

FIELD CASE STUDY 4:

MINERA SAN CRISTOBAL, BOLIVIA



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Field study completed November 28 - December 8, 2015

SUMMARY

The San Cristobal zinc, lead and silver mine, a wholly owned subsidiary of Sumitomo Corporation, is located in a remote, sparsely populated area of the Bolivian Altiplano south of the Salar de Uyuni, some 500 km south of La Paz. The mine is a large-scale open-pit operation with associated processing plant and other mine related facilities. It is the largest active mine in Bolivia and the third largest silver producer in the world.

There is a history of mining at San Cristobal going back to early Spanish Colonial time. However, when told in 1997 that they were living on top of one of the largest silver resources in the world, residents of the town were both intrigued and intimidated. Nevertheless, they were receptive to the respectful way in which they were treated by the company and engaged in negotiations, including the ability to negotiate directly with decision makers from senior management. With knowledge of mining, strong internal capacity and clear vision of what they wanted, the community was able to work with an equally willing company to reach a comprehensive agreement signed in 1998, which formed the base for future relations. The initial result was a remarkably straightforward, amicable and successful resettlement to a new town site, endorsed and overseen by government and the Church. Subsequent agreements confirmed and expanded on the first 'madre' (mother) accord and have been an essential aspect of the ongoing relationship between company and the host communities, which is self-described as being 'like a marriage'. Local tensions, when they arise, are normally subdued and resolved through negotiation based on mutual respect, shared long term objectives, a willingness to collaborate, and a common desire to maintain the quality of the relationship. This has created considerable resilience to shocks and strains on the relationship.

Nevertheless, the relationship has had its ups and downs and collapsed for a number of months in 2005-6 during construction before recovering as the company delivered on the most important written commitments for the provision of benefits and sustainable development established in the various agreements. Conflict in 2010 with distant communities over impacts and participation in benefits was similarly resolved through direct negotiation, which expanded the number of positive relationships. The most severe test of the relationship post construction came with the 2011 conflict studied in detail as part of the field site visit.

Briefly, a community leader, also a member of the company community relations team, requested use of the mine ambulance to transport his critically sick son to hospital in Uyuni, a two hour drive away. The company refused the request. The father and son set out for Uyuni in a regular vehicle.

Along the way, they were forced off the road by another vehicle, rolled over, the father thrown out and crushed to death. The immediate response from the communities was shock and outrage against the company because: a) denied the ambulance, an unsafe vehicle was pressed into service; and, b) much more significantly, if the company had delivered on its commitment, made in the original 'madre' agreement, to build a 'hospital' in San Cristobal, there would have been no need to drive the hazardous highway to Uyuni.

Women from the communities led an initial march against the company. Male community leaders seized the opportunity to raise additional issues and the scale and scope of the conflict expanded. For its part, the company saw the conflict as an opportunity to change some aspects of the relationship and shut down the mine to force negotiations. Over a number of days, and in the presence of representatives of the Ministry of Labor, the parties negotiated a new set of agreements. The consequence was both winners and losers and a resetting of relationships. Nevertheless, a new stability emerged from the negotiations and is maintained on the basis of the agreements and good faith from all parties; the 'marriage' metaphor remains valid. A direct result of the conflict and its

resolution, was the construction and staffing of a full service hospital in San Cristobal, which opened in 2015, as a result of collaborative action by the company, the Ministry of Health and the local municipality.

CONTEXT

Country Level Context

Bolivia is a large landlocked country¹ in South America surrounded by Paraguay, Brazil, Chile, Peru and Argentina. Two points stand out about its geology and physical geography: a) the country is rich in mineral resources, b) the difficulty of movement and hence the cost of transportation owing to both the large distances and the difficult topography of the highlands.

Conquered by Spanish colonizers in the 16th and 17th centuries, Bolivia developed its economy based on a society deeply divided between Spanish occupiers and their descendants, and the local indigenous population. The latter was dispossessed of their land and recruited as cheap labour. Language and ethnicity became the principle dividing lines of the population.² The colonial economy did not change much when Bolivia became independent in 1825.

The first half of the 20th century was marked by the exploitation of big and rich deposits of tin, bismuth, antimony, silver and tungsten by three companies, giving the owners of these companies unprecedented political and economic power. In 1952, following a violent popular movement, these mining companies were nationalized and the Mining Corporation of Bolivia (COMIBOL) was created. The corporation exploited mineral deposits until 1985, when a rightwing government took control of the country, taking advantage of an economic crisis that affected Bolivia from 1983 until 1985 with hyperinflation. Twenty years later, Evo Morales became president. His leftist tendencies promoted the harmonious co-existence of private and state-run enterprises. Initially, his government recovered several mining and hydrocarbon operations that had been transferred irregularly to the private sector, causing a feeling of insecurity and uncertainty within the foreign investment community. Nevertheless, companies in the oil sector did not leave the country. On the other hand, the only new mining investments today come from Asian countries (China, Korea, India, Japan).

In addition, the lack of compliance with and enforcement of the rule of law for the outnumbered artisanal miners in the country continues to create unease among the population and international prospective investors.

Bolivian Governance and its Influence over Conflict

Mining in Bolivia is carried out by three main groups: a) Small scale mining groups called Cooperatives (Cooperativas), b) private mining companies, and c) state-owned mining companies. According to an article from La Razón³ a national newspaper, the cooperatives employ 88.2% of the total mine workers in the Bolivian mining sector. Bolivian mine production in 2014 came from private mining companies (47.4%), cooperatives (43.94%) and state-owned mining companies (8.65%). In the same year, the mining activities of the cooperatives generated \$1,581.5 million (all figures are in US dollars) and contributed \$30.9 million to the national government. This relatively small contribution is attributed to the low royalties payable by cooperatives on gold production (which is their principal commodity). Under national law, co-op members do not pay taxes due to their social position and their employment generating capacity.

The cooperative system was strengthened by National Decree 21060, known as the "Mining Relocation

Decree.” The decree was proclaimed by the government of President Victor Paz Estenssoro and became effective in 1985. Due to the collapse of the global tin price, COMIBOL was significantly downsized, leaving more than 30,000 workers unemployed. The cooperative members took over the mineral concessions containing the deposits abandoned by COMIBOL, as they were no longer considered economic by the state-owned company. The shedding of the COMIBOL assets took place when the country was suffering from hyperinflation, and offered a short-term solution that ended up creating an informal mining industry in the country. The mining boom of the early 2000s resulted in a significant increase in the number of cooperatives and the power they wielded. The nationalization of companies in Bolivia in the last decade appears to be a government strategy that is responding to the instability caused by the cooperatives.

The power of the cooperatives and their informal way of operating, together with the unpredictability of the government in dealing with them, seriously undermined the country's ability to attract and maintain foreign direct investments. In addition, cooperatives lack the capacity to negotiate with communities, and eventually invade their lands or mining companies' lands for artisanal mining activities. The land invasion is known in Spanish as *avasallamientos* (encroachments). Approximately 200 *avasallamientos* by cooperative members have taken place in Bolivia in the last 17 years (COMIBOL's representative, November 2015, personal communications).

Bolivia now has fewer private mining companies, of which the most important economically are Minera San Cristobal (MSC), Manquiri, San Vicente and Porco (located in the Department of Potosi), and Bolivar (located in the Department of Oruro). The largest state-owned mines are: Huanuni (Oruro), Corocoro and Colquiri (Department of La Paz).

Institutional Factors

According to a representative from the Ministry of Energy and Mines' conflict office, the government has an early warning system that allows follow-up and management of socio-environmental conflict situations. While the Bolivian government has laws and regulations that address participatory methods, it does not have a conflict prevention unit. Bolivia's Participatory Law includes five normative instruments:⁴

- The Political Constitution of the State (PCS), which establishes municipal autonomy with normative, administrative, executive and technical power within its jurisdiction
- Citizens Participation Law 1551
- Law 1178 on Government Administration and Control discloses the accountability of public officials for use of resources and corruption-free administration
- The Administrative Decentralization Act 1654 sets out the powers and resources transferred to the departments, the powers of the Prefect
- The Municipalities Act regulates the municipal regime established by the PCS
- The Environmental Law includes a section for public consultation once company's environmental impact study is submitted for review.

Although the public policy of citizen participation contains all the legal, organizational structures and operating mechanisms in place, the objectives of this policy are not always met due to, but not limited by a variety of factors related to the lack of: audit measures in terms of economic and environmental matters, legal certainty on sustainable development rulings, sustainable environmental planning, a monitoring process to ensure the application of all legal participatory instruments.

The San Cristobal Mine (MSC) case is an exception to the rule when it comes to most mining-related conflict cases in Bolivia. MSC and the communities achieved a high level of mutual trust resulting in agreements that enabled them to overcome differences that over time turned conflict situations into mutually beneficial opportunities. In this case, the government did not intervene in company-community relations, as it was confident that MSC was following all the legal requirements for community participation in its decision making processes.

However, company-community relations have changed over time. Now that the company has formalized and institutionalized the relations, it makes reference to laws, which from the communities' point of view protect the company's interests at the expense of community rights. For example, the Bolivian Law 535, Article 207, Paragraph II5 states, "Mining operations that include prospecting and exploration activities do not require prior consultation provided for in Paragraph I of this Article." Recently, MSC faced challenges from local community members whose animals were grazing on lands the company needed for exploration activities. As a sign of respect, the company sent a letter to local families informing them that they should remove their cattle from the area even though Law 535, states that locals need not be consulted. Nevertheless, locals still resent the fact that they have not been consulted. In this case, the government did not intervene in community-company agreements. This resulted in the erosion of its influence and the deterioration in its relations with community members all because of regulations that were not welcomed by community members.

Regarding environmental regulation, a stakeholder from the national government considers that Bolivian legislation has high environmental standards, but it lacks mechanisms to enforce them. Additionally, should the environmental standards be enforced, it would put many mining cooperatives out of business, triggering a series of events with a high risk of conflict. Therefore, as mentioned by stakeholders from different sectors, the environmental laws and standards are not enforced.

Regional Context

Historians have written that the Province of Potosí has been known for centuries as an area rich in mineral potential and resources. A San Cristobal community member recounts, "We knew a long time ago that our land wealth was underneath our town, for that reason, when the company [MSC] mentioned the relocation, it didn't take us by surprise."

According to regional authorities, economic development was not an option before Minera San Cristobal's activities took place in their province. As described by a provincial delegate, job opportunities are usually a matter of concern, as communities from the region would like to participate in the employment opportunities that MSC could offer.

Water has Been a Latent Concern for Local Community Members

The arid climate characterizes the area around MSC. Given its scarcity, water has become the focus of community concern. Some regional civil society groups like the "Civic Committee from Potosí" (Comité Cívico Potosinista) suggested that the use of water be nationalized out of fear that the international companies using it could contaminate it.

In 2011, during construction of the community's infrastructure for relocated families, drinking water was used to build many of the houses. Today, the strain on water availability continues to be an issue due to the pressure of population growth and commensurate increased water usage. To add to the problem water usage has changed now that people have amenities that they did not have before, such as showers and laundry facilities.

According to a local community member, MSC asked the locals to reach agreements with other communities to share their water sources, if it is to be transported from one location to another. However other communities do not look highly upon the Town of San Cristobal because they were excluded when San Cristobal negotiated water use with the company.

According to MSC employees, water is a permanent concern and cause for latent conflict. As mentioned by a CCRR team, MSC built five water wells in the communities. The CCRR team indicated that the previous municipal authorities did not carry out their commitment to invest mining royalties to address water management concerns, so MSC took on the responsibility. The communities on the other hand would like to have access to running water. In addition, company representatives maintain that the water for the mine comes from a completely separate source than the fresh water used by residents of the area in and around San Cristobal. As described on the MSC's webpage,⁶ "The water used for mining is highly saline and has very high sediment content. Because of this, it is poor-quality water not fit for human or animal consumption, but is adequate for industrial purposes."

A representative of the Regional Federation of Peasant Workers of the South Altiplano (FRUTCAS), a grassroots regional organization from Nor Lipez province, stated that MSC's use of groundwater is affecting local communities given the quantity needed for all their mining activities. Locals are concerned that the water will dry up, particularly due to the lack of rain in the past few years. FRUTCAS indicates that in a number of blockades, marches and office takeovers that took place in 2010, protestors demanded MSC replenish the water used in the mining process and that MSC be taxed for the water it uses. FRUTCAS was not sure if the reduced flow of water is due to MSC's activities or if it is a result of climate change and global warming.⁷ In order to address water related concerns, the government requested the company to provide a report on this issue. MSC commissioned the study to two organizations from Japan and two from Bolivia. The study results, which were made public, provided assurance to the government that the lack of water in the area was not caused by the company, but to environmental conditions. The company, on the other hand, promised to upgrade its water-recycling program.

Nonetheless, FRUTCAS' representatives continue to voice their concern regarding water scarcity in the area, and some locals are starting to wonder whether economic benefits from MSC are more important than access to water sources.

Local Context

The local culture includes gods and spirits with a profound respect for the earth, and rocks in particular. Among these, perhaps the most well-known god is El Tío, who, as described by locals, lives in the black interior of mountains guarding his precious veins of gold and silver. El Tío, according to legend, promised that he had hidden a gift for those who continued to believe in him, a gift to be unveiled in the year 2000.⁸

The San Cristobal Mine was discovered in 1996; therefore local communities believed that they had received the gift of El Tío. This marked a relevant starting point for the company and the local communities, where the communities wanted the mine (knowing that the promise from El Tío had been fulfilled), and the company viewed the deposit as a great opportunity. The ups and downs in the relationship between the mine and local communities through the years reveal the loss of social licence to operate in times of tension and conflict, but at the same time it showed the anticipated and unanticipated changes the community went through as the mine developed.

Colcha K, the provincial capital, emerged prosperous in 2010, when local authorities managed to apply mining royalties to the provision of basic needs, such as electricity, drinking water and production projects in order to diversify the local economy.

The municipal authorities acknowledge the need for capacity building in economic development to help 45 communities located within its jurisdiction. Four out of 45 communities from the municipality of Colcha K are located in the area of direct impact, including: San Cristobal, Vila-Vila, Culpina-K, and Rio Grande.

The community of San Cristobal has a history of migration and poverty. It was a stopover to and from the Pacific coast for commercial activities. When mining activity slowed down entire families would leave. A researcher who visited the area of San Cristobal at the end of 1930s reported that the town had a population of 12 people. Between 1968 and 1970, only three families lived there (Baptista, M., 2015).⁹ At the time, local people had to walk approximately 120 km to reach Uyuni, the largest city in the area. Later on, transportation was available once a week. When geologists from Minera San Cristobal visited the place, its population started to increase with returning residents. A socio-economic study of San Cristobal commissioned by MSC reported 130 houses, a 17th century baroque church, 19 community centres and 632 inhabitants. Today, the population of San Cristobal is approximately 1,400.¹⁰

Vila-Vila was founded in 1982 by San Cristobal residents who still own land in the San Cristobal area. For that reason they are included in any negotiations with the company. Culpina-K, 15 km from San Cristobal, is also included in decision-making processes related to negotiations with MSC.

Project Context

Minera San Cristobal (MSC) is a Bolivian mining company located next to the community of San Cristobal, in the Municipality of Colcha K, Province of Nor L pez, Department of Potos  and employs 1,500 workers. It is one of South America's largest producers of silver, lead and zinc. MSC is a wholly-owned subsidiary of Sumitomo Corporation, one of Japan's most important industrial groups. MSC has invested \$1.4 billion in Bolivia to date, making it the country's largest direct mining foreign investment.¹¹

Until 2014, the San Cristobal Mine extracted lead, zinc and silver ore at the rate of 40,000 tonnes per day. In 2015, the daily production rate was increased to 52,000 tonnes. The estimated reserves are sufficient for mining to continue for another 17 years.

One hundred and fifty thousand tonnes of ore and waste rock are extracted daily from an open pit at the San Cristobal Mine. A particular characteristic of the company is that it does not buy diesel from the Bolivian government (that provides a subsidy for its use). Beginning in 2015, MSC began selling some of the lead-silver concentrate it produces to COMIBOL's ore processing plant.

MSC is proud to have attained three globally recognized standard certifications: ISO 9001, for quality management systems, ISO 14001 for environmental management, and OHSAS 18001 for health and safety.¹²

MINING PROJECT HISTORY AND DESCRIPTION OF COMMUNITY RELATIONS DYNAMISM

Table 1: Project history and community relations dynamism.

Year	Relevant Events
1994	Bolivian mining firm MINTEC acquires the rights to the mining concession and receives permission from the community to start surface work. The company rapidly builds social legitimacy with the local community by sharing information and providing employment. ¹³
1995	ASC Bolivia, a subsidiary of Apex Silver Mines acquires MINTEC, continues community dialogue and provides additional benefits. Social and environmental baseline studies are initiated. ¹⁴
1996	Drilling outlines a large deposit beneath the town of San Cristobal. ASC acquires rights to an additional 190,000 ha of land around the San Cristobal deposit. Consultation with the community begins resulting in community participation in the decision making process to relocate the population. A community member recalls that at the beginning of the consultation process locals were angry at the relocation request. Dialogue with the company is ongoing while numerous community assemblies debate the company's request to relocate the community and work in the area. Slowly, a general consensus emerges to make the most of the presence of the mining company. Some locals think it is a great opportunity that should not be wasted.
1998-1999	Twenty local community members (school teachers and other respected community leaders) are appointed by the community's general assembly to negotiate with MSC. Negotiations open with the community demanding the company pray to Saint Cristobal at the local church to ask for his acquiescence. Community opinion is still torn between moving and accepting the company's request and staying, and expelling the company from the area. Most of the population is aware that the town has to be relocated to achieve the well-being it seeks and that is now within their grasp. Bolivia's best Yatiris ¹⁵ are called to determine the ideal place to relocate the community. In June 1998 after a complicated assembly, the community communicates to MSC their decision to accept their move to the chosen location. The community's highest priority requests include the relocation of the colonial church with its original construction materials, the establishment of a foundation to develop projects that would diversify their economy, participation in the company's benefits, support for education, health and employment, as well as compliance with all other conditions for their relocation. The company accepts all the requests. Rules for conflict management are developed to ensure the agreement's sustainability. Later negotiations deal with specific details including the locations of the plant and other mining infrastructure.
2000	The women, who were largely excluded from the negotiations and planning for the relocation, voice complaints about the houses, indicating that, " <i>they are not what they wanted.</i> " Culpina-K residents started to think that they had made a bad deal. ¹⁶ Minera San Cristobal S.A. (MSC) is incorporated in February. ASC Bolivia transfers all its mining concessions in the District of San Cristobal to MSC. Delays and a lack of compliance with the terms of the negotiated agreement result in marches and blockades. Trust is eroded.
2001	The basic engineering design is completed. MSC is granted environmental licenses for the mining project and road construction.

<p>2001-2004</p>	<p>Due to low mineral prices in global markets, coupled with the absence of a solution for the power supply, work that begun in 2000 is halted. Communication with the communities becomes infrequent as the community relations team is asked to cease their activities for a period of time. The company remains non-compliant with the terms of the resettlement agreement. Credibility is lost. Realizing the need to stabilize and strengthen the relationship with local communities, MSC, in conjunction with the Andean Development Corporation (CAF) maintains communications, works with local communities and commits to bring capacity building to agriculture and tourism. However local communities dislike the work they do and ask them to leave. Metal market conditions improve and construction on the project begins. Company credibility improves as communities welcome the opportunity of employment during construction. Newly installed management to supervise construction has no knowledge of the commitments to the communities. The communities feel deserted, with the perception that they are not being respected and commitments for employment and training are not being honored. A contractor opens a road through community gardens outside of the agreed construction area. Culpina-K residents perceive this as an illegal act. Demonstrations and confrontation with the company takes place.</p>
<p>2005</p>	<p>With construction taking place, residents from external¹⁷ communities apply for construction jobs. Tensions increase in communities directly affected by the project because they see the competition for jobs with outsiders as hindering the chance to improve their economic situation. The communities reach an agreement with the company regarding employment opportunities: priority for employment is based on proximity to the project: 1) local communities within MSC's area of direct impact get priority for employment followed by, 2) communities in the region, and lastly, 3) communities in the rest of the country.</p>
<p>2006</p>	<p>Sumitomo Corporation acquires 35% of MSC's shares from majority shareholder ASC.</p>
<p>2007-2008</p>	<p>Engineering work is concluded giving way to the gradual start of mining operations. The treatment plant begins operation and the first concentrate is exported. A management team is appointed to run the mine, replacing the construction team. This brings stability and quickly establishes a positive dialogue with the communities. All prior commitments are met or in the process of being met. An accelerated local employment program is initiated. Community-based planning for social and economic development is underway. Credibility is restored.¹⁸</p> <p>The company continues to improve practices and improve its relationship with the community. For example, the community organized a march to demand better service at the company's dining area, claiming that service and food quality should be "equal for all" with no difference between management and the regular workers. MSC agrees to improve the quality of the food service for all company employees, and abolishes separate dining areas for management and workers. Local communities refer to the project as "our mine", strengthening the company's credibility. As "co-owners of the mine" the communities make representations to the national government supporting the company in response to government statements of increased taxes and threats of nationalization.</p>
<p>2009</p>	<p>MSC produces at 100% of its design capacity. In March, MSC becomes a wholly-owned subsidiary of Sumitomo Corporation. Changes in upper management and new company owners affect the relationship with the communities. MSC ends a contract with Washington Corp, a contractor that is well liked by locals for their good environmental and social practices. Local Washington Corp. employees are told that their employment with MSC will continue, but twenty workers do not like their new positions. These workers organize a protest claiming the company is not fulfilling its employment commitment. MSC has to stop operations for two days, determines who the protest organizers are, and proceeds to dismiss and sue them. This creates deep resentment in the communities, particularly in young people. It is they who see a lost opportunity to make a living and stay in their communities. On the other hand, for the majority of the community members, the principle of mutual respect with the company's community relations team remains as the basis of their relationship. With the mine in operation, the communities remain fully involved in the decision making-processes.</p>

<p style="text-align: center;">2011</p>	<p>Local communities experience a latent conflict as the company has some pending matters in order to comply with the agreement known as the Mother Agreement (Acuerdo Madre). Local communities petition for, among other things, compliance with a clause referring to a health centre with a number of facilities. What started as a concern for improved medical attention, escalated into a conflict situation consisting of a prolonged strike and an eleven-day blockade. The escalation of the conflict was triggered by the death of Pablo Calcina, an MSC worker and well-respected senior community leader whose request to use the company's ambulance to take his ill child to the nearest hospital was denied. Instead, he was provided with a driver and an old car. On the way to the hospital with his child, Pablo Calcina died as a result of a car accident. The feeling of betrayal and the loss of one of the most respected community leaders creates an enormous emotional impact. The community said, <i>"you forced us to take an unsafe car, and the driver was not professional."</i> <i>"Our community leader died because we are not provided with safe roads, nor proper medical attention."</i> The company's community relations team sided with the community's concerns.</p> <p>How and why did the conflict escalate:</p> <ul style="list-style-type: none"> • Women organized a march protesting the lack of access to the ambulance and medical facilities • Men protested also but with additional demands including: <ul style="list-style-type: none"> • Pit expansion: despite an agreement already signed to access an area for pit expansion, locals were still upset because the area had a key water supply that was going to be destroyed and six families had llamas grazing in that area. • Water: the company honour its promise to provide access to drinking water • The firing of some staff members • The company shuts down operations, days pass and workers start to worry as unpaid days pile up. • The leadership of San Cristobal takes advantage of upper managements absence during the strike to take the situation to a higher level: • Letters were going back and forth • The community sees the need for a mediator. The Ministry of Labour is asked to intervene • MSC turns to the government • Regional authorities send representatives as well to intervene in the situation • The community's sentiment of empowerment grows as they feel that for an unknown community they are getting the government's attention • Community leaders are invited to La Paz to initiate a dialogue • The parties reach an agreement on the 11th day of the blockade <p>As a result of the conflict:</p> <ul style="list-style-type: none"> • Communities receive an improved infrastructure for medical attention, ambulances and improvements to the road from the community to the closest hospital (located in Uyuni) • Community leaders lose their political power and leave their positions to become entrepreneurs • The union emerges as the voice of the workers in social matters • The company-community dynamic changes and is institutionalized • Vila-Vila gains political power and a foundation for productive projects • Culpina-K takes further steps towards the development of productive projects • Local communities mourn the days when the relationship with the company had no third parties involved • The company and communities sign a Peace and Harmony Memorandum of Understanding to avoid this situation from happening again. The document includes detailed information with steps describing how to manage any conflict situation in the future.
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NO FURTHER MANIFESTATIONS OF CONFLICT HAVE OCCURRED SINCE 2011.

How the Company-Community Relationship Developed (with Ups and Downs)

A series of lessons and events shaped the company-community relationship. The relationship evolved from one of withholding and withdrawal to an attitude of legitimacy and finally to one of trust. At a certain point the communities referred to the relationship with the company as a "marriage". A local described it very clearly, *"The company and the community established a marriage relationship where the baby was the mine, so we both had to take care of it as mother and father. And we have problems like any married couple."* Within this framework qualities such as mutual respect and equality developed. However, like in any other human relationship, it had its ups and downs.

Prior to the marriage, the communities held general assemblies for six months, *"We didn't take any decisions in the beginning, we just continued our conversations to the point [where] we were able to reach collective agreements."* The internal agreements between communities were not easy as there was some skepticism. The communities requested the company build some internal capacity to help them make their final decisions. The company offered specialized professionals to explain the mining process as well as details about the relocation. A group of community leaders were taken to other mining projects where communities had been relocated. Being able to see examples of relocation helped the San Cristobal communities in their decision-making process.

External stakeholders communicated with the communities of San Cristobal, Vila-Vila, Culpina-K and Rio Grande, about the potential impacts the mine would have on the area. *"Civil organizations would reach us to tell us [the communities] that the company would extend its contamination up to Tarija, that we would have llamas with two heads and the water is going to dry up."*

From the company's point of view the relationship with the communities was complex because the communities would not distinguish between the institutional relationship and labour issues. The institutional relationship was vague, because members of the community relations team (CCRR) had built personal relationships with the communities. This close relationship resulted in demands of the company by the community.

Moving from Personal to Institutionalized Relationships

After the 2011 conflict (Table 1), the community was aware that MSC was trying to institutionalize relationships by moving away from personal relationships. Some community members agreed to the new approach, and soon after a community youth group organized itself to learn more about the history of agreements in order to guide company relations in the future.

An additional change in the relationship after the 2011 conflict was the emergence of the union as the voice of the workers. The union's significance increased, it gained legitimacy and was given room at the negotiating table with the company in matters related to community and worker benefits. The social dynamic had changed as community leaders lost political power.

A new community relations approach developed and was formalized, resulting in a power shift favouring the company. Prior to this, the community had a great deal of power and the company felt that it was giving in to the community. Today, while the company is comfortable with the new relationship, the community mourns the marriage that had existed previously. According to locals, previous negotiations were based on written agreements and partnerships, now the negotiations are politicized and in favour of the company. *"Before we negotiated in good terms, with agreements, now the company comes with the law in its hands. We can't insist as much now... We have been shown that the law overlooks us. The law has shortcomings that oversee mining companies' interests but not the communities. Our capacity to negotiate has diminished as the law doesn't see us [local communities] as land owners."*

The community saw this as the dissolution of the marriage.

The Consejo Consultivo, is a civil society group that emerged as an initiative of the San Cristobal community. The society's leadership was empowered at a community assembly to direct the future development of the community. The society developed a strategic plan in 2009 and became a not-for-profit organization that would bring international aid to the community. The organization has not reached its objectives as it still depends on MSC. They call themselves "the dreamers" and continue to develop their organization realizing that attracting funds for their projects is not an easy task. Most importantly, the Consejo Consultivo helped the community to live through the times of conflict and move on to re-establish the marriage.

Once the relationship was re-established, the company has been more active in trying to maintain the relationship on good terms by empowering the communities through partnerships. However, some locals indicated that today, [local] people are not content, "...something is happening, I think everyone notices the estrangement. The mutual respect is starting to fade. They [the company staff] are forgetting the commitments we reached."

Avoiding Conflict with External Communities (Communities from the Area of Indirect Impact)

Often, a number of potential conflicts or manifestations of conflict start with communities not being included in the network that receives benefits or jobs from the company, especially if they are outside of the company's area of direct impact.

At San Cristobal, MSC negotiated with two regional organizations to create economic projects with external communities. One such community, San Pedro de Quemez, approximately 100 km from San Cristobal, demanded jobs for members of its community. FRUCTAS and international organizations benefit communities distant from the mine by raising funds for projects aimed at diversifying their economies.

As a result, distant communities were included in the mine revenue stream thus avoiding the creation of communities in the area of direct impact as "islands of wealth." *"There is no exclusivity for us [Community of San Cristobal], priority yes, not exclusivity."*

Avoiding Conflict with Community Members whose Concerns or Interests are Different from the Rest of the Community

While local communities make an effort to keep their decision-making process collective by garnering general community support, there are always some members of the community that are in disagreement with the majority in terms of agreements or close relationship with the company. As explained by a community leader, those cases are seen by the general assembly as individual cases with individual interests. In order to address these challenges, the community makes an effort to find alternative sources of income for the dissenters and does not empower actions by third parties that support the dissenters' objectives.

Minera San Cristobal's Social Responsibility Program

"As farmers' organizations, we didn't want to relate to private companies, but the social policies implemented by MSC have made it easier to maintain a good relationship." From the lessons learned from its

relationships with the communities, MSC has developed a social responsibility system that allows it to identify and address risks in a timely manner. A member of the community relations team mentioned that, “Before, the power the communities had over the company was vast. Now, with our new system we have learned to say ‘no’ when we need to, or to manage our stakeholders with more confidence.”

MSC’s social responsibility program at the moment includes:

- A conflict prevention system,
- A community relations representative for each community who has daily contact with locals,
- Social worker who compiles all the information from each community relations team member,
- A software application to review all concerns and grievances as they arise,
- The application of international best practice tools like the IFC’s performance standards
- A social analysis system reviewed periodically by a third party,
- A system to prioritize and follow up on raised concerns.

DYNAMICS OF CONFLICT AND CONFLICT TRANSFORMATION

Current Manifestation of Conflict

Looking beyond the current situation with MSC a latent concern of local communities and regional stakeholders is water resource management. A characteristic feature of this case study is the capacity of local communities and the company to overcome short and long periods of conflict via a relationship built from the early days of MSC’s mining activities in the area.

Key Players

Regional Level

Regional Federation of Peasant Workers of the South Altiplano (FRUTCAS)

FRUTCAS, a grassroots organization from the province of Nor LÍpez is a relevant player with the Consejo Consultivo in the matter of regional economic development. It continues to be critical of the company’s tailings disposal and water use management. FRUTCAS evolved from being an aggressive agitator to a constructive critic and partner in development.

Provincial Council

Recently appointed provincial authorities acknowledge the need to reach long-term agreements with the company that coordinate with national and local economic development plans.

Civic Committee of Potosi (Comité Cívico Potosino)

According to regional authorities, the Civic Committee of Potosi, an institution whose mandate is to look after departmental interests, was pursuing MSC's nationalization because of concerns related to the use of water and its contamination. The company's workers were opposed to this threat and made representations to the national government in support of the company.

Local Level

Municipality

Colcha K municipal authorities and community members have experienced tensions with MSC. These included blockades in support of more job opportunities, the provision of electricity to the area, and payments for the use of water. These problems were solved in a timely manner with commitments to comply with the terms of the agreements.

New municipal authorities were elected in mid-2015. Acknowledging Colcha K's direct dependency on MSC's mining activities and royalties, and the need for capacity building in sustainable development, the new authorities reached an agreement with the company to focus on long-term development initiatives. The agreement has helped the municipality of Colcha K improve its relationship with the company which has been key in helping municipal representatives organize economic development committees for: a) environment and tourism, b) education, health and sports, c) regulatory monitoring, d) institutional strengthening, and e) land use planning.

Local Communities' Younger Generation

Local youth are keeping the company accountable. Young locals organized a group that was interested in knowing more about the agreements and commitments that were reached by their elders in the original and subsequent negotiations between the company and the community. A central element in the relationship between the youth group and the company is the sentiment of duty on the former's part as a consequence of reciprocity, "We moved, you owe us."

Community Members from San Cristobal, Vila-Vila, and Culpina-K

In the past, all three communities took collective decisions through the general assembly. Today, the decisions are collective, but each community holds its own assembly. If a community member does not agree with the community's decision, and is interested in self-centred objectives, this person does not get community support and the collective decision prevails.

Communities' Women

The women of the communities played an important role in the 2011 conflict. It was the women who initiated the petition for safer transportation of injured workers and community members.

Minera San Cristobal's Union

According to a national NGO whose main work and focus is unions, MSC's workers are organized into three companies: a) MSC, b) machinery services, and c) transportation services. MSC has complied

with national laws for all three companies. The division of the companies has benefited MSC.

After the 2011 conflict, the union gained legitimacy and became the voice of not only the workers but also the voice of the local communities, demanding the company improve worker and community health services. As a result, community leaders lost their political power and position with MSC. A community member described the union's emergence in the relationship as follows, *"We had a marriage with the company and the union became a third party to the marriage... it caused a separation, and almost a divorce..."* Despite the community's grief at losing the previous relationship with the company, it helped the company institutionalize its relationship with all its stakeholders, including local communities. A community leader now thinks that local people do not participate in decision-making processes with the company as they previously did. The changes that occurred after 2011 led the company to politicize its decision-making. *"...this is dangerous for the community [political positions] as the company relates mostly with the union and less with us [the community]."* A local community member illustrated how the event and changes in relationships with the community and union changed the traditional way of dealing with issues, *"Before we aligned our differences with the company through the 'corregidor', nowadays we can't do that with the union."*

As explained by a union member, the "corregidor" (local authority) often meets with the union general secretary to discuss social matters. An example of this kind of meeting was the coordination of actions by both the union and community leaders during the 2011 conflict. *"We are workers and we are union members, but most of all, we are also community members. When it comes to demands from the community, we join the community's interests."* MSC's union has gained recognition at the national level as well. It organized a national congress of unions in the town of San Cristobal in December 2015. The union event was organized in close coordination with the community's leaders as some of the meetings took place in San Cristobal.

A comment from a former union leader suggested that MSC should manage challenges with the union and the community in a different way. As described, currently the company's human resources manager addresses matters with the union, while the community relations manager addresses matters with the communities. *"It would be better if both departments meet to discuss common matters."* On the other hand, the communication channels between managers and general manager are seen sometimes as an obstacle to reaching an agreement. *"It would also help if the general manager meets directly with the union and the community for relevant matters, not through managers as sometimes our messages are misunderstood."*

Minera San Cristobal's Community Relations Team

The CCRR team played an important role from the beginning of the company's activities in the area. Early on during San Cristobal's town relocation, the team tried to preserve community traditions. As described by a team member, *"The key to a successful relocation was to have two people who spoke Quechua. Pedro García would bring music, prepare some food, invite women on Mother's Day and dance with them. Today, we are not allowed to do so... to dance, to drink with locals. Until today, locals are resentful that we don't do things that way anymore. We didn't come to the community with the law in our hands, we just applied it, but we didn't have it in our hands..."*

Their position and close personal relationship with community members created an internal conflict in MSC as upper management worried that the CCRR team was a fifth column of the community inside the company and vice versa. In 2001, when the project feasibility was negative due to low metal prices, the community relations team was asked by upper management to stop field operations. The team decided not to lose contact with the communities as it would mean that all the effort expended and agreements reached so far, would be lost. The trust that had been established would be eroded, particularly because most of the commitments were verbal.

When operations resumed in 2005 the team describes their situation as highly conflicted because the communities were frustrated with the company's infrequent communications. Communities and the CCRR team felt they were not being recognized. Simultaneously, the company thought their community relations team was working against company interests.

With upper management's loss of trust in the CCRR team, the team found itself working without its institution's support. The team lacked a vehicle to visit the communities. When locals saw two CCRR members arriving in a community on foot (the distance from San Cristobal to the project site is approximately 30 km), the community defended the team members in front of MSC upper management by saying, *"You have to respect the community relations team."* The communities then stopped all negotiations with the company. Prior to this event, the team's office was called Industrial Relations. At the request of the communities an office was built in the community of San Cristobal and was called the Community Relations office.

When asked how the CCRR team endured the tough times with the company, one of the members answered, *"We endured all odds because we made a commitment. WE LOOKED AT EACH OTHERS' EYES when we reached those commitments...and with so many memories from the exceptional experiences that we had at the beginning...Our endurance went beyond the strictly professional, we did it all willingly, it all came from our hearts."*

Factors that Helped in (Community-Company) Negotiations

- a. Local community members have a well-organized society
Community members make decisions collectively, supported by:
 - GENERAL ASSEMBLY: Community members from San Cristobal, Vila-Vila, Rio Grande and Culpina-K attend the assembly meetings. Each year the new assembly leader's role is outlined by the assembly three years in advance. The assembly meets three times a year following designated holidays.¹⁹
 - AUTHORITIES COUNCIL: It meets at any time to keep the authorities accountable. Leaders whose acts show lack of compliance with the communities' rules are dismissed from their duties.
 - CORREGIDOR: Administrative and judicial agent. With the authority to "correct" any misbehavior or lack of compliance in the community. The *corregidor* is not always chosen for his popularity or good standing in the community but for his strength and ability to punish. On other occasions, the *corregidor* is chosen to reform his own behaviour as the Authorities Council closely supervises him.
- b. MSC had no community-relations experts in 1995, however, the community relations team (composed of a mining engineer, a union leader, and an economist knowledgeable about Bolivian mining regulations) that was commissioned to address and manage social matters became a key element in opening and maintaining a positive community-company relationship. A community relations team member remembers the early days interacting with the community, *"We didn't have any community relations available. We went [to the communities] without a pre-arranged meeting agenda for initial negotiations. We presented ourselves as company employees, then chatted in Quechua²⁰ for about five hours prior to our negotiations. The language opened a door to our initial conversations. We became friends."* The team, as described by MSC's staff and other community members, created a good relationship by having frequent meetings, becoming local peoples' friends, and by understanding their problems and concerns.
- c. The Andean culture demands that every community member participate in assemblies and

comply with their commitments to the community and their own responsibilities. According to community members, the same “rule” applied to everyone in the area without distinction, including community leaders and company staff. An unwritten cultural law of mutual respect was applicable under the motto, *“Do not mistreat the community and do not mistreat the company.”* For example, MSC had zero tolerance for alcohol consumption. If the company would not dismiss a worker for non-compliance with this rule, the community would intervene to ensure the worker’s dismissal.

- d. The community relations team’s commitments were closely monitored by the General Assembly or the *corregidor*. Therefore the feeling of commitment was even stronger as the team knew that they could be reprimanded like anybody else in the community.
- e. A shared identity contributed to the strengthening of company-community relations. This led to the gradual integration of the company into the communities’ social network. Community members did not want to feel any different from the company. For example, MSC had coloured hardhats for workers to differentiate each activity in the company. Community leaders from San Cristobal asked for white hardhats for each community member. As explained by a local, the reason behind the request was the need to identify themselves as community members and at the same time to be identified as part of a “new social network” with shared responsibilities.
- f. MSC’s and the community’s mutual learning and understanding process helped to attain their common goals. A local from San Cristobal related, *“We realized that this was our great opportunity and we had faith that everything was going to bring positive results.”*
- g. The negotiating abilities of local communities are strategic and most often follow the rule of “mutual respect” and “equality”. In order to negotiate with the company, the communities organized negotiation commissions. According to a community leader, the way they prepare for negotiations is by:
 - i. Sharing a strategic vision for the future to find where and when opportunities can take place;
 - ii. Avoiding personal interests and thinking of the common good;
 - iii. Offering opportunities to those community members who need them the most.
- h. According to local community members, bilateral negotiations took place without government participation or any third party intervention (NGOs, lawyers or mediators). This allowed the relationship to develop and avoided interference from other interests.
- i. The communities felt that negotiations took place on equal terms. Their negotiating techniques were guided by community leaders who had gained experience while living in Argentina and Chile. This experience brought different perspectives to the table. Negotiating abilities were honed by debates that were organized on a regular basis by community members. A community leader who participated in the initial commission to negotiate with the company stated, *“We knew that we had to maintain some equality in our negotiations, so on the first negotiation day I told them: I am a farmer and I grow llamas... you are a professional. I don’t know things that you do and vice versa, so, at this table, we are all equals.”*
- j. The company respected the community’s traditions, sacred locations and buildings. The church, for example, is considered by locals, to be the most important building in the town. MSC, with the support of experienced historians and specialized architects relocated the ancestral Jesuit church to the new location, stone by stone, ensuring that it would keep its original characteristics and elements.

- k. Locals see conflict as a means of negotiation if dialogue and other methods fail to attain their objectives or their concerns are ignored. However, community leaders and other community member, in this case, acknowledge that conflict should not escalate to the point where it might hinder their employment, provision of services, or the opportunity to continue to receive benefits, as they have to date or even improve their economic situation in the future. *"Conflicts are like an elastic, it stretches but we don't allow it to break in two."*
- l. Ninety percent of MSC's workforce is local, 30% are professional workers, and 40% of the workforce is comprised of women.

SYNTHESIS

Table 2: Key conflict and conflict transformation factors identified by key players.

KEY STAKEHOLDERS

KEY FACTORS	Minera San Cristobal	Community members	Municipality – Colcha K	External communities – San Pedro de Avenes	Civil society organizations	National government	Any actions taken by stakeholders ? (Y/N)	If yes, which stakeholder(s)
CONTEXTUAL DRIVERS								
Women felt they were not consulted during the relocation process		X					Y	Company
Changes in ownership and management negatively affected the relationship with the communities and levels of trust deteriorated	X		X	X		X	Y	Company
Company fails to deliver on relocation agreements when new company staff has no knowledge of the social history of commitments to the communities		X	X		X		Y	Company
Infrequent contact with communities during four-year mine closure	X	X	X	X			Y	Company

TRIGGERS								
Feeling of lack of respect from company to its own community relations team	X	X					Y	Company
Contractor trespassed in a no-go area agreed upon by the company and the community	X	X					Y	Company
Feeling of betrayal with death of respected community leader	X	X				X	Y	Company
Absence of mine management when conflict erupted	X	X					Y	Company
ESCALATION OF 2011 CONFLICT								
Men with additional demands join women's protest	X						Y	Company
Company closes operations to pressure workers and protesters	X						Y	Company

CONFLICT TRANSFORMATION DRIVERS								
Timely communication, information and consultation process	X	X				X	Y	Company
Communities want the employment and the better future they hope it will bring and make efforts to maintain a positive relationship with the company	X	X				X	Y	Communities
Communities prevented individual interests from prevailing over communal wellbeing	X	X				X	Y	Communities
Relationships based on "mutual respect"	X	X				X	Y	Company/ Communities
Delivery of commitments	X	X				X	Y	Company
Economic diversification by highly innovative programs in agriculture, and tourism	X	X		X	X		Y	Company, NGO
High levels of participation in decision making-process that would affect locals' quality of life	X	X					Y	Company
High levels of negotiation capacity	X	X				X	Y	Community

Understanding of local traditions and culture	X	X					Y	Company
Parties open to dialogue	X	X	X	X		X	Y	Company/ Communities
Strategic employment opportunities for regional and local communities	X	X	X	X		X	Y	Company
Development of community-based development program "Consejo Consultivo" and its desire to improve the company-community relationship	X	X					Y	Community of San Cristobal
Both parties (community and company) acknowledge a continuous mutual learning process	X	X					Y	Company/ Communities
Company's social responsibility program	X	X				X	Y	Company
LATENT FACTORS								
Perception of water scarcity and concerns over water management by MSC	X	X	X		X		Y/N	Needs further effort from government and company

Few job opportunities particularly for youth		X					Y	Company
Sustainable development programs for San Cristobal and Vila-Vila – Projects to date are not sustainable. Concern about how communities will develop economically after the mine is closed		X				X	/YN	Needs further effort from company and communities
Misunderstandings with land ownership delimitations for exploration activities	X	X					N	
Union empowerment in social issues affects company-community relations		X					N	
Feeling that the law has been imposed to the detriment of community rights		X					N	

LESSONS LEARNED

- The community-company social dynamics helped each party to learn from each other. Lessons learned that were mentioned by the company include:
 - Maintain patience as much as possible to avoid rushed decisions
 - Transparency and sincerity in all communications
 - Comply with all commitments in a timely fashion, and avoid offering things that will not be delivered
 - Provide the opportunity of participation to community members in all decisions that may affect them directly
 - Respect the local culture and traditions, supporting their internal consultation process and participating in their rituals and ancestral activities
 - Help the community to divide the responsibility for the decision making process into commissions for specific topics
 - Avoid intervention of public security forces in conflict situations
 - Make timely decisions on community petitions. The communities' commissions were empowered by the information they had access to, so when communities had specific concerns and petitions, the commissions already had information available to address those concerns and petitions.
- Lessons learned mentioned by community members:
 - *"The San Cristobal model did not begin with the company's capacity to operate. It began with the communities' and company's capacity to establish a friendly relationship that led to positive results."*
 - *"As locals we understood that conflict doesn't need to escalate as it did in 2001 to reach our objectives. The outcomes should have had a different resolution system."*
 - *"Do not abuse the company and do not ask more than you should."*
 - *"We need to make an effort to find a more diversified economy to ensure a real sustainable development system for our communities."*
 - *"Mutual respect was the main pillar that helped us keep a positive relationship."*
 - *"The model we had was: a 'cold' company based on laws, and people who bring the 'warmth' to create a good relationship."*
 - *"We can't ask much since we know that there are limits."*
- Even though the company has made an effort to avoid paternalism by contributing funds to the communities' productive projects, it has not fully addressed this issue as communities like San Cristobal and Vila-Vila are still concerned about the lack of sustainable-development project opportunities.
- After the initial negotiations for relocation there is a leveling up of some players. Culpina-K got the best deal of all the communities, as they knew how to negotiate for productive projects to genuinely create a more diversified economy. San Cristobal on the other hand, is mostly mine oriented and dependent on the company's activities and jobs. San Cristobal is now taking small and slow steps towards the community's targeted objectives concerning productive projects.
- The 2011 conflict event had its losers and winners.
 - The union gained legitimacy and improved its relationship with the company providing leverage in the institutionalization of relations with the community.
 - San Cristobal's community leaders lost political power.
 - The company gained power as the 11-day strike showed workers and community members that they depended economically on the company, and the lack of work was affecting them directly as many of them had loans to pay.
 - While Pablo Calcina, the senior community leader who died (Table 1) was from Culpina-K,

Vila-Vila was the biggest winner of all the communities that participated in the protest. As a small peripheral community it did not have a loud voice during negotiations and had only minor relations with MSC. After the 2011 conflict, it gained politically having a stronger voice at the table and it was able to create a small foundation for productive projects.

SUMMARY OF KEY POINTS AND ANALYSIS

Major conflict events at San Cristobal involved a combination of cultural factors and stakeholders who played an important role in transforming conflict into opportunities. Mutual respect, community negotiation skills, shared vision and objectives, an organized society, a sound community relations program and a committed community relations team were some of the key elements that contributed to the prevention and transformation of conflict situations and the maintenance of the social license to operate.

Factors that contributed to the acceptance by the community to the development of a large mine include:

- The level of local poverty
- Eight out of 10 community members had to migrate to find an equilibrium in their tight budget
- The community was disintegrating due to high levels of migration. During a community general assembly debate to resolve the issue of relocating or not, the tipping point in the debate came when an elder stood up and said, *"We should accept the company for the future of our children and youth, to provide them with opportunities, and if we are to move, we must do it together, as a community, not individually to other places."*

The collective mind-set of San Cristobal, Vila-Vila and Culpina-K helped strengthen their political position with the company and even with all levels of government. This allowed the communities to keep all third parties out of negotiations with the company resulting in important agreements being reached. However, like many other communities, decisions taken in terms of employment opportunities, are mostly individual, depending on each individual's skills and performance. For those without a job with the company, despite their success or failure in alternative economic endeavors, the feeling of unfairness leads some of these community members to hold a permanent grudge against the company. For example, a family whose opportunities of employment with MSC were reduced took the initiative and started a transportation company. Their business was a success, however their resentment towards the company has led them to continue to search for advocacy NGOs to support their feelings of unfairness. The collective power of the community has not allowed conflict to escalate, however conflict continues to be a latent risk.

Despite the company developing a strong social responsibility program and policy, the dynamics of conflict and the role that the CCRR team has played indicates that the company, on some occasions, found itself with internal challenges when it came to supporting the CCRR team's point of view, or when the team sided with the communities. Due to the company's internal culture it did not always understand why the CCRR team was taking the position it did with respect to certain events.

A latent conflict needs a trigger to escalate as seen in the 2011 conflict event. The question is why it escalated even further in this case? Community members saw the initial protest as an opportunity to leverage some further demands. The escalation was well planned, as the community knew that there were limits to pressuring the company. Workers did not shut down operations, and they took advantage of the absence of senior managers. On the other hand, the company saw this event as an opportunity to reset the rules as they used to give in to all community demands. While both parties agree that the relationship could not be broken, they also acknowledge that it was an opportunity for both sides to get what they needed out of the situation.

After the 2011 conflict and re-establishment of the marriage relationship between the company and the community of San Cristobal, the objectives of the blockade were reached as documented settlements allowed the parties to move ahead with their agreements. In the end, the communities of Culpina-K and Vila-Vila were put on an equal footing with those communities that had approached negotiations with a coordinated and communal strategy. These communities had negotiated support for projects like quinoa production and tourism to create a diversified local economy. San Cristobal, on the other hand, as a mine-oriented community was not really interested in productive projects. The younger generation of locals who did not get all the benefits they expected, and a local civil organization focused on economic development, are beginning to change the mentality of the rest of the community to move to a more diversified economy.

While the union has helped MSC to institutionalize the relationship with its employees and local communities, it created a big gap in the relationship many locals described as the marriage. The union and the community oversee worker matters, giving the community an outlet to voice community concerns. Many locals perceive this intervention by the union in community matters as a politicized strategy that brought a third party into the marriage. Some suggest the CCRR team should help build the union's capacity to share a vision of dialogue. Other community leaders, on the other hand think that dealing in community matters with the company in coordination with the union is not at all negative, as long as the community keeps a leading position.

In the matter of latent conflict related to water, the original agreement between the company and the communities was that 200 houses were to be provided with water. However, this agreement has not sat well with some community members who harken back to the reciprocity demands of Andean communities that today play a big part in both party's relationship. Because of the unspoken reciprocity agreement the situation to some community members reads as, *"we moved, now you owe us."* From the company's point of view, while reciprocity should be respected, it should also have limits. This explains the company's attempt to move to a more institutionalized relationship and to demand more responsibility from the municipality.

Provincial and municipal authorities acknowledged that because of their lack of resources they have to depend on resources they receive from MSC. As mentioned, they have a large quantity of resources in the bank, but they don't know if they are making good decisions on how to use them to promote sustainable development. In this regard, a potential conflict could arise when younger generations start looking for jobs and they do not find employment opportunities with the company.

Resolving conflict through judicial channels could result in resentment as happened with the former workers whose protest led to a two-day work stoppage and a lawsuit from MSC. This group of young, former workers continues to be resentful and are actively pursuing advocacy NGO support to escalate their protest. This situation will continue to be a latent conflict for MSC until the company initiates a dialogue to find alternative ways to resolve this matter.

MSC is compliant with all national laws and regulations, however, when the laws and regulations are weaker than international best practices in terms of consultation, the company runs into resistance when it limits itself to compliance with national laws. A local community member mentioned, *"We thought that it was a marriage based on trust, now we see that we should have worked better at documenting our commitments."* In addition another local member indicated, *"It was better when the company didn't come with the law in their hands because we based our agreements on mutual respect, now the law sometimes is applied on our detriment."*

The company has done an extraordinary job in initiating good relations with the communities and maintaining a social license to operate. Conversely an important contributing factor to this success is the company's reliance on their economic means to respond to community demands to address basic needs and provide alternatives to improve their quality of life. In the opinion of some national level stakeholders, the relationship is business oriented, and not really personal. In contrast, community

members think, *"Negotiations are made with a strategy, relationships are made between people."*

This case is a good example of mutual learning through the years. The players now know each other well, they know their non-spoken language and how far they can pressure each other. The communities' description of the relationship as a marriage is apt, *"We are like a married couple, we have our problems, but we always find a way out with mutual respect."*

When asked if poverty was a main factor in driving conflict, a national NGO representative explained that it is not usually the case. Results from a conflict database developed by the NGO over a 10-year period indicated that the poorest areas of the country were not directly involved in conflict situations for various reasons: a) Due to their impoverished condition, they have less capacity to organize and mobilize, b) lower power capacity, c) poor people are often patient – however this might be correlated with contextual factors such as culture and ethnicity. For example, the Aymaras, are usually confrontational, while the Quechuas, are often negotiators. The majority ethnic group in San Cristobal is Quechua.

NOTES

1. Bolivia has an area of 1,098,581 square kilometres. Nations Encyclopedia, <http://www.nationsencyclopedia.com/economies/Americas/Bolivia.html>
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4. Molina, C.H. Bolivia con Participación Popular: un Estudio de Caso Nacional http://www.bantaba.ehu.es/obs/files/view/Carlos_Hugo_Molina.pdf?revision_id=54503&package_id=54487
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9. Baptista Mariano, San Cristóbal, una mina sin par en la historia de Bolivia. La Paz 2015.
10. National Statistics Institute 2012 Census
11. <http://www.minerasancristobal.com/en/about-us/investment>
12. <http://www.minerasancristobal.com/en/about-us/triple-certification>
13. Thomson I., Boutillier R., 2011, The Social License to Operate
14. Thomson I., Boutillier R., 2011, The Social License to Operate
15. The Yatiris are the holders of traditional knowledge around healing and general wellbeing. These medical practitioners are from the Aymara ethnic groups of Bolivia, Chile and Peru. No significant activity takes place without their participation as they are seen as "the wisdom carriers".
16. Thomson I., Boutillier R., 2011, The Social License to Operate.
17. External communities refers to communities located outside the area of direct impact.
18. Thomson I., Boutillier R., 2011, The Social License to Operate.
19. The general assembly meets three times a year after three main festivals: Carnival (February), National Holidays (August), All Saints holiday (November)
20. Quechua is a widely spoken language from the Andean region of Bolivia and other Latin American countries.

