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China in Peru: The Unspoken Costs of an Unequal Relationship

By Juan Pablo Cardenal

People near Peru's Toromocho copper mine on November 28, 2012. The mine's major Chinese investor has sought to displace residents. (Photo by Oscar Durand/New York Times)

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Summary

- In Peru, as in much of Latin America and the Caribbean, China's presence has increased dramatically over the past two decades.
- China's economic presence in Peru is based on two pillars, trade and investment, that are fundamentally linked to mining. Although this system generates trade, tax revenues, employment, and infrastructure, many projects of Chinese state-owned companies are surrounded by controversy.
- The free trade agreement between the two countries has boosted Peru's mineral exports, but its expectations of diversifying its exports to China have been largely frustrated.
- Several Chinese mining projects in Peru have sparked outrage because of their environmental, social, or labor impacts. China's flagship project, Las Bambas, has created periodic conflict with local communities.
- Discourse in Peru on the relationship with China is dominated by optimism, with risks largely ignored. Silence about possible military use of a Chinese megaport currently under construction exemplifies the lack of critical analysis.
- US agencies, corporations, and nongovernmental organizations have expertise and resources that could be shared with Peruvians seeking to create a more equitable relationship with China.

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CONFLICT ANALYSIS & PREVENTION

ABOUT THE REPORT

This report calls into question the optimism widespread in Peru about its deepening economic and strategic relationship with China. Drawing on a wide range of research, including interviews with activists, scholars, former members of the government, and lawyers, the report reveals the economic, social, and environmental drawbacks of Chinese trade and investment and the geopolitical concerns posed by China's development of a megaport.

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Police watch for protesters as a family moves out of Morococha, Peru, on November 28, 2012. The relocation of thousands of people to a nearby new town has sparked conflicts and confrontations. (Photo by Oscar Durand/New York Times)

Introduction

In Peru, as in much of Latin America, China's presence has increased dramatically over the past two decades. With trade and investment linked to extractive industries at the center of China's relationship with Peru, China has become an important player in the Peruvian economy. Indeed, it is now Peru's largest trading partner, and one-fifth of Chinese investment in South America is destined for Peru, with only Brazil receiving more.[1] In the mining sector, one of the engines of the Peruvian economy, Chinese companies are heavily invested.[2] This state of affairs resonates strongly with the idea, almost unanimous in Peru, that national prosperity and economic development are closely linked to the opening of its economy to foreign investors. In this narrative, China plays the predominant role.

This notion dates back to the bonanza period that the country enjoyed in the first decade of the 2000s thanks to substantial foreign investment in the mining sector, the voracious demand of the Chinese market, and the so-called super cycle of mineral prices. In the intervening years, as China has grown into a formidable economic power not only in Peru but also in the wider region, Peruvians, especially the economic and political elites, have come to regard China as playing a strategic role in their country's future, a future that inspires widespread optimism. But is such optimism justified?

This report argues that a careful analysis of the bilateral economic relationship suggests a picture far less rosy than many observers believe. Although the effects of Chinese investments and imports in terms of tax revenues, infrastructure construction, and job creation are undeniable, if one looks beyond the macroeconomic figures and the win-win rhetoric, a number of worrying trends come into focus.

First, in terms of trade relations, statistics show that Peru has resigned itself to being a mere supplier of mostly unprocessed natural resources, a status of questionable utility in terms of wealth generation.[3] Exporting natural resources is certainly not a bad business, but the free trade agreement (FTA) signed by the two countries in 2009, which came into force a year later, has not served to diversify the export basket to China.[4] Peru's expectations of being able to expand its exports with higher-value-added products have been largely dashed.

Second, Chinese extractive investments have created significant side effects in the forms of environmental and social impacts.[5] Damage to the natural environment and perceived infringements on the rights of the people living near the mining concessions have generated conflict between local communities and Chinese mining companies, in what has become a pattern for many Chinese projects across Latin America. Local resentment has been compounded by the perception that some mining companies are not being taxed enough, which belies the expectation that the projects would make a decisive contribution to the development of the regions hosting them.

Third, the ongoing construction of a megaport at the town of Chancay, less than 50 miles north of Lima, highlights the geopolitical risks Peru may be exposing itself to by uncritically embracing Chinese investment. The port will have the potential to be used by Chinese naval as well as commercial vessels, and Beijing may see Chancay as a valuable facility in the pursuit of its global geopolitical ambitions. Growing Chinese influence in Peruvian institutional spheres, including the military, and the fragility of the Peruvian political system and Peruvian institutions raise troubling questions about Peru's future ability to resist Chinese challenges in many sectors of national life.

Much of the negative impact of engaging with China is also visible in other regions that receive Chinese investments (such as Africa) and is partly attributable to the low environmental and social standards associated with the Chinese development model. However, as this report makes clear, the Peruvian side also bears some of the responsibility. Laxity in Peru's environmental legislation, the state's inability to enforce the law, and the country's overall institutional deterioration help explain why many of China's investments have devastating effects for many Peruvians.

Yet there is hardly any critical analysis in Peru about the country's evolving relationship with China. The geopolitical implications of the Chancay port offer a clear case in point. Peruvian elites often seem determined not to question the actions of foreign investors, especially Chinese investors, and most of Peru's media and scholarly community has shown a tendency to highlight mainly the positive aspects of cooperation. Meanwhile, China uses its soft power to bolster the friendly environment it enjoys in a country that remains largely unaware of China's political system, strategic motives, and way of doing business. This lack of knowledge, together with the lack of interest in addressing the potential risks of forming a close relationship with China, gives China a sense of control.

Cranes at the construction site of the Chancay Multipurpose Port Terminal in Chancay, Peru, on August 22, 2023. The Chinese state-owned company COSCO owns 60 percent of the project, which critics fear could serve military as well as commercial purposes. (Photo by Cesar Barreto/AP)

Drawing on multifaceted research that includes interviews with activists, scholars, former members of the government, and lawyers, a trip to the Chancay port, and analysis of newspaper articles on Chancay, this report looks first at the bilateral trade relationship, which is expanding in scale but is not nurturing the diversification that the Peruvian economy needs. Next, the report analyzes China's flagship investment in the Peruvian mining sector, which exemplifies the way low standards can end up clouding a major investment. The following section examines the interplay between, on the one side, the Peruvian political, institutional, and legal context and, on the other, the Chinese development model (including the absence of any scrutiny)—a toxic interaction that allows abuses against the environment and Indigenous communities' rights. The report then spotlights the Chancay Multipurpose Port Terminal, describing its controversial construction phase and explaining its potential consequences. The report concludes by suggesting ways in which US agencies, corporations, and nongovernmental organizations (NGOs) can support Peruvians' efforts to create a more equitable balance in their country's relationship with China.

More Trade but Not Better Trade

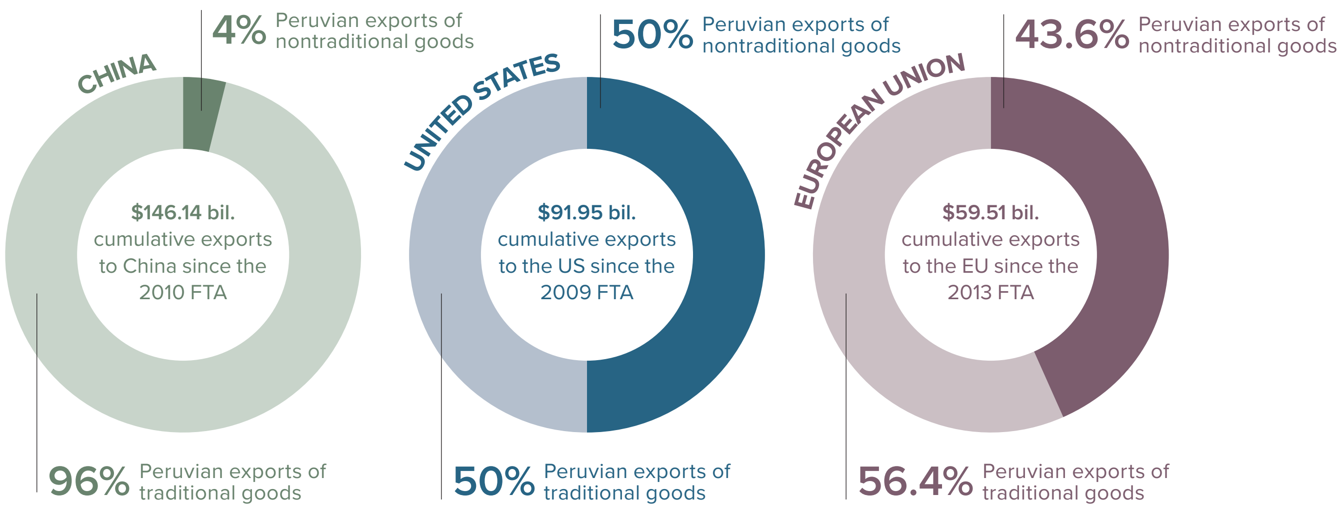
Lima wants to privilege the country's relationship with Beijing at all costs and frequently cites the growing volume of Peruvian exports to China as an example of the benefits that this relationship provides. The FTA between the two countries is celebrated as the mechanism that has boosted trade and generated "great benefits" for Peru.[6] This assertion is supported by figures showing that, since the agreement came into force in 2010, exports to China have grown impressively. As of 2022, the average annual growth rate was 12.7 percent, with total dollar amounts rising from US$5.58 billion in 2010 to $20.67 billion in 2022.[7] As a result, China has become Peru's leading trade partner. In 2022, after the 13th year of the FTA, bilateral trade totaled $34 billion, and Peru enjoyed a trade surplus of $7.33 billion, becoming one of the very few Latin American countries with a favorable trade balance with China.[8]

Without doubt, the trade agreement has institutionalized a stable legal framework for trade and investment. Yet analysis of 13 years of bilateral trade data suggests that the win-win rhetoric constantly heard in certain sectors of Peruvian society does not fully match the reality. First, the trade relationship between China and Peru has contributed to the consolidation of a primary export pattern.[9] From 2010 to 2022, Peruvian exports to China totaled $146.14 billion, of which $140.32 billion corresponded to exports of goods from the so-called traditional sectors—that is, those based on natural resources, including minerals, hydrocarbons, and fish meal. Minerals and fish meal have accounted for more than 95 percent of Peruvian sales to China.[10] As figure 1 shows, the ratio of traditional to nontraditional goods among Peruvian exports to China is significantly higher than the ratios among Peruvian exports to the United States and European Union. Not only has Peru reinforced its position as an exporter of mining products and an importer of manufactured goods, it has also joined the long list of countries that have not been able to convince China to invest more in value-added industries, which contribute to development by generating technology and knowledge transfer as well as jobs. In addition, the FTA appears to have had less impact on the volume of mineral exports to China than is widely believed. This is so because the agreement did not reduce the tariff on copper, iron ore, or other mining products, which was already zero before its signing.[11] Furthermore, China has a strategic need to guarantee its future supply of natural resources, which is one of the objectives guiding the internationalization of state-owned enterprises since its "going out" strategy was launched more than 20 years ago. Peru and other resource-rich countries have been instrumental in feeding two of the engines of China's domestic economy: manufacturing and urbanization.

Second, the FTA with China has not helped to diversify Peru's export basket with more higher-value-added products. Only 4 percent of Peruvian exports to China over the 13 years from 2010 to 2022 were goods from nontraditional sectors such as agricultural products or textiles. In fact, exports of goods from nontraditional sectors decreased in percentage terms during that same period, dropping from 4.9 percent in year 1 of the FTA to 3.7 percent in year 13. Therefore, despite moderate growth in exports of value-added products, including the export of more than 900 new goods, Peruvian expectations of changing the structure of the country's exports in the market of its main partner have not been met.[12] The fact that China is the leading destination for

FIGURE 1.

Peruvian exports: Traditional versus nontraditional goods



Source: Dirección General de Investigación y Estudios sobre Comercio Exterior (DGIECE) and Dirección de Estudios Económicos (DEE), Ministerio de Comercio Exterior y Turismo de Perú, "Estudio de aprovechamiento del TLC Perú-China: 13° año de vigencia del TLC," May 2023, https://www.acuerdoscomerciales.gob.pe/En_Vigencia/China/Documentos/docs/EA_TLC_PeruChina_13_periodo.pdf; DGIECE and DEE, "Estudio de aprovechamiento del TLC Perú-EEUU: 14° año de vigencia del TLC," March 2023, https://www.acuerdoscomerciales.gob.pe/En_Vigencia/EEUU/Documentos/docs/EA_PeruEEUU_14periodo.pdf; and DGIECE and DEE, "Estudio de aprovechamiento del TLC Perú-Unión Europea (sin Reino Unido): 10° año de vigencia del TLC," May 2023, http://www.acuerdoscomerciales.gob.pe/En_Vigencia/Union_Europea/Documentos/EA_PeruUE_10periodo_V2.pdf.

Peru's traditional exports yet is not one of the top five buyers of its nontraditional exports raises the question of whether the two countries benefit equally from their trade relationship.

One of the great challenges faced by Peru in its trade relationship with China, and the subject of constant negotiation with Beijing (although it is outside the scope of the ongoing negotiation to optimize the FTA), is the specific protocols that China requires for each product. A source close to the negotiators on the Peruvian side explains that "phytosanitary barriers have been a detrimental factor in access to the Chinese market" for Peruvian agricultural products.[13] Indigenous communities, paradoxically, have not been able to benefit significantly from having greater access to the Chinese market for products they produce sustainably on their land.

While trade diversification with China seems for the moment to be an unattainable goal, Peru's trade flows with the United States and the European Union show the opposite trend—namely, a significant volume of nontraditional exports and a decline in the sale of mining and other traditional goods, as seen in table 1. Peru has had an FTA with the United States in force since 2009, with Peruvian exports of products from nontraditional sectors to the United States totaling $45.97 billion in that period.[14] Exports of products from nontraditional sectors to the European Union have totaled $25.93 billion since that FTA entered into force in 2013.[15] In the case of

TABLE 1. PERUVIAN EXPORTS: TRENDS IN TRADITIONAL AND NONTRADITIONAL GOODS

	China	United States	European Union
Free trade agreement enters into force	2010	2009	2013
Exports of nontraditional goods since the agreement entered into force	$5.81 billion	$45.97 billion	$25.93 billion
Change in exports of traditional goods since the agreement entered into force	+12.8%	–1.9%	–5.3%
Change in exports of nontraditional goods since the agreement entered into force	+11.1%	+8.4%	+6.9%

Source: Dirección General de Investigación y Estudios sobre Comercio Exterior (DGIECE) and Dirección de Estudios Económicos (DEE), Ministerio de Comercio Exterior y Turismo de Perú, "Estudio de aprovechamiento del TLC Perú-China: 13° año de vigencia del TLC," May 2023, https://www.acuerdoscomerciales.gob.pe/En_Vigencia/China/Documentos/docs/EA_TLC_PeruChina_13_periodo.pdf; DGIECE and DEE, "Estudio de aprovechamiento del TLC Perú-EEUU: 14° año de vigencia del TLC," March 2023, https://www.acuerdoscomerciales.gob.pe/En_Vigencia/EEUU/Documentos/docs/EA_PeruEEUU_14periodo.pdf; and DGIECE and DEE, "Estudio de aprovechamiento del TLC Perú-Unión Europea (sin Reino Unido): 10° año de vigencia del TLC," May 2023, http://www.acuerdoscomerciales.gob.pe/En_Vigencia/Union_Europea/Documentos/EA_PeruUE_10periodo_V2.pdf.

China, by contrast, exports of Peruvian products from nontraditional sectors have totaled only $5.81 billion since the 2010 entry into force of the two countries' FTA.[16]

The fact that Peru has been able to diversify its exports to the United States and the European Union but not to China suggests that its trade relationships with the first two are more beneficial to Peru than the one it enjoys with China, which is centered heavily on mining products.

An Agreement with No Labor or Environmental Provisions

The disadvantages of Peru's trading relationship with China are not confined to consolidation of Peru's primary export pattern and minimal trade diversification. The FTA does not have safeguards to ensure that trade and investment are carried out with protections for the environment and workers' rights, unlike Peru's trade agreements with the United States, the European Union, and Canada. Included at the request of those countries, these safeguards, or "green chapters," prevent the relaxation of compliance with environmental or labor regulations.

For instance, Article 277 of the trade agreement between Peru and the European Union establishes the commitment by the signatories "not to reduce environmental protection in order to encourage trade and investment."[17] The absence of such an article in the China-Peru FTA "is particularly worrisome taking into account the labor and environmental culture that still prevails in China and its companies," writes economist Victor Torres Cuzcano.[18]

The inclusion of such provisions creates what environmental groups call "governance spaces"—spaces within which civil society can offer recommendations and voice complaints regarding the socioenvironmental impact of trade and investment. This was the case, for example, with complaints filed against Peru in the United States and the European Union for noncompliance with environmental and labor clauses in their trade agreements. These complaints were filed by Peruvian, US, and European civil society organizations and processed through appropriate US and EU bodies under the mechanisms set out in the trade agreements.[19] One, filed in 2015 in the United States for violation of the labor chapter, led to the Peruvian authorities improving labor regulations.[20] The EU trade commissioner filed a similar complaint in 2017 for Peru's noncompliance with its obligations under Title IX of the Peru–European Union FTA, which are "constantly violated as a consequence of the lack of regulatory foresight and/or adequate institutionality."[21]

The European complaint documents specific cases of alleged labor and environmental violations, including spills by four European oil companies, violations by a dozen Peruvian companies exporting to the EU, and violations by two Chinese mining companies, Shougang Group and MMG Limited (whose Las Bambas project is discussed below). The complaint was aimed at demonstrating the Peruvian state's pattern of noncompliance with its obligations under the FTA with the European Union.

In addition to imposing obligations on the signatory states, these provisions in FTAs attest to the political will of the states to ensure that trade and investments are developed within acceptable labor and environmental standards. As EU trade commissioner Cecilia Malmström wrote in a letter to her Peruvian counterpart regarding the 2017 complaint: "The Peru-EU Trade Agreement aims for more than promoting trade and investment. It is our shared objective to ensure that the increased economic activity contributes to sustainable development, including its social and environmental dimensions."[22]

Whereas Peru's agreement with the European Union contains an entire section on trade and sustainable development, which includes legally binding commitments, the Peru-China FTA contains no guarantees of social or environmental rights and no provisions for ensuring accountability. "The model of cooperation agreements with Peru from Western countries is superior to the Chinese one," comments Javier Mujica Petit, a lawyer and a member of Perú Equidad, a human rights NGO. "They include aspects of political cooperation and guarantees that seek to add sustainability to the commercial dynamics, something that the Chinese model does not contemplate. The Chinese model is strictly commercial." Another significant difference, he notes, is that whereas Peruvian civil groups were able to work with equivalent groups in the United States and Europe in bringing the complaints, in the case of China, "there are no interlocutors."[23]

Although China included green chapters in its trade agreements with New Zealand and Switzerland, neither China nor Peru proposed such provisions during negotiations for their FTA. Peruvian negotiators avoided discussing environmental safeguards "because the Chinese were going to feel very uncomfortable if such a chapter was proposed to them," Mujica Petit contends.[24] During the negotiations to optimize the FTA, which began in 2019 and are ongoing, four Peruvian organizations sent letters in 2021 and 2022 to the Chinese and Peruvian governments urging them to take advantage of the ongoing review and include a green chapter in the FTA. Neither government has yet replied.

As the following sections explain, this lack of sensitivity on the part of China and Peru to the socioenvironmental and labor impacts of their investments has serious consequences.

Investments That Lead to Conflict: Las Bambas

Peru's relationship with China is based on two pillars: bilateral trade and Chinese investment. The latter is focused mainly in the extractive sector, although China has made two major acquisitions (for around $6.5 billion total) in the Peruvian electricity sector since 2020. China's multibillion-dollar investments in mining, which are supposed to yield substantial profits for Peru, are often marred by their socioenvironmental impact, which in turn generates conflicts between mining companies and local communities. Of the 209 social conflicts listed in Peru's Ombudsman's Office August 2022 report, 12 were related to Las Bambas, China's flagship mining project, located in the Andean region of Apurímac.[25]

The Las Bambas project is owned by a consortium of three companies: MMG Limited, whose majority shareholder is Beijing-based China Minmetals Corporation; a subsidiary of Hong Kong-based Guoxin International Investment Co. Ltd.; and Beijing-based CITIC Metal Co. Ltd.[26] (MMG has a 62.5 percent ownership stake in Las Bambas, the Guoxin subsidiary 22.5 percent, and CITIC the remaining 15 percent.) Since purchasing Las Bambas from the Swiss mining company Glencore in 2014, the consortium has invested some $10 billion in the project. This outlay has not, however, been enough to win local support.

Although there were episodes of conflict with local communities during the construction phase of the mine and prior to the arrival of the MMG-led consortium (hereafter, MMG), none were "aimed at challenging the implementation of the mining project," because Glencore, the former owner, had managed them in a way that "generated a relative social consensus on its viability," according to a report published by the Peruvian NGO CooperAcción.[27] However, after MMG took control, a series of events, including modifications made to the Las Bambas environmental impact assessment (EIA), expanded the scope of the conflict.[28] As a result, since 2016, protests by local communities have led to roads around the project being blockaded for more than 400 days.[29] At the beginning of 2022, the mine had to halt operations for almost 60 days.

MMG committed in 2019 to respecting human rights by adhering to the guidelines for multinational enterprises set by the Organization for Economic Cooperation and Development, as well as to other initiatives in the international framework.[30] However, this commitment has prevented the Chinese mining company from neither "acting ethically contrary to the principles of responsible business conduct" in failing to prevent and address negative impacts of its operations, nor "lacking sufficient capacity for its self-regulatory mechanisms to ensure full respect for the human rights of its communities," according to the CooperAcción report.[31]

Las Bambas is by no means the only mining concession to have sparked conflict, although the conflict there has been particularly virulent and has had a substantial economic impact—as might be expected, given that this single project contributes roughly 1 percent of Peru's GDP and 78 percent of the Apurímac region. There have been multiple different disputes at Las Bambas, which vary in intensity and are periodically reactivated, creating the impression that the mine is in permanent conflict.[32]

The disputes at Las Bambas have been ignited by a variety of factors, but they all have a common denominator: the perception by local communities that they are being harmed by MMG while the Peruvian state looks the other way. From the communities' point of view, protests, including violent protests, are the only way to be heard. Some observers, however, see the conflict as a crisis over the distribution of resources and link it to the "rent-seeking behavior" of the communities, which they say perceive the protests as opportunities to obtain privileges.[33]

The first factor provoking conflict at Las Bambas is landownership. Peruvian legislation establishes that the state may grant concessions for subsoil exploitation rights. However, such concessions do not give the concessionaires the right to everything; they must agree with the local communities, which are owners of the soil down to a depth of one and a half meters, on the purchase, lease, or use of the surface. Activists warn that there have been irregularities in negotiations and in the signing of private contracts between MMG and local communities, and that the company has taken advantage of local people's lack of knowledge and desperate economic situation.[34] The Apurímac region suffers from high poverty rates, and 29 percent of the population is illiterate.[35]

The second factor that cyclically provokes serious clashes is the transportation of minerals along a 200-mile route to the coast. Initial plans for Las Bambas considered using a pipeline, the socioenvironmental impact of which would have been moderate. But after MMG acquired the project, those plans changed; now some 330 trucks per day—or one every four and a half minutes, 24 hours a day—or the journey, which winds through 256 towns. This traffic produces constant noise, dust, and pollution that affect humans, animals, crops, fish farms, and rivers. Communities along the route have demanded for years that MMG pay for its right of way, given that the plans for a pipeline allowed for such a payment. The company's resistance to these demands has led the communities to believe they have been tricked.

Another reason for the protests and roadblocks is that the change from pipeline to highway was not based on an ordinary modification of the EIA, which would have required a process of citizen participation, but was made through a more agile legal instrument called a technical sustainability report (*informe técnico sustentatorio,* or ITS), which is meant to be used only for modifications with a "nonsignificant" impact; the ITS was approved shortly before the change. Since the project started, eight alterations have been made at Las Bambas through the use of ITSs. According to CooperAcción, the ITS mechanism is "another legal trick MMG Las Bambas has systematically used to modify primary mine components."[36]

Other episodes have also sparked protests—including the spilling of contaminated material in 2016 and the violent eviction of local residents from MMG-owned land in 2022—but a recurring belief among affected communities is that Las Bambas should be paying more taxes. Aside from the payment of a 3 percent royalty on net sales, which amounted to $281 million for the period from 2016 to 2020, or an annual average of $56 million during that period, MMG did not start paying income taxes until fiscal year 2021, five years after starting operations.[37] The impact at the local level is not small, because 50 percent of the income tax of mining companies is returned to the local and regional governments of the territories where the mine operates. This is their main source of financing; without taxation on profits, there is scant funding for development in those areas.

The Las Bambas project enjoys special tax conditions thanks both to the tax stability agreement it inherited from its former owner and to the tax benefits offered by Peruvian legislation.[38] Under these conditions, MMG was able to avoid paying income taxes (even if it did pay a 3 percent royalty) until its investment was recovered. According to reporting by the Peruvian media outlet Ojo Público, MMG paid $168 million in income taxes in 2021. As of October 2023, however, authorities claimed that the consortium had a tax liability of $1.67 billion. (This amount was identified in part on authorities' audits of the company's taxes for previous years. For instance, the Ministry of Energy and Mines estimated that the amount MMG paid in 2021 should have been $427 million, based on the operation's production of about 300,000 tons of copper.) MMG has denied any wrongdoing in these matters and has challenged the amounts in court.[39] The company claims to have paid $1.68 billion in taxes between 2014 and 2022.[40]

The special tax conditions that MMG enjoys are difficult to reconcile with the widespread belief that local communities and, by extension, the whole country should obtain more benefits from the extractive activity at the country's largest copper deposit. The fact that Las Bambas did not pay income taxes during the first five years of operations—precisely at the time when the project was transforming the local environment and lifestyle via mining operations, pollution, and the constant stream of trucks—provoked great frustration.

It should be noted, however, that the project has indeed brought benefits to the area. Some 18,000 people were employed during the construction phase, although once operations began, employment dropped below 4,000.[41] A $62 million social fund, created as a condition of the concession bid, has funded more than 90 development projects intended to benefit towns within the Las Bambas area of influence.[42] Community members continue to advocate for greater economic and social benefits, citing both early agreements with the mining company and more recent national policies that call for the prioritization of the region's development.[43]

However, MMG, unlike other mining companies, has refused to sign a framework agreement with communities and local authorities to endow a broader social fund. "MMG has handed over a lot of money for specific projects," notes a source who participated in negotiations between the company and local communities. In light of the failure of that money to stave off conflict, the company has "hardened its position" on endowment of a broader social fund, the source says.[44]

MMG's contributions for specific projects were the result of dialogues organized to reduce tensions and manage conflict situations. Like others, MMG tried to obtain from the communities a "social license" to operate the mine, paying for the consent of the local population. This kind of arrangement is increasingly being demanded of companies, be they Chinese or not. The fact that companies see the need to make these voluntary payments reflects the deep sense of injustice felt among local communities.

Given the large scale and potentially disruptive nature of mining operations, disagreements between mining companies and local workers and communities may be inevitable. How the companies deal with such controversies is key to avoiding conflict. In the case of MMG, says César Flores Unzaga, an economist with CooperAcción, the company "does not internalize the existing social ecosystem and does not care if there is a lower financial flow for the communities. This generates conflicts due to [the communities'] high expectations [i.e., that MMG will fill the gaps in local social services]."[45]

Miners for the Chinese company Shougang Group gather to strike in San Juan de Marcona, Peru, on October 27, 2009. Shougang has been accused of violating workers' rights and continues to be the target of labor unrest. (Photo by Tomas Munita/New York Times)

Peruvian Context, Chinese Development: A Toxic Combination

Las Bambas is perhaps the most contentious Chinese project in Peru, but it is not the only one that has aroused controversy and opposition. For example, the Shougang Hierro Peru project, located in the town of San Juan de Marcona, about 330 miles south of Lima, is notorious not only for the continual violation of miners' labor rights but also because it has been experiencing periodic conflicts since the Shougang Group took control of the mine in 1992. Similarly, the Río Blanco project, owned by Zijin Mining Group, which has invested $2.5 billion, is being developed in the face of opposition from 90 percent of the local communities, which complain about its impact on agriculture, the water supply, and the ecosystem. At the Toromocho mine, where the Chinalco Perú company has invested $6 billion, the relocation of thousands of families has provoked conflicts and confrontations.[46]

However, some NGOs consulted by the author insist that corporate bad behavior is not confined to Chinese companies in Peru's extractive industries. A reluctance to distinguish between the conduct of Chinese companies and other international companies may stem from the belief that corporate abuses are endemic to the mining industry and that to single out one country for condemnation would be to unjustly exonerate others and to undermine the NGOs' efforts to protect local communities. One activist even mentioned not wanting to be seen as hostile to China, because the activist's organization hoped to work with Chinese authorities through United Nations mechanisms to improve conditions for local communities near Chinese-owned projects.[47]

A variety of factors explain why China is associated with so many problems, but the most potent reason is a combination of two: the Peruvian context and the characteristics of the Chinese development model, which together create a toxic environment in which abuses flourish.

Three aspects of the Peruvian context merit close examination. First, the limited presence of the state administration outside Lima and the coastal regions has historically been a structural problem for political and economic development. This pattern is partly explained by geography, which inhibits the integration of the Amazon and the Andes—where most of Peru's natural resources are located—with the rest of the country. In part, too, it is linked to widespread corruption and limited bureaucratic capacity in such remote areas.[48]

The absence of the state results in a tacit ceding of responsibility to the extractive companies, at least in the eyes of the local communities, who see the companies as ministates that should provide the services that the actual state never has. In the opinion of Peruvian environmental activist Julia Cuadros, the complex reality in the extractive zones reveals an "inefficient state and oversight bodies that throw the ball at each other" and creates situations "where it is easy to violate regulations, not comply with commitments, and violate rights."[49] This situation plays out in favor of business interests.

Second, political decisions made during and after Peru's economic boom, which lasted for around 15 years and ended in the mid-2010s, contributed to this situation. It was during this period that policymakers reached a tacit consensus to create an attractive legal framework to encourage mining investment. That framework included tax stability agreements, which were adopted by the investors in Las Bambas, among others.

To this fiscal framework was added Law 30230, a package of tax, labor, and environmental measures approved in 2014 that encourages investment and weakens government institutions that protect the environment, generating a climate of impunity for violators.[50] Since the law came into effect, large investments have been prioritized over environmental protection mechanisms. Both this law and the decree that legalized a permissive mechanism—the ITS—to modify EIAs through the back door have enabled projects with significant socioenvironmental impact, such as Las Bambas, to receive official approval despite their negative effects.[51]

The belief then (as now) among the political class was that environmental regulations and bureaucracy hinder investment, and Peruvian policymakers believed that more investment was needed to boost the country's economy. Therefore, the new law made environmental oversight more flexible: it diluted the sanctioning power of the regulators, politicized decisions that were previously technical, and in general facilitated the processing of EIAs. This and other provisions have "significantly weakened environmental institutions" and have been decisive in allowing controversial investments considered to be of national interest to receive official approval.[52] Multinational companies make use of this legislation, which facilitates and speeds up processes and saves costs. “In Peru, EIAs are disapproved only when the people organize and resist,” observes a Peruvian activist.[53]

Third, Peruvian elites are no strangers to the approval of a legal framework that is favorable to corporate interests. The intermediary role played by the elites with foreign investors provides them with substantial gains. Critics warn of an institutionalized scheme to ensure that only individuals with a pro-corporate bias are appointed to high-level positions. One such critic, Peruvian sociologist Francisco Durand, notes that “the elites use legal mechanisms—such as lobbies, revolving doors, donations, and political campaign financing—to capture the state, thereby privatizing public decisions in their favor.”[54]

Although all investors in the extractive sectors or in other large-scale projects allegedly benefit from this scheme, Chinese investors are among the most favored, in part because China is the leading investor in those sectors and projects. Furthermore, Beijing has implemented a strategy of political patronage in Peru through the use of “sharp power”—the authoritarian version of soft power—in order to deepen its political influence in Peru, build up a network of influential allies, and obtain access to decision-makers.[55]

Beijing’s economic power and political patronage together enable it to exert considerable influence in Peru. Indeed, according to the “China Index 2022” prepared by the Taiwanese NGO Doublethink Lab, of the 82 countries analyzed, Peru ranks fifth in terms of China exercising pronounced influence.[56] Peruvian scholars who specialize in China are generally inclined to spread the word about the advantages of cooperation with China and avoid criticizing it even on issues that would normally excite academic investigation. As for the Peruvian media, approaching Chinese investments from a critical perspective “is a taboo subject” that “is systematically silenced by the media,” says Durand.[57] Another Peruvian academic remarked, “It is almost impossible to obtain information, since everything that touches the relationship between China and Peru is blocked. Any scandal, such as the corruption scandal involving several Chinese companies [mentioned below], lasts one or two days in the press, without really providing data or conducting a real investigation. Then everything is forgotten, and China is never compromised.”[58]

The problems caused by this Peruvian context are compounded by the Chinese development model, which prioritizes efficiency and is largely indifferent to the social, labor, and environmental side effects of its international expansion. In addition, in China, the overseas operations of state-owned enterprises (SOEs) are not subject to public scrutiny, and their wrongdoings are rarely reported either by the press or by civil society organizations. Therefore, because they do not receive social, economic, or legal punishment for their bad business practices, Chinese companies have no incentive to introduce responsible guidelines that minimize the impact of their projects.

The combination of the permissive political and legal situation in Peru, the scant corporate social responsibility of Chinese companies and banks, and the absence of real scrutiny—in China or in Peru—of the activities of Chinese actors has devastating consequences. These include a damaging socioenvironmental impact on local communities, a lack of transparency surrounding operations and agreements, the systematic rejection of dialogue with members of civil society, and the opportunity for—and persistent suspicion of—corrupt practices. A good example of the last is the “Chinese Construction Club” scandal.

According to the Peruvian press, China Railway and several other Chinese companies were allegedly involved in a corruption scheme to rig tenders for public works contracts.[59] The alleged scheme was made public in 2022, while President Pedro Castillo was in office, but it could date back at least to 2018. The scandal was widely reported, but the coverage focused heavily on the role of the Peruvian government; there was little criticism of the Chinese companies that were implicated in the affair. The Chinese embassy expressed its opposition to "the politicization of economic issues" and to the "unfounded speculations about alleged 'irregularities'" of Chinese companies.[60]

A Future Linked to China: The Megaport at Chancay

The Chancay Multipurpose Port Terminal is perhaps the most strategic investment project announced in Peru in decades. The Chinese state-owned shipping company COSCO owns 60 percent of the project; the other 40 percent is owned by the Peruvian mining company Volcan. The total investment is estimated to be $3.6 billion ($1.3 billion during the construction phase), and COSCO is expected to start operations at the end of 2024.[61] Peru has pinned many of its economic hopes for the future on this facility, given that the megaport is almost certain to become the maritime-commercial epicenter of South America in the Pacific due to its size and characteristics. Hypothetically, Chancay could also "serve as an intermediate staging base for [People's Liberation Army] operations in the Eastern Pacific," according to a November 2023 report by the US-China Economic and Security Review Commission.[62]

Its 15 piers, which will be able to accommodate Triple-E vessels, the world's largest container ships (each is 400 meters long and can accommodate 18,000 containers), and its 840-hectare logistics and industrial complex will open up—according to its promoters—extraordinary development possibilities for Peru, including the capture of half the maritime trade between China and South America. Transit cargo time to reach China will be reduced by 10 days; quicker access to Asian markets is attractive not only for Peru but also for Brazil and other neighbors.[63] According to Volcan, Chancay will become "the integrated port and logistics hub of the South Pacific region."[64] In addition to creating between 6,300 and 10,000 direct and indirect jobs, the Peruvian government believes that the port will give Peru "a strategic international positioning" and will serve as a "trigger for the national economy."[65]

Amid this optimism, two important aspects of the project that deserve greater attention from the Peruvian authorities and public have been virtually overlooked at the national level. The first of these—in a repeat of the pattern of major Chinese investments in the mining sector—is the local impact of the future infrastructure. In the face of strong opposition from residents of the neighboring community, construction began in late 2020, and it has already transformed what had been a quiet town that lived on fishing and tourism.

Local opposition to the project is related to its socioeconomic and environmental effects, which have severely disrupted lives. Some 1,200 homes have reportedly suffered structural

Workers building the Chancay megaport gather around the entrance of a tunnel that connects the port to the Pan-American Highway on August 22, 2023. The Chinese state-owned shipping company COSCO is a majority owner of the port. (Photo by Cesar Barreto/AP)

damage as a result of landslides and the use of dynamite to remove a hill and build a tunnel through Chancay to connect the port to the Pan-American Highway. According to residents, COSCO initially insisted that cracks in houses had nothing to do with the construction work; the project's EIA, it may be noted, stated that houses would not be affected by the project.[66] However, after a collapse at the site (allegedly because of negligence) in May 2023 that affected houses and roads, COSCO assumed responsibility for repairing the damage.

The construction and operation of the port, the pollution generated, and the traffic of deep-draft vessels through the marine concession (which encompasses 1.8 million square meters) may have irreversible economic and environmental impacts. An adjacent 77-hectare wetland, which is a sanctuary for 89 species of birds, and a spawning area for anchovies are at risk, as are the livelihoods of the 3,000 fishermen of Chancay. Local NGOs warn that "artisanal fishing will disappear completely," affecting thousands of families.[67]

The port's neighbors also complain about the obstacles to accessing information on the project and, above all, about what they perceive as anomalies surrounding the administrative permits and EIAs that approved the construction of the port.

The convoluted history of the project at Chancay began to take shape in the first decade of the 2000s, thanks to the ability of the original promoters to obtain the administrative authorizations to make the plan viable. Volcan, a local mining company that has a record of 225 environmental infractions in Peru since 2010, took over the project in 2016.[68] COSCO bought 60 percent of the project in January 2019, following an outlay of $225 million and a commitment to pay for the future infrastructure.[69]

An expansion from the 4 piers initially planned to 15 completely changed the scale of the project. This transformation required an EIA, which was initially approved but later appealed by an NGO that identified 50 “inconsistencies and omissions” and numerous “scientific manipulations” in the EIA.[70] In turn, various governmental entities submitted another 114 observations, 50 of which were socioenvironmental.[71] After omitting or minimizing many of the objections and requesting minor changes or improvements, the Peruvian authorities gave their approval.

The authorities’ readiness to sacrifice local environmental and social interests to enable the project to go ahead cannot be disassociated from the laxity of Peruvian legislation on these matters, with the aforementioned Law 30230 at the forefront of permissive legislation. The Chinese embassy stressed that the environmental process “complies with all Peruvian laws and regulations” and meets “the highest international standards.”[72]

A second aspect of the Chancay project that goes unnoticed in Peru amid the narrative of economic benefit is its potential geopolitical repercussions. Although few supporters or critics doubt that Chancay’s priority use in the short term will be entirely commercial, the potential exists for Beijing to give the port a dual use—military as well as commercial.

As the *Financial Times* puts it, “There is concern that Chancay may repeat a pattern seen elsewhere, in which Chinese companies build ‘dual-use’ port facilities designed principally for cargo traffic, but large enough to be used by Beijing’s navy to resupply warships.”[73] According to a diplomatic source in Lima, a deepwater megaport has the potential to be turned into a naval logistics base: “Even if the façade is commercial, it gives you the opportunity to do other things: logistical support, resupply, repairs, and warship layovers. To do all that, a port like this is the first step you need.”[74]

Such a scenario should not be completely ruled out for other reasons, too. First, Chancay is COSCO’s first deepwater port in Latin America over which the Shanghai-based SOE will have operational control. In this context, the likelihood that COSCO will follow the Chinese government’s instructions is high, given that it is among a core group of companies considered strategic by Beijing. Not only does COSCO operate in a hybrid way (i.e., generating business like any other company while serving national interests), it also has close ties with the Chinese state and the Chinese Communist Party (CCP). In fact, COSCO is subject to strict CCP control and is required by law to include a CCP committee in its corporate structure and to assist in information gathering and national defense mobilization.[75] The shipping line, which in 2022 owned all or part of at least 16 facilities outside China, has in the past participated in military-civilian exercises and supported operations of the Chinese navy.[76]

Peru’s economic and political elites seem to be unconcerned about the geopolitical risks posed by Chancay, perhaps because they do not fully understand the nature of COSCO’s relationship to the Chinese state. Whereas sharp distinctions often exist between private and publication enterprises in Peru and other Western countries, the line separating Chinese SOEs and China's government is much blurrier. COSCO, like other Chinese business giants with a strategic profile, will likely comply with any request from the CCP to assist in any kind of mission.

In a speech during the National People's Congress in March 2023, Chinese leader Xi Jinping restated the CCP's expectations in this regard, exhorting even private businesses to serve China's military and strategic aims.[77]

The likelihood of submission of companies such as COSCO to the will of the Communist regime is further reinforced by the fact that the Belt and Road Initiative, of which the Chancay project is a part, has been strategically reoriented to serve the military objectives of the People's Liberation Army.[78] Coincidentally, Lima joined Xi's diplomatic initiative in April 2019, just three months after COSCO joined the Chancay port project. Control of the seas is key to China's economic and military expansion, which is the reason it currently controls about 100 ports in more than 60 countries, some of them in geopolitically strategic enclaves.[79]

Chancay would not be the first Chinese port with the potential for dual use. China has had a naval base in Djibouti since 2017 to support the fight against piracy, and Western analysts speculate that the port of Hambantota in Sri Lanka, leased for 99 years to Beijing after the Sri Lankan state was unable to meet its debt to China, may become "a military or at least dual-use base for China on India's doorstep."[80] China is also building a military base in Cambodia and aspires to have one in Equatorial Guinea.[81]

As if that were not enough, a Chinese state-owned company signed a memorandum of understanding with the Argentine province of Tierra del Fuego, the nearest province to Antarctica, to build a "multipurpose port." According to the political opposition in Argentina, "The port is an excuse used by China to build a naval base."[82] At the end of 2021, US intelligence satellite images of a container port near Abu Dhabi operated by COSCO revealed that it was hiding a secret military base—a discovery that provoked Washington to complain strongly to one of its closest allies in the region. The project was suspended but allegedly resumed.[83] In April 2023, controversy increased after the publication of leaked documents that mentioned that the United Arab Emirates facility under construction was part of Project 141, a long-term Chinese initiative to expand China's global military presence. According to the leaked documents, Project 141 includes proposals for China to run at least five overseas bases and 10 logistics support sites by 2030.[84]

All these projects point to China's desire to correct its deficit in land-based naval facilities by building a network "of what China's rivals believe could be future bases for rapidly expanding armed forces."[85] According to the US-China Economic and Security Review Commission, China has leveraged its relationships with Latin American and Caribbean countries in recent years help finance and construct potential dual-use infrastructure, such as energy grids and ports, which could give China sway over important strategic assets or provide a foothold for a future military presence in the region.[86]

In the context of China's geopolitical rivalry with the United States, Chancay helps Beijing strengthen its ties with Peru in the United States' "backyard" as part of Beijing's efforts to counter Washington's containment strategy vis-à-vis China. As a 2022 report notes, "China's growing presence, including economic, political, and military ties—far from preparing the ground for an open confrontation—can be understood as a geopolitical move to increase its hard and soft power."[87]

So, with Peru becoming more and more economically dependent on and politically closer to China, if Beijing were to put pressure on the Peruvian government, would Lima have the will and the strength to deny China the dual or military use of the port—regardless of whether Beijing wanted a temporary or permanent change in the port's status and regardless of whether the request came in peacetime, in a crisis, or even during a war? Any answer should factor in the growing Chinese influence in all Peruvian institutional spheres, including the military.[88] And a politically weak Peruvian government or a government ideologically aligned with China and the CCP would have yet more reason to succumb to the pressure.

In light of this situation, the perceived lack of interest within Peruvian political circles, media, and academia in the geopolitical risk posed by COSCO's megaport project is surprising—and contrasts starkly with the concern expressed elsewhere in the world about other international investments by COSCO, such as in the German port of Hamburg.[89] This apathy is reflected in an analysis (conducted by this author) of 100 articles about Chancay published in the Peruvian media between 2019, when COSCO's construction of the megaport was announced, and 2022: despite the fact that China and the United States were Peru's two biggest trading partners and that the possibility of conflict erupting over Taiwan or elsewhere in the Pacific was not unimaginable, not one of the articles addressed the geopolitical implications of the megaport project.

The articles are anything but silent on the projected benefits of Chancay. Only 5 of the 100 headlines refer to its negative aspects, such as its social and environmental impacts, whereas 37 refer specifically to its favorable aspects. And analysis of the content of the articles based on the terminology they use found that 12 terms linked to the positive connotations of the project are repeated 634 times; by comparison, 10 terms reflecting the negative aspects are mentioned only 61 times.[90] The tendency to view the project favorably, or at least not to comment on its drawbacks, extends to the academic world, which has yet to produce any published work that touches on the controversial aspects of the port.

Conclusion and Recommendations

The narrative that China is a source of opportunities that other trading partners and foreign investors cannot offer, and is thus key to Peru's future economic development and prosperity, is gaining ground in Peru, with few critics voicing dissent. This idea was consolidated during the COVID-19 pandemic, which hit Peru harder than any other Latin American country; Beijing took advantage of its supply of Sinopharm vaccines to offer itself—amid shortages in world markets—as an economic and medical lifeline. The perception that Peru's alliance with China is both advantageous and unavoidable, and that the country must open up to China in sectors beyond mining, has crystallized in a climate of growing political instability and amid fears of periodic recession.

An indication of the way China is viewed by Peruvian government officials, and of their prevailing complacency about the risks of a close relationship, can be found in the reaction of Allan Wagner, foreign minister during the government of Francisco Sagasti, in a press conference in February 2021. When questioned about the position of the Foreign Ministry vis-à-vis the Chinese embassy after the "Vaccinegate" scandal, in which the Chinese company Sinopharm gave experimental COVID-19 vaccines to powerful individuals, Sagasti declined to answer.[91] He bluntly told reporters that his refusal to answer was "because nothing is in question about the relationship with

China, which is of the highest level [of importance]."[92] In a later interview, Wagner remarked that "we must be very careful with our relations with the People's Republic," so as not to upset Peru's largest trade partner.[93]

But does China really merit such delicate handling and self-censorship? If one looks beyond the official win-win rhetoric and conducts an in-depth assessment, the picture that emerges is of a relationship that appears to be far more beneficial to China than to Peru.

For Beijing, the bilateral relationship with Peru has several benefits. First, it addresses China's strategic need to guarantee its future supply of natural resources, on which its economy depends. Second, a presence in Peru allows Chinese SOEs and banks to extend their global reach. Third, Chinese industry benefits from the trade flow between the two countries. And fourth, thanks to its economic power, its investments in mining and the electricity sector, and its large-scale infrastructure projects such as Chancay, Beijing is able to cement its political and diplomatic influence throughout the region.

For Peru, the benefits of the relationship are chiefly those derived from a favorable trade balance, fiscal spillovers (e.g., taxation of Chinese-owned projects and exports), and employment generated by investments and infrastructure construction. But at what cost? China's logic in Peru, which Peru tolerates, is one "imposed on countries rich in natural resources, with low technological development and prone to corruption," according to CooperAcción's Alejandro Chirinos. Ventures such as the port of Chancay and major Chinese-owned mining operations are part of what Chirinos calls "a brutal process of expulsion: of rights, of institutions, of biodiversity, of ecosystems, of culture, and of people expelled from the places where they live. These are projects that generate expulsions and sacrifices."[94]

This type of Chinese involvement is not confined to Peru. Throughout Latin America, one can see "a pattern of noncompliance by the Chinese state with international human rights and environmental standards," according to a report produced by 60 Latin American NGOs that evaluates 26 Chinese projects in the region, including the four mentioned in this report: Marcona, Las Bambas, Río Blanco, and Toromocho. The report also highlights the recurrent refusal of Chinese authorities to interact with local civil society to address problems or improve Chinese companies' poor reputation for corporate social responsibility.[95]

In sectors such as the fishing industry, mining, and construction of infrastructure, many Chinese companies in Peru do not prioritize, and even disregard, the negative side effects of their operations. Some companies from other countries may be guilty of a similar approach, but the problem with Chinese companies is compounded by the absence of checks and balances in China and the inability or reluctance of the Peruvian state to perform its own scrutiny, which together stifle moves to avoid or mitigate those side effects. In addition, most Peruvian analyses of the bilateral relationship continue to be entangled in a rhetoric of optimism.

Peru's relationship with China is and will continue to be important to Peru, but its benefits should be more equally distributed between the two countries. To achieve a more equitable balance, Peru needs to disentangle win-win rhetoric from reality, hold Chinese companies accountable for their social and environmental impacts, and take seriously the geopolitical risks posed by growing Chinese influence within Peruvian institutions and by the development of projects such as the Chancay megaport.

For its part, the United States could support Peruvian actors in four ways.

First, Washington could leverage its resources to enhance Peru's domestic capacity to analyze China and its relationship with Peru. Its support could, for example, include scholarships and visas for Peruvian students to study journalism in the United States. US universities and civil society organizations could also work with early-career scholars, journalists, and analysts to help them develop best practices for studying and disseminating findings about the humanitarian and security issues affecting many Peruvian communities. Such efforts would not need to be directed at exposing specific dangers of China's growing influence in Peru; they could instead focus on building Peruvian capacity to accurately analyze the benefits and challenges of the current relationship and thereby improve transparency around China's engagements for Peruvian citizens.

Second, US regulatory agencies and NGOs could share their considerable experience with counterparts in Peru. These organizations have learned valuable lessons about how to press for and monitor tighter environmental restrictions and about working with diverse constituencies to maintain support for environmental protection. Imparting these lessons to Peruvian counterparts could be facilitated through workshops or funded travel and accommodations for meetings on the sidelines of major international gatherings, such as United Nations assemblies.

Third, US experts could consult with Peruvian firms about engaging with Chinese enterprises on port projects. Similar consultations could take place between officials from relevant US agencies and their counterparts in Lima. In this way, experts from both the business community and the government could provide advice on how to ensure Peruvian control over critical operations and infrastructure. Such consultation might be only marginally helpful in the case of the development of the port at Chancay, but it could be valuable for other port projects that Lima might decide to undertake.

Fourth, the United States could consider reinvesting in multilateral development finance institutions that could address infrastructure needs in the region while safeguarding the environment and the interests of local communities. The World Bank and the Inter-American Development Bank could take the lead in such an initiative, which would clearly signal the United States' interest in supporting the region's economic development in practical ways.

Notes

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7. All dollar figures in this report are in US dollars.
8. DGIECE, "Estudio de aprovechamiento del TLC Perú-China."
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20. Javier Mujica Petit, "Violaciones al capítulo laboral del Tratado de Libre Comercio entre el Perú y los Estados Unidos (EEUU) y reformas normativas regresivas en materia laboral," Centro de Políticas Públicas y Derechos Humanos, Perú Equidad, October 19, 2017, https://es.slideshare.net/PeruEQUIDAD/violaciones-al-captulo-laboral-del-tratado-de-libre-comercio-entre-el-per-y-los-estados-unidos-eeuu-y-reformas-normativas-regresivas-en-materia-laboral.

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32. Wiener Ramos, “Debida diligencia y minería,” 26.
33. Pablo O’Brien Cuadros, “Los fondos sociales y convenios marco en el Corredor Minero Sur: Diagnóstico y lecciones aprendidas,” InfoSur Perú, November 2021, https://infosurperu.com/wp-content/uploads/2021/12/Fondos-sociales-y-convenio-marco-en-el-Corredor-Minero-del-Sur-1.pdf.
34. In his report, Wiener Ramos mentions that negotiations take place in a “framework of secrecy,” showing a clear “imbalance of power” between MMG and the communities, because the company has technical and legal knowledge and access to information that the people of these communities do not have. See Wiener Ramos, “Debida diligencia y minería.”
35. O’Brien Cuadros, “Los fondos sociales,” 13.
36. Wiener Ramos, “Debida diligencia y minería.” 52–3.
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