



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

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ABSTRACT

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

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

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1. Introduction

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

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

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

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

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

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

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

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

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

2. Public participation and CSR

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

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

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

The United Nations Economic Commission for Europe's 1998 Aarhus Convention sets process standards for access to environmental information, public participation in environmental decision-making, and access to judicial remedy if denied information and/or participation. New international and national laws have introduced public participation so that a spectrum of additional players, such as environmental and human rights groups as well as local communities, can give their voices to decision-making processes otherwise confined only to governments, project developers, and financiers. Many countries (including China although not Myanmar) have Environmental Impact Assessment (EIA) laws in place, which typically require public consultation. Requirements for public participation have also expanded to decision-making outside of EIA process, such as general environmental planning and specified industry activities including mining, energy facilities and dams (Pring and Noé, 2002: 39). China, along with many western developed countries, has accepted the Equator Principles, embraced the Global Reporting Initiative, and formally recognized UN's Global Compact, which have provisions regarding public participation or stakeholder engagement. Reflecting the acceptance of public participation at the state level, the Ministry of Environmental Protection (MEP) has enacted the Provisional Measures on Public Participation in Environmental Impact Assessment in 2006. However, public participation in China is often found to be tokenistic, if implemented at all (Johnson, 2010).

Studies in the western mining industry find that most companies focus on risk mitigation and reputation management, rather than on the empowerment and rights-based approach to participatory development (Kemp, 2010b), where decision-making is retained with the company with no power devolution to the community (Himley, 2010). Quite similar to these case studies of western multinationals, in the Chinese-backed mining project examined in this paper, public participation also remains tokenistic. The differences will be explored in detail with empirical findings and analysis in the conclusion.

3. Methodology

To analyze the extent and significance of public participation, field research was conducted in one of the Chinese state-backed investments – the Letpadaung copper mining project. Primary data was gathered in the form of semi-structured interviews with 24 villagers from 17 villages. Data collection was assisted by a Burmese interpreter who had been working among the villages for several years as a local NGO staff and had good connections at many villages. The sampling circle expanded as interviewees referred us to other people based on our requirements to sample villagers considering their diversities. Villagers were chosen using a combination of snowball sampling and maximum variation sampling methods (Patton, 1990). Maximum variation sampling “aims at capturing and describing the central themes or principal outcomes that cut across a great deal of participant (...) variation”, and is also able to capture “significant common patterns” within a variation (Patton, 1990: 172). The variations that the author purposely sampled were based on the following:

- 1) Circumstances of the villages: Among the 17 villages that interviewees belonged to, 6 of them were more active in demonstrations and had closer ties with grassroots activists from Yangon and the neighboring town of Monywa, the other 11 were less mobilized hence more ‘quiet’. 3 of these 17 villages had been affected by displacement, of which 2 of them were almost entirely displaced by the project. The author aimed to obtain balanced perspectives from all of the 26 affected villages, paying particular attention to those who were not involved in

previous demonstrations and therefore whose voice might not have come through as visibly in the media.

- 2) Interviewee's occupation: Among the interviewees were 7 agricultural farmers, 5 small-scale traders, 2 teachers, 1 driver, 1 random worker, and 8 Community Social Development (CSD) team members employed by Wanbao. Since CSD members were supposedly the bridge of communication between Wanbao and the villagers, they represented one third of the total interviewees.
- 3) Gender and age groups: The sampling strived to balance the male to female ratio and include interviewees from different age groups. While it was not easy in some households as it is customary that older males are the ones who interact with outsiders who are unfamiliar to them, the author tried to pose questions to youths and females who were often sitting and observing further away. There were 12 male interviewees and 12 females. 4 of them were aged 24–29, 13 of them were aged 30–49, and 6 of them were aged above 50.

In total, primary data was gathered in the form of semi-structured interviews with 24 villagers from 17 villages. The actual number of villagers that were present in the interviews was around 80, but it was usually the more outspoken individuals who answered the questions and expressed their other grievances, while the rest listened on and sometimes contributed with a few supplementary comments. It was decided that enough participants had been interviewed when two criteria were satisfied – sufficiency and saturation of information (Seidman, 2006: 55). The author observed that sufficient numbers had been interviewed to reflect the range of participants so that “others outside the sample might have a chance to connect with the experiences of those in it” (Seidman, 2006: 55), and that the author began to hear the same information reported without learning anything new.

The guiding questions of the semi-structured interviews drew from Arnstein (1969) ladder of participation as well as other dimensions, measurement, and aspects of public participation. The enquiry approach was intended to be flexible, with a question checklist that served as a guide only, which allowed interviewees to navigate towards topics they considered to be most important and pressing. Although the questions focused on measuring public participation at the project, interviewees often raised concerns in other issues, such as air and water pollution, lost of farmland and livelihood, and displacement. These matters are directly linked to CSR and local governance, which will be explored more below.

4. Background of the Letpadaung copper mining project

China is the largest investor in Myanmar – it has invested at least USD 14 billion in a vast range of projects in Myanmar over the past few decades, accounting for about one third of Myanmar's total cumulative foreign investment of USD 42 billion in 2012 (Robinson, 2013; Song, 2013). It is reported that 54 percent of Chinese investments are in the energy sector (Li, 2013: 116), with yet other substantial amounts in mineral mining. The three largest and controversial Chinese investments in Myanmar, the Myitsone hydropower dam, the Letpadaung copper mine, and the Sino-Myanmar oil and gas pipelines, all caused various levels of social protests. In response to project suspensions² and financial losses, the companies involved in these projects became more transparent, namely through publishing Environmental and Social Impact

² President Thein Sein unilaterally announced the suspension of the Myitsone Dam construction in 2011, citing the role that public pressure had played in the decision (Fuller, 2011).

Assessments (ESIAs) and CSR reports at the project level.

The Letpadaung copper mining project agreement was finalized in June 2010 under the former military regime. It is a joint venture between Wanbao Mining Corporation, a subsidiary of China's state-owned weapons manufacturer, China North Industries Corporation, and the military owned Union of Myanmar Economic Holdings Ltd (UMEHL). This open-pit mining project has a total estimated investment of USD 1.065 billion (Sun, 2013: 5). The Letpadaung deposit was found to contain about 180 million tons of copper ore (Myanmar Business and Investment Opportunities Yearbook, 2014). This project involves around 7867.78 acres of land, which includes 5057 acres of cultivated land (Letpadaung Investigation Commission, 2013). It affects 26 villages (and displaces 441 households from 4 villages) at the base of the mountain of Letpadaung.

In 2012, widespread protests were held against the lack of transparency about project details, thousands of acres of land being seized, negative social and environmental impacts, as well as unfair benefit-sharing between the two countries. The rallies took place both near the mine site and in the city of Yangon. Protests became violent, resulting in project suspension in November 2012. The President's Office then issued a statement in December 2012 to form a parliamentary investigation committee, chaired by Aung San Suu Kyi, to look into whether the Letpadaung copper mine project should continue. The Investigation Commission Report (the 'Report') was released in March 2013. To the dismay of many Letpadaung villagers and activists, the Report supported continuation of the project provided that investors made necessary improvements. It recommended the company to pay market prices for farmers' land, and compensations for three years of crops. It also demanded that the company conduct a proper Environmental Impact Assessment but stopped short of providing measures for enforcing results. There are also new profit-sharing terms in place, which secure the government 51 percent of the profits from the copper mine, much increased from its original 4 percent share. UMEHL is to receive 30 percent (reduced from 45 percent) and Myanmar Wanbao will receive 19 percent (reduced from 51 percent).

5. Wanbao's CSR programme

After the Report was released, Myanmar Wanbao embarked on many notable initiatives, with a commitment to invest USD 2 million annually to ensure compliance with international standards of environmental protection and 2 percent of its net profit for CSR activities. It initiated a Community and Social Development (CSD) team that comprises of village leaders and leaders, with a stated goal of better understanding the needs of the neighboring villages. These efforts are indications that company decision-makers are apparently well aware of the need to engage with the project-affected communities. A multi-stakeholder engagement approach seems to be in the making. Much akin to its western counterparts, its communication rhetoric includes promoting sustainable development and empowering villagers. Many informants do acknowledge these increased actions Wanbao made after the investigation report.

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

"In 2013, our village got more electricity. We were told that Wanbao introduced this project and provided funding from their

livelihood project... (is it what your village needs?) Yes it is essential for us." – Farmer, 45, male, Shwe Hlay Village

Referenced against Arnstein (1969) ladder of participation, Wanbao has started to embark on all of the initial stages of the ladder of participation – from 'informing' to 'consultation', and 'placation'. These are significant strides of change that deserve recognition. However, while there are a lot of parallels between what a few Chinese SOEs strive to learn nowadays with what western multinationals have already learned perhaps five to ten years ago, the Chinese concept of stakeholder engagement lacks the ideal of grassroots empowerment. The following sections examine evidence of the stages of 'tokenism' one by one.

5.1. Passive participation / information dissemination

In terms of increasing transparency, the company published multiple documents including the Environmental and Social Impact Assessment (ESIA) and disseminated other project information, created a Facebook page, and became more open to receive media interviews. These seem to be basic PR efforts, but even these publications of ESIA reports and project information were not made available to the public until public outcry demanded more transparency. These PR efforts are necessary for promoting corporate reputation and goals, as well as managing business risks, but such a low level engagement that merely informs the public about project information is inadequate. It is a one-way, top-down flow of information with no channel provided for feedback, giving the public little power for negotiation. Myanmar civil society actors do recognize these PR efforts as an improvement, but they complain that they are 'only for show' (Interviews, Yangon, 1–6 March, 2014).

For the project-affected communities, villagers are also mere recipients of information about decisions that have already made. They were told that the copper mining project had been decided, and they had not been consulted about this decision (Interviews, Letpadaung, 16–24 July, 2014). This is a typical example of passive participation (Pretty, 1995).

"In 2013, there was a big meeting with environmental technicians and government officials, but villagers had no chance to talk. The meeting started at 8am, only government officials and Wanbao staff presented until 1 pm. There was no chance for the villagers to speak, we walked away in the middle of the meeting." – Farmer, 61, female, Ton Ywa Ma Village

5.2. Participation by consultation

Wanbao and the local government officials try to improve communications by holding public meetings where villager representatives can voice their demands. From the business perspective, this is a necessary step for building amicable relationships for business benefit (Kemp, 2010a). However, such consultative process, although is a further step from passive participation, does not concede any share in decision-making, and the state-business coalition does not offer assurance that the public's concerns will be taken into account. This kind of public participation is still tokenistic.

Although it is not the best form of participation, this newfound freedom for villagers to merely express themselves is not to be taken for granted given the background of former Myanmar military dictatorship. In late 2010, shortly after the contract was signed between Wanbao and the military-owned UMEHL, villagers were not allowed to ask any questions when the Monywa district governor and Salingy township administrator requested them to accept compensations and be removed from their villages. The authority arrested a village leader who had suggested the villagers to refuse the compensations (Lawyers Network/Justice Trust.,

2013). Villagers were fearful of expressing their dissatisfactions in compensation matters. Chinese companies in Myanmar have long operated in such an environment where it is not entirely up to the foreign companies whether they can establish open discussions with villagers.

Furthermore, under the Letpadaung Production Sharing Agreement, “the Government is responsible for all consultation with the community and UMEHL is responsible for all elements associated with land acquisition, compensation and resettlement” (Knight Piésold, 2013: 4). In most mining contracts in other developing economies, it is the mining company that typically makes a proposal to the indigenous group affected in return for access to their land, and the state does not take the lead (Allen & Overy, 2013: 10–11). For this Letpadaung case, contractually, Wanbao has no responsibility for compensations and resettlement. According to Dong Yunfei, the Administrative Manager of Wanbao,

“at the beginning, Wanbao was not allowed to communicate with villagers, because as per the contract, land compensation issues are to be handled by the government. This is due to the fact that legally, land is a state-owned asset in Myanmar. The government does not want foreign companies to be involved in local land issues. But because of activism, we are pressured to establish connections with the Myanmar public. This is a major breakthrough in our business approach” (Interview, 29 May 2015, Yangon).

Although Wanbao attempts to engage with local communities, it is at the mercy of the Myanmar government and its military-owned counterpart (UMEHL) in terms of how these arrangements are to be made. The state’s inadequacies are often a reason for villagers’ grievances.

Under the generally democratizing environment, many villagers now feel that they can openly express their needs and concerns without fear, both at public meetings held at the town hall in Salingy Township, Sagaing Region in the presence of government officials, as well as in village-level meetings where company staff visited the villagers. Village leaders and CSD members were invited to attend public meetings, and other concerned villagers showed up without invitation, but journalists were not allowed and some villagers were dissatisfied with this restriction. After government officials and company leaders gave their speeches, CSD members were asked to voice their opinions on behalf of the villagers. Several villagers, mostly CSD members but even a villager who actively opposed the mine with other political and environmental activists, expressed that at the last meeting, they were able to speak freely about their feelings. Also at smaller-scale meetings in which company staff came to meet with villagers at village meeting places and restaurants, they felt they could express themselves freely.

The democratizing environment opened up an option for villagers to express their grievances about compensations and needs for community development projects. This option of open discussion was previously unavailable not only to the villagers, but also to Wanbao, as it operates under the rules and restrictions of an ex-military state that dictates and restricts the forms of communication and dispute resolution any foreign investor is to have with Myanmar people. As these restrictions are slowly lifting, there are visible signs of adoption of new public engagement norms, but this adoption is not only driven by the company; it is largely contingent upon the enabling environment and the opening of political space in which the company operates.

5.2.1. Villagers are consulted but there are inadequate responses from the company

Although most informants expressed that they feel free to express themselves, one follow-up remark that all informants who are not CSD members added was that the company did not

respond to their demands promptly or at all. This lack of follow-up action was noted by all of the non-CSD members who had a chance to voice their demands to the company staff. A usual response from company staff to their demands was that they will ‘report the issue to their boss’, with no visible follow-up action taken. This gives villagers the impression that the engagement efforts are only ‘for show’, and that they keep breaking their promises. This perception weakens the already fragile relationship and erodes any trust. On the other hand, only one informant from the CSD pool expressed that the company staff did not completely follow up on some problems. This contrast indicates that the vast majority of non-CSD members – ordinary villagers who have no connection to power or village leadership, rarely see their demands fulfilled.

“We had some discussion about pollution with the liaison officer, but they said they needed to report to Wanbao seniors, and our requests were not processed. There has been no action from Wanbao. We wanted to tell them, ‘if you do not have the power to make decision, do not meet with us again’”. – Farmer, 61, male, Ton Ywa Ma Village

“Wanbao staff visit our village sometimes, people made demands to them but they do not respond, so we do not believe him. They said if we take their compensations, they will give us job opportunity, but it did not happen. They promised again and again, but always broke their promise again and again” – Farmer, 45, male, Shwe Hlay Village

While lack of responsiveness to feedback is not unique but is a common complaint in many businesses, for Wanbao it can be a particular challenge if there is an internal lack of resources and expertise to promptly and professionally handle these requests. The team of staff handling the relationship with villagers was only recently formed in 2013 after the Investigation Commission Report was published and is housed within the Public Relations Department. The team consists of only four Chinese staff and four Myanmar staff to be in charge of Wanbao’s CSR program. However, many large mine sites, particularly those with a large indigenous population, have dedicated community development units or departments (Kemp, 2010b: 3). Within Myanmar, a point of comparison is Total’s Yadana gas field and pipeline project, which has a ‘socio-economic program’ that covers 33 villages. Its CSR department in Myanmar has 90 staff, with only one French national and the rest are local people.³ They include specialists such as physicians, veterinary doctors, and agriculturalists.

Development projects require a different set of skills from traditional public relations. It normally takes a development NGO years of experience and a ‘trial and error’ approach to understand how to design, implement, monitor, and evaluate a program to cater to the needs of beneficiaries. As Wanbao has only recently started this function without any support from or partnership with an NGO⁴, not to mention that it was started on the ground of damaged relationship with the communities. It is not surprising that there are many gaps, resentments, and much room for improvement.

Apart from Wanbao’s internal issues of capacity and experience, the bottlenecks are likely a result of the centralization of power and inefficiencies in Myanmar. At a subsequent interview with Dong, the Administrative Manager, in which the author brought up this issue of inadequate follow-up action, Dong

³ Information obtained from YAO Ying, who interviewed the Director of Total’s CSR Department, a Myanmar lady, in Yangon (email correspondence, 15 June 2015).

⁴ Whereas Total in Myanmar, for instance, partners with an international NGO, Entrepreneurs du Monde for its micro-finance program, and hires a US-based NGO, CDA Collaborative Learning Projects, to “offer constructive criticism of Total’s actions in Myanmar”. (Total’s website: <http://burma.total.com/myanmar-en/publications/the-cda-reports-200226.html>)

expressed that they acknowledged the problem and explained that their CSR activities need to be approved by a high-level official just one level below the central state – the Sagaing Region Chief Minister. He monitors and supervises CSR plans, and has veto power over the plans (Interview with Dong Yunfei, Yangon 29 May 2015). Despite democratization reforms, power is still centralized in the officials appointed by the President of Myanmar.⁵

Consultation is not meaningful if the feedback mechanism lacks a downward response. Apart from the above mentioned reasons for such an inadequate responsiveness, there is a more fundamental problem underlying: a mismatch between what the company intends to do with its CSR campaign and what the villagers really need. I will return to this point after examining the last form of tokenistic participation: placation.

5.3. Placation

What is observed at the Letpadaung copper mining case is that the company tries to improve public participation, but it highly resembles placation, which is yet another form of tokenism, according to Arnstein (1969). As she describes,

Placation is simply a higher level tokenism because the ground rules allow have-nots to advise, but retain for the powerholders the continued right to decide... If the few handpicked “worthy” poor are not accountable to a constituency in the community and if the traditional power elite hold the majority of seats, the have-nots can be easily outvoted and outfoxed... [Or, they] allow citizens to advise or plan ad infinitum but retain for powerholders the right to judge the legitimacy or feasibility of the advice. (Arnstein, 1969: 217,210)

5.3.1. CSD team's lack of representativeness

Placation is evident from the lack of representativeness of the CSD team. Although the CSD team was introduced for the purpose of ensuring CSR projects are driven by local people, it is still top-down and elite-driven. CSD team members are elites and may not always represent the poorest and most marginalized. When the CSD team was first established, the CSD members were either existing village/village tract administrators (*Ok Chok Yayhmu*) or those who were closely related to them. Up till a political reform in 2012, the village administrators would be General Administration Department (GAD) officers appointed by the township administrators (Nixon et al., 2013: 33), who were in turn appointed by Nay Pyi Taw.⁶ In 2012, as part of the democratization reform, the village tract administrators would be indirectly elected by 10-household heads, but the elected administrators (*Ok Chok Yayhmu*) need to then be confirmed by the township administrators (Kyir Pyar Chit Saw and Arnold, 2014: 33), who are officers of the GAD, which is effectively controlled by the military.⁷ Hence, despite recent political reforms, the influence of the military at the village level is still tangible.

At Letpadaung, common villagers generally feel that *Ok Chok Yayhmu*'s do not represent their interests well, and look after only

the interests of those with close familial and personal ties. Therefore, the CSD team composition reinforces, rather than cuts across clientelism and traditional power structures. Consequently, many villagers are doubtful about whether the CSD members have an interest in representing them and bringing their demands to the company.

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

“CSD members are employed by Wanbao, so they are only concerned about Wanbao, not villagers... CSD members tell villagers about Wanbao's demand, but they do not give us information about the project and do not care about our concerns.” – Workshop owner, 46, male, Nyaungbingyi Village

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

Reflecting this arrangement, the responses to the interview questions from CSD members and non-CSD members are divided. There is a clear division that the CSD members interviewed are supportive of the mining project and see benefits it brings to them, while non-CSD members expressed many grievances. Similarly, among the informants, only CSD members saw positive changes that improved their lives after the Letpadaung Investigation Commission Report, while most of the non-CSD members thought the changes visible to them (e.g. increased staff visits to their village) have not brought any meaningful improvement to their lives.

It is important to acknowledge that the formation and election of the CSD team is not entirely up to Wanbao. Just as an *Ok Chok Yayhmu* needs to be confirmed by the township administrator, so must Wanbao's CSD team members be confirmed by an even higher official – the chief minister at the regional level (Interview with Dong Yunfei, Administrative Manager of Wanbao, Yangon, 29 May 2015), who is a member of the military-backed party, USDP. It cannot be ignored that the issue of CSD member election is an issue of local governance entangled by local government politics. Especially when dealing with politically sensitive issues such as elections hence power distribution, the foreign investor by no means has full autonomy to determine how much power to devolve to the local people. This is particularly true in Myanmar, which is ruled by a military-backed party, and national elections had not been held for twenty years until 2010. Local government authorities would not be keen on elections. Wanbao's stakeholder engagement approach takes shape under such restrictions where power is still highly centralized in the government. The authoritarian control of power in Myanmar renders it difficult for Wanbao to meaningfully engage with stakeholders, especially those with the least power.

5.3.2. Top-down communication dominates

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

For a corporation, it may be the most cost-effective way to selectively communicate with people who can disseminate information and make decisions on behalf of those who they are supposed to represent. Furthermore, these township meetings were organized in coordination with senior officials from Myanmar's Ministry of Mines and Environmental Conservation

⁵ Currently, the state and region chief ministers, who are selected directly by the President of Myanmar, hold much of the power, whereas the power of their cabinet ministers, such as the Minister of Forestry and Mines at the state and region level in this case, is quite limited (Interviews with Dong Yunfei and a local CSO leader, 29 May 2015; 7 March 2014, Yangon).

⁶ Townships do not yet have elected representative bodies, although there have been additional laws for both the state/region (2010) and ward/village levels (2012) that stipulated elections at these levels (Kyir Pyar Chit Saw and Arnold, 2014: 32).

⁷ The GAD is part of the Ministry of Home Affairs (MoHA), which must, according to the 2008 Constitution, be “led by a high ranking military official on active duty, and appointed by the Commander-in-Chief of the Armed Forces” (Kyir Pyar Chit Saw and Arnold, 2014: 2). This underscores the ubiquitous influence of the military on the GAD.

Department, who likely host the meetings. Therefore, the question of which stakeholders they should invite to these township level meetings is likely not entirely at the company's discretion. While this kind of public meeting did not occur before the demonstrations in 2013, and has since improved in quality gradually (with people feeling they can express themselves more openly), there is certainly room for improvement in terms of extending the invitation to a wider spectrum of stakeholders. This includes common villagers, the media, and other concerned civil society and professional organizations outside of the village. Apart from the public meetings, some day-to-day communications are also top-down and often stop at the level of the local authority or the Ok Chok Yayhmu's of the villages.

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

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

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

5.3.3. Culture of placation

Despite the attempt to establish communication channels, power sharing with ordinary villagers is a foreign concept to Chinese state officials and businessmen. According to China's traditional governance structure, negotiation between officials and common people was indirect, hierarchical, and involved only the elite representatives of the common people (Fei, 1980: 83–89). Resembling this structure, project managers of the mine site also rely on local elites to act as a formal, institutionalized bridge of communication (such as the CSD team) and common people are left outside of the channels. For the Chinese company, engaging with 'local elites' already ticks the box of engaging with 'local people', and it can claim that it empowers locals, without addressing the fact that many local elites are not concerned about the needs of those whom they represent.⁸ This traditional and convenient practice of engaging primarily with local elites is a tokenistic and highly problematic form of participation, since "the few handpicked 'worthy' poor are not accountable to a constituency in the community" (Arnstein, 1969: 210).

Interestingly, the communist ideology of 'mass participation' resembles the other aspect of placation, which is that it "allows citizens to advise or plan ad infinitum but retain for powerholders the right to judge the legitimacy or feasibility of the advice" (Arnstein, 1969: 210). Established by both the Chinese government and the Communist Party, the 'principle of mass participation' also extends to the environmental field. It "imposes an obligation on the people to cooperate with and support the government and the Party" (Zhao, 2010: 92). There is no devolution of power from the officials to the people, as in the western concept of empowerment. The role of the official is to communicate with the people party

goals and to mobilize their support. It is not aimed at incorporating people's wishes into the direction of the party because this has already been set by the leaders. The people have no decision-making power. As Townsend (1967: 3) remarks, the major function of political participation in Communist China is the "execution of Party policies", as opposed to "exerting popular influence on political decision" as in the Western democratic style of political participation.

In the interviews, some informants conveyed a sense of helplessness because they feel incapable of changing anything: the project will continue and they will get community development projects that most of them have no say over. Even if the company employees are willing to listen and try to improve their lives, issues that villagers are concerned about the most, such as compensation, jobs and the environment, would not be immediately resolved. The company cannot do much other than trying to enlist their support in what the business can best offer, and by stressing over and over that the mining project brings benefit to the people and the country. It is also a by-product of a mining business model in which the aim of CSR is to offset negative impacts of the copper mine with schools and hospitals that neither address immediate needs of villagers nor effectively minimize negative impacts of the mine.

To placate the people (i.e. to make them less angry or hostile), is also akin to the risk containment approach that the Chinese Communist Party (CCP) undertakes for stabilizing social disorder domestically. Projecting to China's overseas investment, it becomes a business risk management approach. In view of popular demands for multi-stakeholder engagement, China's Ministry of Commerce (MOFCOM, 2013) has suggested Chinese companies consult with local people, show respect for their will, and seek to garner their understanding and support (Jiang, 2013). This business risk management approach that MOFCOM undertakes falls short of the underlying spirit of public participation, which is to empower communities to make informed decisions, as well as to influence industry and government decisions. This empowerment mentality is absent from the recent MOFCOM discourse.

5.4. Misalignment between CSR efforts and villagers' immediate needs

Apart from tokenistic participation, another reason why CSR has not successfully addressed grievances is that there are misalignments between the benefits that the company stresses it will bring, versus the real needs of the villagers. From the CSR reports and websites of the company, one can easily find much information about the development projects Wanbao initiated, from the building of schools and clinics, to health, water and sanitation. Wanbao's blog states that "by the end of November [2013], the company has invested more than 1 billion Kyats [equivalent to about USD 1 million] for 30-plus CSD projects in road repairing, school building, water supply system renovation, electricity facility installation, hospital construction and medical care for 33 project-impacted villages in the region to actively fulfill its corporate social responsibility". This creates the impression that the company is concerned about the well being of the villagers, but villagers' complaints of inaction still abound.

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

"Wanbao staff came to our village three or four times to talk about development projects, but not environmental problems. We

⁸ The issue of dealing with local elites and community representation also exists in other contexts. For example, in a UK and Indian government-funded community development project that was supposed to 'participatory', there were records of project engagement primarily with village elites, resulting in the reproduction of their power (Kumar, Corbridge, 2002).

told them about environmental issues, such as river level dropping in the summer time, air pollution and dust.” – Teacher, 56, male, Tawkyang Village

Schools and hospitals do not solve the immediate needs of the villagers. After the farmland and water sources have been either taken away or polluted by the copper mine project, their immediate concern is their livelihood; how they can continue to make a living. Corporate charity efforts that “repair with the right hand what [they] ruined with the left hand” (Zizek, 2009) are proven again by this case to be insufficient and fundamentally inappropriate. The company does try to mend the situation by giving two percent of its profits per year to aid development projects, presuming that they will appease grievances, but such an off-set mentality does not work. This kind of so-called CSR approach is undertaken by many Chinese companies operating overseas (and some western companies operating in China) because it is the existing mode of corporate charity efforts commonplace in China: they look good on reports, and they are easy to implement in that they do not require much public consultation and planning. The rest (e.g. staffing and maintenance) is the government’s responsibility.

This is not to say that development projects should be scrapped: some villagers did express that they did not have enough electricity and required funding, but these development projects alone are insufficient to ensure the well-being of the villagers. Wanbao promises job opportunities in proportion to the amount of land lost per household, but it has not been able to provide the jobs to fulfil this promise. Social accountability requires the extractive project to be concerned with villagers’ needs from the early planning stage of the project. Now that the Letpadaung copper mine project has already started without considering these issues, development projects alone will not ease villagers’ grievances, as they do not solve problems of environmental degradation, hence livelihood erosion.

There is no doubt that the company has put effort into the development projects, and even consulted villagers about their demands regarding these projects. Stakeholder engagement has visibly increased. However, it also takes an overall responsible mining model for the findings of stakeholder consultation to translate into solutions that are feasible for the company to carry out. If the company’s current business model, structure, resources, and capacity can only cater for projects such as schools and hospitals, findings from stakeholder consultation will not generate much improvement for the lives of the villagers, nor will they mend the relationship between them and the company. Improvements will be seen only if the company business model is transformed to incorporate social and environmental accountability as its priority.

5.5. Active non-cooperation as villagers negatively perceive CSR projects as an enticement

Partly due to the misalignment of CSR projects and villagers’ immediate needs, but also because of the deep-seated contempt for the lack of transparency and social accountability from the start of the mining project, CSR activities are rejected by some of the villagers. Some treat the mining project and associated charity efforts as one whole package to be defied.

This leads to cases of active non-cooperation with the company. Some villagers expressed defiance towards whatever livelihood program the company suggests. Even when meeting face-to-face with company staff about CSR projects, they insisted on the termination of the mining project. Political activists leveraged these sentiments and continued to mobilize protests among villagers, and even kidnapped a few Wanbao workers in May 2014. Faced with such resistance that ranges from latent non-cooperation to open instances of defiance, stakeholder engagement is challenging and sometimes does not enlist support as wished.

“There was a meeting with Wanbao staff. They talked about

compensations, repairing roads, electricity and water projects. They asked us how much we wanted to increase our compensations. We are not concerned about the compensation amount. Our demand is to stop the mining project... They do not give us any chance for discussion. They only talked about compensation and how much we want to negotiate, but we just want to stop the mining project.” – Clothes trader, 26, female, A Le Taw Village

There is a prevalent feeling among villagers that the CSR projects are merely a way to lure them into accepting the copper mining project and the compensation allocated to them.

“After the investigation report was published, Wanbao staff came to our village, and I attended 3 meetings. They talked about job opportunities for the villagers but didn’t explain to us what the negative impacts of the mine are. Their main purpose is to persuade us to take compensations, because if we don’t move, it is very difficult for them to continue the mining... they said if we move, they will provide job opportunities and support small businesses.” – Teacher, 24, male, Kyauk Pyu Daing Village

As important as it is to garner support from the communities, stakeholder engagement should not be a way to lure support for corporate goals and directions. Stakeholders are to be respected, not manipulated. Wanbao has set a poor precedent of not doing enough for the communities, generating widespread discontent. It follows that any steps towards social accountability taken by Wanbao will now, understandably, be treated with suspicion.

6. Conclusion

Wanbao is actively and visibly trying to salvage its image by opening up a number of public engagement channels and investing in community development projects. While yielding some initial results, there is a long way to go to reverse the damages caused and distrust of the corporation. There are serious misalignments between the CSR initiatives and villagers’ immediate needs in this case, which at least partially explains the inability of the company to adequately respond to villagers’ demands and complaints. Wanbao management and the whole industry should re-evaluate what kind of CSR programs actually work. As is already broadly accepted, corporate philanthropy does not compensate for human rights harm (Owen and Kemp, 2013: 32). Off-set mentality where one destroys first and repairs later will not rebuild trust and support that were eroded in the first place. Challenging though it is, it is time for company and industry leaders to reflect their existing business structure, resources, and capacity to incorporate CSR into the business model, which involves meaningful negotiation with communities on benefit-sharing and on concrete plans for alternative long-term and sustainable livelihood, rather than treat CSR as a side philanthropy project or image campaign.

There are numerous evidences of information dissemination, consultation, and placation, which are all forms of public participation, albeit tokenistic and less than ideal. The characteristics of elite favoured engagement, and informing the people only to solicit their compliance rather than seeking to incorporate their opinions, are not unique to Chinese culture and communist ideology. In many places, public participation has been used as a means to obtain information and calculate political risks and consequences, rather than to concede decision-making power to the public stakeholders (O’Faircheallaigh, 2010: 20–21). Other countries have seen technical-managerialist style of top-down decision-making, favouritism towards elites, and propaganda techniques in gaining support⁹, but these cultural elements are

⁹ See Treby and Clark (2004) for cases of top-down approach of environmental management in the UK.

particularly strongly embedded in Chinese governance approach, and are displayed in the public engagement efforts at the Letpadaung copper mining project. None of the communist idea of mass participation, or traditional Chinese governance structure, or modern day risk-management approach of regulatory bodies such as MOFCOM, is underpinned by the principle of power devolution from the officials to the people. Public participation with ‘citizen power’ in Arnstein’s (1969) ladder of participation does not exist in Chinese principles and practice.

It requires further research to understand the question of whether and how this risk management approach will affect the project-affected populations differently from a rights-based, empowerment approach. On the one hand, in principle, while the latter seeks to elevate the grassroots, the former is business profit oriented, which does not prioritize societal interests in corporate decision-making, and limits a company’s ability to “formulate a collaborative long-term development agenda” (Owen and Kemp, 2013: 30). On the other hand though, when it comes to actual practice, there have been recurring debates on whether profit-driven companies and rights-based development can really go hand in hand (Hickey and Mitlin, 2009; Kemp, 2010 a; O’Faircheallaigh, 2010). This research does not aim to give an answer to this question, but poses the fundamental difference, at least in the ideological level, between the western rights-based ideals and the pragmatic risk management approach to engaging with the public. As Owen and Kemp (2013) state, a sustainable development approach requires companies to listen and respond to expectations of communities, rather than a short-sighted effort to reduce opposition. It is only through genuine public participation that community aspirations can weave into development that is sustainable, equitable, and inclusive.

Furthermore, a prevalent cross-cutting theme that this paper sought to highlight is that tokenistic participation is reinforced by the culture of extreme hierarchy and elitism in Myanmar as the host country. The course of stakeholder engagement action that Chinese companies, or any foreign investor, can choose is largely determined by the local political environment, its contingencies and restrictions. Decisions regarding the stakeholders to invite to public meetings, the level of information to disclose, the village representatives to include in the CSD team, and the community development projects to fund, are not at Wanbao’s sole discretion, as power is concentrated in the regional and village-level political elites. For CSR to genuinely redistribute benefits and costs, societal and environmental interests need to be incorporated and prioritized in business decision-making. However, findings from this research show that apart from the willingness of the corporation, this also requires an enabling external political environment, in which appropriate accountability structures are in place and the public has the power and formal channels to make or influence development decisions. As long as these are lacking in Myanmar, it will take time to see meaningful policy advancement in support of genuine CSR practices.

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