main concerns raised by participants during first workshop. The questions will need to be adapted according to the person interviewed. In addition, under the heading “optional” we include some questions left to the discretion of the interviewer. Through them, we would like to unveil some critical issues underlining the debate on NGO engagement with the private sector.

### Type of Engagement/Strategy Used

What was the goal and the strategy was used to engage with the private sector? Did it change as the events unfold? What influenced the choice of that strategy/type of engagement? What did the NGO hope to achieve with the chosen strategy? And, did these expectations change during the implementation of the strategy? Was there discussion or consideration of alternative strategies? What were the critical issues or moments in the relation (or campaign) with the private sector? What were some of the difficult moments in this relationship with the private sector (or during the campaign)? How the NGO or the coalition managed those risks?

{Private Sector informants} Why and when did you decide to engage with the NGO? What were your objectives for this engagement? Do you believe they were achieved? What were the positives outcomes from your engagement with the NGO or/and the community?

Has any third party played any role in the relation of NGO engagement with the private sector? What was this role? Why and at what time did this organization play a role? What were the benefits of its participation?

Do you believe the engagement with the private sector in the case you have participated in has contributed to an agenda to end poverty? To what extent and how?

### Complex Relations of Accountability and Ownership of Strategy

Who determined the strategy to engage with the private sector, how and for whom? To what extent did organizations from the South have input in defining and deciding the type of engagement with the private sector and in selecting the terms under which it would take place? Who spoke for whom?

What means did NGOs use to ensure accountability towards the a) the funding agency, b) the implementing coalitions c) North/South partners and/or affected communities and d) the wider

NGO community (and/or third parties) throughout the life of the engagement with the private sector? Did one line of accountability prevail over the others? Why?

{Private Sector informant} What mechanisms did you use –as private sector—to ensure transparency in your relation with NGOs vis-à-vis the community involved in the relation? Who were your interlocutors—the community affected and/or other NGOs? How did different stakeholders in the community perceived your business? If there were activities for community development, by whom and how were they funded? To what extent did the people affected play a role in the decision making?

## **Synergy of Strategies and Point of Leverage**

Before engaging with the private sector in a specific way, did the interested NGOs make an assessment of the potential complementarity or conflict with existing strategies implemented by other NGOs/Civil Society organizations with regard to that company elsewhere? Or, with others projects or programs the same NGO is implementing elsewhere? How do the objectives of this engagement fit with the NGO's broader agenda and mission? Do these NGOs also address the broader trade and investment liberalisation agenda at the WTO or elsewhere? Was there a need for some trade-off and compromises in pursuing this case of private sector of engagement?

Did the NGOs involved decide to change the nature of their engagement (i.e. from external advocacy to dialogue etc)? When and Why were these shifts made? How did the different members of the coalition and/or partners relate to changes in the original strategy? Was the coalition able to maintain its coherence and if yes, what factors were important to assure its coherence?

## **Impact Assessment and Monitoring**

What has changed for the community/people the NGO wanted to serve? Who benefited most from the NGO-business engagement –the Northern NGOs, the business, the Southern NGOs, the community among others? Are the impacts positive or negative for poverty reduction? At what level – small community, national level (regulatory) or international – were the impacts perceived most clearly? To what extent has the NGO engagement with the private sector allowed the targeted company to strengthen its corporate position globally? Did the changes achieved during the engagement justify the efforts, the costs, the trade-offs and the compromises undergone by the NGO or the coalition? Why?

## Optional Questions

To what extent did your direct or indirect involvement in this case has changed the understanding of your role as activist or corporation? Who do you think has changed most in this relation: the NGO or the corporation? And, what kind of changes has taken place?

How do you see the role of the private sector in the community where they invest or source their products? Why? To what extent, is the business/private sector willing to change and become more in tune with the corporate social responsibility agenda?



The **Canadian Council for International Co-operation** is a coalition of over 100 Canadian non-profit organizations who seek to change the course of human development in ways that favour social and economic equity, democratic participation, environmental integrity and respect for human rights. CCIC conducts research, disseminates information and creates learning opportunities for its members, co-ordinates their collective efforts to shape new models for world development, presses for national and international policies that serve the global public interest, and builds a social environment for global citizenship in Canada.

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