

Techno-nationalism and The Quest for Strategic Mineral Resources: Exploring Corporate Diplomacy Strategies to Gain Support from Local Communities in Latin America.

Yoel Modesto Gonzalez-Bravo^{*}
Andres Bello Catholic University

ABSTRACT

Techno-nationalism and The Quest for Strategic Mineral Resources: Exploring Corporate Diplomacy Strategies to Gain Support from Local Communities in Latin America: This article is aimed at exploring community engagement as a robust corporate diplomacy strategy for mining Multinational Corporations (mining MNCs) to mitigate the impact of political risks on their operations across Latin America amidst an international competitive quest for technology metals and rare earth elements (REEs) used in the manufacturing of advanced technologies. For this purpose, a literature review is conducted to identify the regional potential on these resources, the main distinctive local factors influencing the access to them and their impact on the selection of corporate diplomacy strategies to gain support from local communities for local operations of mining MNCs. A game theoretic framework is proposed to understand the dynamics of their negotiations with local communities to obtain their support, which is further analyzed to identify their main regional features that are contrasted with recent comprehensive local case studies. As result, mining MNCs should build trust with local communities since the first stages of their local operations, with a distinctive attention to indigenous groups that keep special rights on local lands as well as to their material and cultural needs tied to the preservation of the surrounding natural environment, influencing their kind of compensation required from mining MNCs.

Keywords: Corporate diplomacy, friendshoring, Latin America, mining, techno-nationalism.

* Yoel Modesto Gonzalez-Bravo is an Assistant Professor at the Andres Bello Catholic University, Venezuela. (ygonzale@ucab.edu.ve)

INTRODUCTION

The emergence of China as a leading nation in international businesses over the last years has challenged the traditional dominance of economic powers such as The United States (US), The European Union (EU) and Japan on sensitive high-tech sectors, whose control is key to ensure their national security and economic growth. The increasing Chinese stake in the international markets of these technologies has been actively encouraged through industrial policies by the Chinese government. By contrast, the traditional economic powers have kept a more diffuse market-oriented approach in the development of these high-tech sectors.

At the same time, the production of devices related to these technologies relies on the use of key mining resources known as technology metals and rare earth elements (REEs). Technology metals comprise cobalt (Co), lithium, among others, whereas REEs involve 17 elements such as lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), promethium (Pm), samarium (Sm), europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb), lutetium (Lu), scandium (Sc) and yttrium (Y). China has reported vast reserves of these resources and Chinese MNCs have managed to ensure their control on many foreign reserves. The Chinese authorities have also been engaged in policies to restrict the foreign access to these resources in China for economic and political purposes. All these Chinese practices have been denounced by traditional economic powers, which have undertaken policies to counteract them within a trend towards the reversal of the economic globalization process, which has been termed as “techno-nationalism” (Capri 2023; Nelson and Ostry 1995).

In this context, Latin America represents a promising region for mining MNCs procuring to integrate geographically closer countries into their supply chains under a nearshoring approach as well as countries whose governments are their close political allies under a friendshoring approach. The latter approach faces many potential challenges since Latin America has reported frequent changes of governments with diverging political views in recent years, leading to a permanent shifting of their international alliances, coupled with evidence that the region reports one of highest international levels of

investment disputes due to expropriations and similar practices, reducing the regional attractiveness for a friendshoring relocation strategy (ICSID 2022).

In order to cope with the regional political instability, mining MNCs should consider corporate diplomacy strategies to deal with more stable players across the region. The deployment of these strategies should be oriented to protect their local operations. Particularly, Latin America reports high reserve levels of technology metals such as lithium and cobalt as well as some key REEs, however, little local mining exploration is currently undertaken to discover more reserves (US Geological Survey 2023). Many mining projects have been blocked in the region due to different concerns from local communities that should be addressed by mining MNCs to obtain a more favorable support from these players in a context of growing presence of competing mining MNCs that have achieved a large share of these resources through less market-oriented practices and by relying on more diplomatic strategies such as government-to-government agreements that have favored the regional operations of Chinese MNCs (Roy 2023).

This article will provide a literature review on the regional potential in these resources to identify the countries that might be preferred targets by MNCs from geopolitically competing nations to answer the research question on how suitable is the engagement of mining MNCs with local communities to gain support from these relatively more apolitical local players amidst frequent radical changes of local political players, which involves a review of the distinctive profile of local communities in the main mining areas as well as the reactions of local communities to mining projects sourcing these resources, detailing their claims, how MNCs have reacted to these claims to gain community support through corporate diplomacy strategies and assessing the suitability of these strategies for this purpose over the long term by proposing a dynamic analytical framework based on game theory to understand the main features of the negotiations between mining MNCs and local communities, which is adjusted to the Latin American context and contrasted with recent well-detailed local case studies on these negotiations to explore its suitability and special considerations to be taken into account by these MNCs.

LITERATURE REVIEW

Mining potential of technology metals and REEs in Latin America

Latin America is one the regions with the largest potential for the mining of technology metals and REEs mostly demanded for the energy transition according to The Paris Agreement Goals, among other purposes, which proves the attractiveness of this region to mining MNCs from geopolitically competing nations (US Geological Survey 2023).

In relation to technology metals, the region reports 40% of the world copper reserves in Chile, Mexico and Peru as well as more than 60% of the world lithium reserves in Argentina, Bolivia and Chile, around 20% of world nickel reserves, mostly in Brazil, with minor reserves in Colombia, Cuba and Venezuela and much smaller reserves of cobalt in Brazil, Cuba and Mexico. The following table 1 shows the distribution of regional deposit sites containing these metals:

Table 1: Distribution of major deposit sites of technology metals in Latin America (number of sites).

Country	Cobalt	Copper	Lithium	Nickel
Argentina	-	15	1	-
Bolivia	-	2	1	-
Brazil	2	6	1	2
Colombia	-	3	-	1
Chile	-	34	1	-
Cuba	3	-	-	3
Dominican Republic	-	-	-	1
Ecuador	-	4	-	-
Guatemala	-	-	-	1
Mexico	1	28	-	-
Panama	-	2	-	-
Peru	-	17	-	-
Venezuela	-	-	-	1
Total Latam	6	111	4	9
Total World	67	667	29	102

Source: US Geological Survey (2023).

There is evidence of major regional deposits containing REEs in Brazil, as detailed in table 2:

Table 2: Distribution of REEs major deposits in Latin America.

Country	Number of deposits
Brazil	4
Total Latam	4
Total World	90

Source: US Geological Survey (2023).

Brazil has reported the largest regional REEs reserves and production levels, representing the world third largest REEs reserves, totaling 21 Million tons, after China and Vietnam, but only producing 80 tons in 2022 and 500 tons in 2021. The following table 3 shows the world distribution of REEs reserves and production levels:

Table 3: World distribution REEs reserves and production in 2022 (tons).

Country	Reserves	Production 2021	Production 2022	Expected reserve life at 2022 production levels (years)
China	44,000,000	168,000	210,000	209
Vietnam	22,000,000	400	4,300	5,116
Brazil	21,000,000	500	80	262,000
Russia	21,000,000	2,600	2,600	8,076
India	6,900,000	2,900	2,900	2,379
Australia	4,200,000	24,000	18,000	233
United States	2,300,000	42,000	43,000	53
Greenland	1,500,000	0	0	-
Tanzania	890,000	0	0	-
Canada	830,000	0	0	-
South Africa	790,000	0	0	-
Other countries	4,590,000	49,600	19,120	240
World Total	130,000,000	290,000	300,000	433

Source: US Geological Survey (2023); Author's own elaboration.

There are also reports of sites with potential REEs in Argentina, Bolivia, Chile, Mexico, Nicaragua, Uruguay and Venezuela. In general, REEs sites across Latin America are mainly sub-economic and mined from carbonatite complexes, ion-absorbed clays and placer deposits, as detailed by the US Geological Survey (2023), whose exploration and exploitation feasibility requires high market prices giving their demands for more intense digging requiring more use of water supplies and other local resources that are also used by local communities.

Profile of local communities in technology metals and REEs mining areas

A remarkable evidence in the main mining regions across Latin America is the presence of large indigenous populations with special rights in territorial reserves (Czikk 2015). These reserves have been granted as compensation to these populations for their displacement during previous regional colonial periods. Most mining projects in these territories require not only legal and regulatory approval but also “social license to operate” by different local players, including these indigenous populations mostly focused on keeping their ancestral way of living. The rights of this population are acknowledged under the International Labor Organization (ILO) Convention 169 on Indigenous and Tribal Peoples as well as under the Escazu Agreement.¹⁾

The following table 4 reports the ratifying Latin American countries of the ILO Convention 169 on Indigenous and Tribal Peoples as well as the Escazu Agreement:

1) The Escazu Agreement is the popular naming for The Agreement on Access to Information, Public Participation and Access to Justice in Environmental Matters in Latin America and the Caribbean.

Table 4: Ratifying Latam countries of the ILO Convention 169 and the Escazu Agreement.

Country	ILO Convention 169	Escazu Agreement
Argentina	In force	In force
Bolivia	In force	In force
Brazil	In force	-
Colombia	In force	In force
Costa Rica	In force	-
Cuba	-	-
Chile	In force	In force
Dominican Republic	-	-
Ecuador	In force	In force
El Salvador	-	-
Guatemala	In force	-
Haiti	-	-
Honduras	In force	-
Mexico	In force	In force
Nicaragua	In force	In force
Panama	-	In force
Paraguay	In force	-
Peru	In force	-
Uruguay	-	In force
Venezuela	In force	-

Source: EU – Latin America Partnership on Raw Materials (2023).

This international legal framework has been complemented by local laws to protect the rights of local communities, fostering claims from local communities in relation to environmental and economic issues arising from mining projects in their geographical contexts (EU – Latin America Partnership on Raw Materials 2023).

Most of the regional mining activity is conducted across indigenous territories and natural protected areas in the Amazon basin. The Amazon Georeferenced Socio-Environmental Information Network (2017) provides an overview of the regional mining as at 2017, citing around 2312 sites and 245 areas under prospection or extraction of diverse minerals in Bolivia, Brazil, Colombia, Ecuador, Peru and Venezuela. Indigenous groups occupy around 404 million hectares in Latin America and the Caribbean representing around 20% of the total regional area, including 237 million hectares in the Amazon Basin. Governments across this sub-region have

granted collective property and usufruct rights over 269 million hectares of these 404 million hectares to indigenous groups (FAO and FILAC 2021). The following table 5 displays the distribution of areas occupied by indigenous groups and indigenous territories formally recognized across different Latin American countries:

Table 5: Distribution of the occupied area by indigenous groups and indigenous areas formally recognized in Latin America as at 2021 (Millions of hectares).

Country	Occupied area by indigenous groups	Legally recognized communal indigenous areas
Argentina	62.1	8.0
Bolivia	28.9	24.0
Brazil	118.3	117.1
Chile	8.9	2.3
Colombia	32.1	32.1
Costa Rica	0.6	0.3
Ecuador	7.5	5.7
El Salvador	0.5	0.0
Guatemala	6.5	1.4
Honduras	3.6	1.4
Mexico	28.9	28.0
Nicaragua	4.2	3.8
Panama	3.1	1.7
Paraguay	5.4	0.7
Peru	37.2	36.2
Venezuela	46.1	2.8

Source: FAO and FILAC (2021).

On the other hand, many mining MNCs have to compete with illegal mining practices led by local gangs. This pattern is very frequent in Latin America in comparison to other regions since large extensions of territory, especially indigenous reserves, are under scarce control by the state. The following table 6 shows the levels of non-renewable resources crime index and the territorial integrity index reported by the Global Initiative Against Transnational Organized Crime (2021)²³:

Table 6: Non-renewable crime and territorial integrity indexes across Latin America in 2021.

Country	Non-renewable crime	Territorial integrity
Argentina	3.00	6.00
Bolivia	8.00	5.00
Brazil	8.00	5.50
Chile	2.00	4.00
Colombia	9.00	4.50
Costa Rica	6.50	5.00
Cuba	4.00	8.00
Dominican Republic	4.50	5.50
Ecuador	6.50	4.50
El Salvador	1.50	5.00
Guatemala	2.50	3.50
Haiti	6.00	2.00
Honduras	5.00	4.50
Mexico	7.50	3.00
Nicaragua	6.00	2.50
Panama	6.00	6.00
Paraguay	3.50	5.00
Peru	9.00	5.00
Uruguay	1.00	7.00
Venezuela	9.00	3.50
Latam Average	5.43	4.75
World Average	4.51	5.12

Source: Global Initiative Against Transnational Organized Crime (2021).

From the previous table 6, the average non-renewable crime index in the region reaches 5.43 points, which is superior to the world average at 4.51 points, with the highest levels in countries across the Amazon basin such as Bolivia, Brazil, Colombia, Ecuador, Peru and Venezuela, whereas the region has a territorial integrity index for 4.75, slightly below the World average at 5.12.

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- 2) Non-Renewable Crimes Index: measures criminal activity related to the illegal exploitation and trafficking of non-renewable resources.
Territorial Integrity Index: measures the vulnerability of a territory to its control by the organized crime.

Exploring the use of non-market strategies by Mining MNCs in Latin America

As previously cited, the growing presence of Chinese mining MNCs in Latin America has been mostly favored by bilateral government-to-government agreements. Under this context, mining MNCs from other countries without similar local geopolitical leverage have procured alternative positioning strategies to gain access to those resources by recurring to non-market strategies, such as corporate diplomacy, to influence actors other than governments in the host countries of their investments.

On the other hand, the exploration and exploitation of technology metals and REEs should carefully consider social and environmental issues in Latin America as the region reports 45% of worldwide mining conflicts, facing strong resistance from local vulnerable communities, mostly affected by the environmental impact of these projects on the use of local resources such as land, water, among others (Global Environmental Justice Atlas 2023).

In connection to the high regional unrest around the mining activity, the legal encouragement to local community movements has been evidenced in countries such as Chile and Peru involving different mining companies such as Aclara Resources, BHP Billiton, Newmont Mining Corporation, among others (OCMAL 2023).

In the case of Chile, the local operations of BHP Billiton were affected by road blockages led by local communities in its Escondida and Cerro Colorado copper mines. These operations were polluting and reducing the available water supply to the community leading to the closure of the operation in the Cerro Colorado mine in 2019 after a consultative process with the Indigenous Peoples Plan Consultative Council that this MNC set in 2018 (BHP Billiton, 2020). Similar community concerns in Chile were faced by Aclara Resources with its local Penco Module Project (BNamericas, 2022). The promoters of this project attempted to tackle them by pointing out its benefits in terms of job creation and the use of a sustainable approach for the extraction of REEs known as Circular Mineral Harvesting that only uses recycled water without generating liquid residues, avoiding the use of explosives, crushing and milling as well as reforesting the impacted lands with native plants (Aclara, 2023; Foreign

Policy in Focus 2023).

In Peru, Newmont Mining Corporate faced intense community protests in 2011 around its Conga mining project due to its environmental impact leaving uncompensated losses to local community members. In this case, the Peruvian government reacted by repressing these protests so Newmont Mining Corporate could proceed with this project in spite of the local resistance (Earthworks 2012).

This overview reveals different approaches to deal with the claims of local communities in relation to mining operations ranging from the adaptation to these claims to obtain social license as attempted by Aclara Resources, the closure of operations as evidenced with the previous experience of BHP Billiton to the use of force to suppress them, as reported in the case of Newmont Mining Corporation.

Given the significant presence of indigenous groups in the resources-rich Amazon basin, it is important to consider their conflict resolution methods to ensure their acceptance to dispute resolution proposals. A case of conflict resolution between MNCs and indigenous communities was evidenced by the Canadian mining MNCs Kinross Gold and the Sarayaku indigenous group in Ecuador. This group resisted the mining plans of this MNC in their land. Both parties did not manage to achieve an agreement and the Inter-American Court of Human Rights ruled in favor of the Sarayaku community in 2012, ordering the government to respect the community's rights including the previous consultation with its members. The government of Ecuador and Kinross Gold stated a formal process of consultation with the Sarayaku group, including different indigenous conflict resolution methods such as traditional rituals that contributed to solve the conflict as well as providing its members with compensation, training and employment opportunities (ESCR-Net 2012).

The use of these community engagement policies has contributed to reverse different expropriation attempts in Latin America. For example, the government of Peru had to reverse its expropriation of the mining operations owned by the Canadian company Bear Creek Mining in the Puno region in 2011 due to initial violent protests from local communities. In order to solve these protests, the government proposed to run this project as a State-Owned Enterprise (SOE) to obtain the maximum benefit to the

country. However, this attempt neither considered the specific community needs nor those of the incumbent labor union in comparison to the incumbent operator, which led to widespread opposition from the surrounding communities under concerns that a SOE from the country might be less capable to follow strict international environmental safeguards, coupled with fears that the state tends to be less accountable to the community in comparison to private owners. The case underwent an arbitration process that finally suspended this expropriation attempt considering the views of the local community (Burnett and Miles 2023).

In all cases, mining MNCs should monitor the impact of the media on local communities, specially through defamatory information that might be spread by Non-Government Organizations (NGOs) and journalists in exchange for economic compensation, particularly in contexts such as Latin America where this kind of practice is not discouraged enough. Some recent cases of this kind of unscrupulous practice have been evidenced in countries such as Guatemala and Venezuela, among others. In the case of Guatemala, Jose Zamora, a local journalist, was accused of blackmailing mining companies and was sentenced by a local Court (Lopez 2023). Similar practice was evidenced in Venezuela with the journalist David Natera, who was charged with extorting practices against the state-run iron-ore mining company CVG Ferrominera Orinoco in 2016 (Freedom House 2016). MNCs should tackle this kind of journalism through frequent public relations with the media by being more responsive, providing transparent information about its operations, taking legal actions against unscrupulous journalists and maintaining a code of conduct to prevent unethical dealings with this kind of journalists.

On the other hand, mining MNCs have to deal with the challenges posed by alliances between gangs and local communities. Most of these alliances are established through an exchange of favors by which these gangs contribute to strengthen the bargaining power of local communities vis-à-vis large mining MNCs by providing communities with support for their protests against MNCs. In many of these cases, local gangs had been obtaining rents by extorting small-scale local miners. Once MNCs started exploiting these mines excluding previous miners, then, armed gangs and displaced miners agreed to resist the operations of the new exploiters through direct actions comprising

road blockades, protests, kidnapping of MNCs' staff, among other practices. This has been recently evidenced in 2023 by mining MNCs operating in Colombia such as Agnico Eagle, Barrick Gold, Fortescue Metals and Zijin Continental, which have been attacked and further threatened by local criminal groups such as the Gulf Clan that migrated from drug trafficking to mineral trafficking (Morales 2023).

There are international experiences revealing how mining MNCs have dealt with threats from local gangs, namely: collaboration with gangs, alliances with local communities, hiring protection from public and private security services and abandoning their mining operations. Each of these experiences are the result of specific local conditions, the local networking reach of mining MNCs and the reputational risks that these MNCs are willing to bear, giving their exposure to the public opinion. In this regard, Czikk (2015) reports on how Canadian mining MNCs have dealt with local gangs in Latin America to preserve their operations.

As a summary, mining MNCs should take into account the influence of competing players in their attempts to obtain social license from local communities in the region. These players can be summarized as: local politicians, community leaders, NGOs, labor unions, minor miners, criminal gangs, farmers, indigenous groups and journalists (Piet 2018).

ANALYSIS OF STRATEGIC APPROACHES

Analytical framework

The engagement of mining MNCs with local communities in Latin American should take into account the particularities of this population, especially sensitive issues related to the indigenous population in mining-rich regions. Within this particular context, mining MNCs can assess different corporate diplomacy strategies to tackle evolving pressures from the local communities. These strategies comprise: Good Citizen, Lonely Fighter, Nice Guy and Stealth Bomber (Steger 2003).

As a Good Citizen, MNCs procure to comply with the local legal framework and exceed their compliance to keep an excellent reputation in the community. This also involves their permanent engagement in public issues by sharing their experience to enhance the community welfare through backing services such as education, employment training, etc., as well as sustaining good relationship with the public sector and policymakers to lobby for the best MNCs' interests. As an example, BHP from Australia reports a well-known emphasis on its corporate social responsibility with local communities where it operates by supporting specific community initiatives such as education, health, job training and promoting sustainable mining practices while keeping partnerships with the public sector to enhance their reach. This engagement is mainly conducted through their BHP Foundation as evidenced with its funding to community resilience and environmental recovery programs such as the Alto Mayo Awajun project in Peru and El Bolto To Cantillana Conservation Corridor in Chile as well as the use of alternative energy sources by indigenous communities under the Ayllu Solar Program in Chile and contributing to fund education programs of public schools such as the IdeoDigital to spread computing teaching in these schools in collaboration with the Chilean public sector (BHP Foundation 2024; BHP Billiton 2020).

In the case of a Lonely Fighter, MNCs make risky decisions that other companies are unwilling to assume procuring strong alliances with particular players. Some of these decisions in the mining sector usually comprise mining activities in difficult to access areas due to lack of infrastructure and pervasive presence of armed gangs, use of environment-unfriendly mining technologies, dealings with criminal groups, violations to human rights, etc. It was the approach undertaken by the Canadian company Bear Creek Mining in the Puno region in Peru in 2011 to face the hostility of the national government to nationalize its local operations, which was counteracted by the strong opposition of local communities that preferred to keep this MNC as local operator due to its higher community engagement in sensitive local issues (Burnett and Miles 2023). MNCs acting as a Nice Guy attempt to work with different stakeholders comprising government officials, community members, customers, suppliers, among others to achieve general solutions that benefit all of them. For example, Anglo American promotes the

Extractive Industries Transparency Initiative (EITI) to improve the accountability in mining, whereas Newmont Mining has been visibly supporting the United Nations Sustainable Development Goals (SDGs) through mining practices, however, their community engagement in the specific Latin American context is driven by public guidelines or third party recommendations rather than by external pressures to gain support for their operations. For example, the deployment in Peru of their global Social Way Learning program to preserve the local cultural heritage of indigenous populations follows their classification as per the Peruvian Ministry of Culture or by recommendations by third parties to deliver this program to the indigenous communities near their Quellaveco facilities (Anglo American 2024; Anglo American 2013).

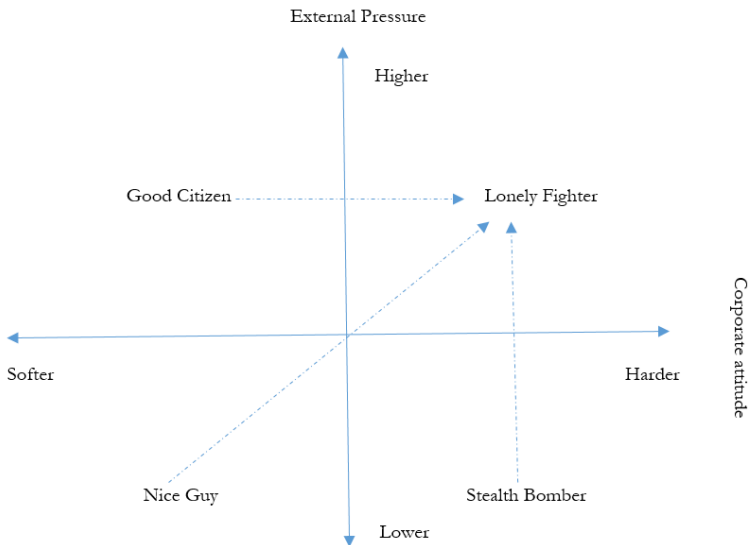
In relation to the approach as a Stealth Bomber, MNCs might procure lobbying attempts with local authorities as well as specific community leaders while keeping low profile for their operations and even misreporting damages and claims to avoid reputational risks, procuring that their decisions are aligned with their long term profit goals, without attempting many shortcuts to accelerate them. Some Canadian mining MNCs operating in Latin America have been detected using this strategy without fully disclosing information on these incidents as reported by The Justice and Corporate Accountability Project (JCAP), considering that the reporting requirements in Canada have been less strict in comparison to those enforced in the US on local corporates. In some cases, mining Canadian companies such as HudBay Minerals and Tahoe Resources have been accused of dealing with local criminal gangs to protect their local operations from kidnapping attempts on their staff as well as from claims by local indigenous populations in countries such as Colombia, Ecuador, Guatemala, Mexico and Peru (Cultural Survival 2016; Czikk 2015).

Each of these strategies involve different approaches to deal with local communities in Latin America that may evolve in time. As a Good Citizen, MNCs should respect the rights of local indigenous populations and work closely with local communities in specific proposals to improve their living conditions, while operating in a context of high pressure from different players. Under a Lonely Fighter approach, MNCs might be more pro-active in the defense and acknowledgement of the indigenous rights and other

community groups by acting as advocates for local communities to obtain strong support from these communities to face other more hostile players. In the case of a Nice Guy, mining MNCs act transparently with indigenous communities, openly sharing their mining plans and answering community inquiries to gain local trust as well as to identify solutions under a less hostile context avoiding confrontation with local authorities. Finally, the Stealth Bomber approach involves a deeper understanding of the political context to identify key players such as indigenous leaders to act as defenders of MNCs as well as using the media to pressure in pro of MNCs' interests regardless of their impact on local communities.

In order for a mining MNC to deploy a strategy with a local community in a regional mining area, the MNC should act as a player willing to maximize its profits but should face different environmental and social demands from the local community members, which are expected to protect their natural environment and maximize the social benefits that can obtain from the MNC's local operations in order to grant it with their social license. Within this context, the MNC can consider two alternatives, namely: acting as a responsible entity towards the community or mostly focusing on its economic profits regardless its attention to the demands from the local community. The first approach contributes to be trusted by local communities with many demands, reducing their hostility towards the MNC's operations, hence, improving its expected profits over the long term. The second approach could be considered by a MNC whenever it observes that the local community is unwilling to protest against its operations due to lack of unity among the community members or low local population density to exert pressure enough on the MNC's local operations, among other factors. Under the latter approach, the MNC is not relying on the local community as a potential ally to bargain with authorities of the host country whenever these authorities threaten the MNC's local investment. These authorities might be tempted to grant this concession to MNCs from a competing nation to this MNC's home country, which can be acting according to a techno-nationalist approach. This possible scenario leads the MNC from a non-allied country to avoid any deviation from its cooperation or any other kind of engagement with the local community to strengthen its bargaining power under a higher external pressuring context from the local government. This dynamic can

be illustrated in the following figure 1 based on the generic corporate attitudes to external pressures by Steger (2003):



Source: Author's own elaboration

Figure 1. Positioning for a corporate diplomacy strategy under a techno-nationalist context.

Techno-nationalist pressures might lead mining MNCs from non-allied countries to adopt a harder attitude to external pressures from local governments in order to keep their local operations, otherwise these MNCs would be forced to leave these operations whenever they intend to keep a soft attitude towards all players in the local context. By adopting a Lonely Fighter strategy, these MNCs should develop stronger alliances with local communities to gain their loyalty to face a context of higher pressures from governments in cases such as expropriations of their operations. This corporate pattern has been evidenced in similar cases of high external pressures by Steger (2003) with the US tobacco and gun industries that have been focused on keeping high levels of loyalty with specific stakeholders who are expected to strongly defend these industries. This strategy can be also considered as an entry strategy into non-allied countries whenever these

MNCs can gain strong support from local communities against competitors by stressing their track record in favor of communities and exposing wrongdoings of their competitors in terms of their environmental and human rights impacts as well as their lack of community empathy.

In order to build an alliance with local communities, a simplified version of the interactions between a mining MNC and these communities should consider the following assumptions: the MNC proposes a compensation, C_1 , to the local community in exchange for its long-term support against external pressures on the MNC's operations. If this community accepts this offer, then, its members will avoid acts of unrest against the MNC and will resist any attempt to block the MNC's local operation by third external parties during periods t_1 and t_2 matching the lifetime of the local mines. Otherwise, if the local community rejects the compensation, then, its members will decline to provide any kind of support to the MNC. In this case, the MNC will stop its local operations for a period t_1 due to business interruptions arising from community unrest and other related disturbances. By acting as a lonely fighter, this MNC will insist on continuing its local operations and then, it will propose a new compensation, C_2 , to the local community after period t_1 . If C_2 is accepted by the local community, then, the community will provide support to the MNC's operation for the remaining period t_2 . If this new proposal is rejected, then, the MNC will definitively stop its local operations.

This MNC is procuring to maximize its annual net profits according to the following simplified relation under compensation strategy j :

$$P_j = R_j - C_j \quad (1)$$

Where:

P_j : Net profit from the local mining operation.

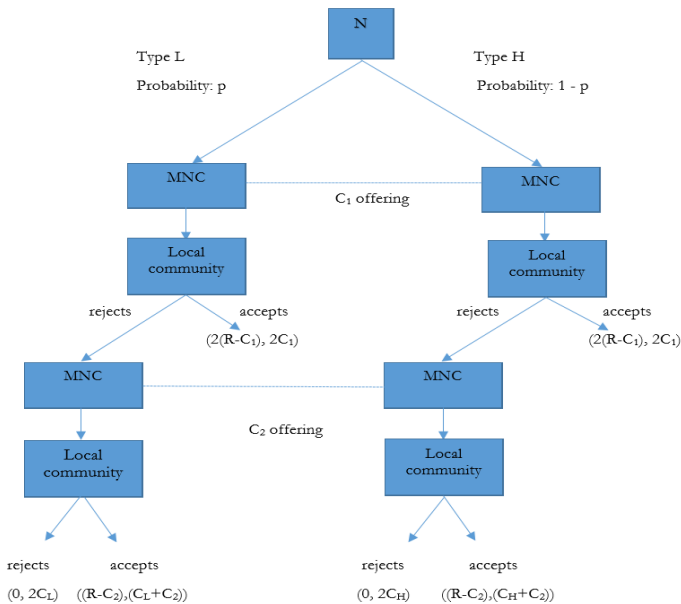
R_j : Total annual revenues from this operation.

C_j : Total compensation from the MNC to the local community.

It is also assumed that the MNC obtains 0 profits if it closes its operations, whereas not time value discounting is considered for simplification purposes to deal with the profit flows in t_1 and t_2 .

On the other hand, the local community attempts to maximize its total compensation for the lifetime of the mines. If this community accepts the first offer C_1 from the MNC, then, its compensation will be equivalent to $2C_1$ for both periods. If the community rejects the offer, then, its members will procure compensation from other alternatives, which are likelier in a context of pervasive illegal mining as reported across the Amazon basin. Under the later scenario, the MNC does not know the periodic reserve compensation demanded by the community, C_R , as the local community might prefer a low compensation C_L or a high compensation C_H , which might be less likely to be revealed under a context with high incidence of illegal economic activities.

If the local community accepts C_2 , its total compensation will be $C_L + C_2$ or $C_H + C_2$ according to its type, whereas its rejection to the second proposal will leave this community with a total compensation for $2R$. These negotiations are described in the following figure 2:



Source: Author's own elaboration.

Figure 2: Negotiations between a mining MN and the local community.

In this game, the Nature (N) allocates a reserve compensation, C_R , to the local community. In order to achieve an equilibrium, the dominated strategies should be detected using backward induction and discarded if both players are rational.

The local community knows its reserve compensation, C_R , whereas the MNC allocates a probability p for a compensation type L and $1 - p$ for a compensation type H. If the community rejects the first offer equivalent to C_1 then, the MNC will update its assumed probabilities for the type of community to p' for type L and $1 - p'$ for type H according to the Bayes Theorem. The following dominated strategies are determined:

The local community accepts $C_2 < C_R$ or rejects $C_2 > C_R$.

The MNC offers $C_2 > C_L$ if $C_R = C_L$.

The MNC offers $C_1 > C_H$ or $C_1 < C_L$.

The non-dominated strategies for both players are:

For the MNC:

1. A first offer C_1 in the range $L \leq C_1 \leq C_H$.
2. A second offer with $C_2 = C_L$ or $C_2 = C_H$.

For the local community:

1. Acceptance of any offer if $C_1 \geq C_H$ and rejection if $C_1 \leq C_L$.
2. Rejection of any offer $C_L < C_1 < C_H$ if the community is of type H.
3. Acceptance of the second offer C_2 if $C_2 \geq C_R$.

Based on the previous analysis, if the MNC offers C_1 in the range $C_L \leq C_1 < C_H$ the local community will reject it if this community is of type H, however, if the community is of type L, then, it might accept the first offer and obtain a total compensation for $2C_1$ during the lifetime of the mine or it might lie to the MNC by rejecting C_1 in an attempt to obtain a second offer $C_2 \geq C_H$ as this community observes that the MNC needs to play a lonely fighter strategy by gaining community support to its operations. Under this consideration, the local community has two non-dominated pure strategies, namely:

1. Revealing its type by accepting C_1 .
2. Rejecting C_1 , expecting for $C_2 \geq C_H$

If the local community is type L and accepts C_1 in the range $C_L \leq C_1 \leq C_H$, the negotiation ends up and its compensation will be $2C_1$ but if this community rejects this compensation, then, it will obtain C_L in t1 and C_H in t2 for a total compensation under this strategy equal to $C_L + C_H$. From this analysis, the following condition should be met by the community to accept the first offer, C_1 :

$$2C_1 \geq C_L + C_H \quad (2)$$

The MNC should offer $C_1 \geq (C_L + C_H)/2$ as incentive for the local community to accept this offer if it is type L. If the community accepts this compensation, then, it will reveal its type with $1 - p' = 0$ and $p' = 1$.

If the initial offering C_1 is lower than $(C_L + C_H)/2$, then, there is not equilibrium under pure strategies and the equilibrium should be found under mixed strategies. In this case, the MNC offers a high C_2 with probability q that depends on its offered compensation in t1 and a low C_2 with probability $1 - q$. Under this scenario, the local community could reveal its real type in t1 with probability r or hide it with probability $1-r$, expecting to obtain more compensation from a MNC, especially if the community members are concerned about the future attitude of this MNC towards them. The probability r makes the MNC indifferent between offering $C_2 = C_H$ or $C_2 = C_L$.

The MNC has to readjust its expectation for C_R in t2 as its offer was rejected in t1. This readjustment requires the determination of $q(C_1)$ and $r(C_1)$ to find an equilibrium under mixed games. If the MNC starts offering a low C_1 in the range $C_L \leq C_1 < C_H$ and if it is accepted by the local community, then, its compensation for the two periods will be $2C_1$. However, a local community with a low C_R such as C_L might reject this offer as it expects to receive a higher offer by the MNC equivalent to C_H in t2 obtaining a total compensation for $C_L + C_H$. But if the MNC offers $C_2 = C_L$, the local community will end up with a total compensation for $2C_L$ that is lower than under the scenario of accepting a first offer C_1 according to the condition $2C_1 > 2C_L$. The expected compensation for the local community rejecting the first offer can be expressed as follows:

$$C_L + (C_Hq + C_L(1-q)) \quad (3)$$

The local community will be indifferent between revealing or hiding its type if the expected value in (3) equals its total compensation after accepting the initial offer C_1 for both periods according to (4)

$$C_L + (C_Hq + C_L(1-q)) = 2C_1 \quad (4)$$

From (4), the following expression (5) for the probability q can be obtained:

$$q = 2(C_1 - C_L) / (C_H - C_L) \quad (5)$$

Under this scenario, the MNC will obtain a profit according to expression (1) as follows:

If its first offer is rejected and the second one for C_H is accepted, the MNC's profit will be for $R - C_H$.

If its second offer is for C_L , then, the MNC will be at risk of closing its operations if it is rejected by the local community. In this scenario, the MNC will obtain a profit for $R - C_L$ if the local community is of type L, with $C_R = C_L$. On the hand, if the local community is of type H, then, this offer will be rejected and the MNC will close its operations with a profit equal to 0.

The MNC will update its probabilities about the type of community, with probability p' for type L and probability $1-p'$ for type H, obtaining the following expected profit in (6):

$$(R - C_L)p' + 0(1-p') = (R - C_L)p' \quad (6)$$

The expected profit according to the strategy expressed in (6) involving the offer of a low C_R in both periods should equal the expect profit for the MNC offering C_H in the second period for the MNC to be indifferent between offering $C_2 = C_L$ or $C_2 = C_H$. This condition is expressed in (7):

$$(R - C_L)p' = R - C_H \tag{7}$$

From the expression (7) the value of p' can be obtained in (8):

$$p' = (R - C_H)/(R - C_L) \tag{8}$$

This value for p' is the same for any offer C_1 in the range $C_L \leq C_1 < (C_L + C_H)/2$ and should be consistent with the Bayes theorem according to (9):

$$p' = \frac{\Pr\{C_1 \text{ rejected} | C_L\} \Pr\{C_L\}}{\Pr\{C_1 \text{ rejected} | C_L\} \Pr\{C_L\} + \Pr\{C_1 \text{ rejected} | C_H\} \Pr\{C_H\}} \tag{9}$$

On the other hand, the local community follows the strategy of revealing its type L with probability r and the strategy of hiding it with probability $1 - r$. In addition, if the probability for a local community type L is p and for type H is $1 - p$, then, the following expression (10) from (9) is obtained:

$$p' = \frac{R - C_H}{R - C_L} = \frac{rp}{rp + 1(1-p)} \tag{10}$$

From (10) the following relation (11) is derived for the probability r corresponding to a community revealing its real type L after a second offer from the MNC is received:

$$r = \frac{(R - C_H) - (R - C_H)p}{(C_H - C_L)p} \tag{11}$$

If the MNC offers an initial compensation C_1 in the range $C_L \leq C_1 < (C_L + C_H)/2$ and the community is of type H, its expected profit will be:

$$0 + [(R - C_H)q + 0(1 - q)] = (R - C_H)q \tag{12}$$

However, if the community is type L, it might reject the first offer with probability $1 - r$ and always accept the second offer. In this case, the expected profit for the MNC during the lifetime of the mine will be:

$$2(R - C_1)r + [q(R - C_H) + (1 - q)(R - C_L)](1 - r) \quad (13)$$

In (13), the first term involves a total profit for $2(R - C_1)$ to the MNC if the community reveals its type with probability r , whereas in the second term, the value $q(R - C_H) + (1 - q)(R - C_L)$ corresponds to the MNC's expected profit if the community hides its type with probability $(1-r)$ playing a mixed strategy. Additionally, if the MNC offers $C_1 = C_H$ the community will always accept this offer regardless of its type and the MNC will obtain a profit equals to $2(R - C_H)$ during the lifetime of the mine.

Mining MNCs operating in the Latin American context should take into account the varying material demands of the different communities across the region to assign their probabilities for community type L or type H and the community reserve compensation C_R . In this regard, it can be expected that communities with a high percentage of indigenous population might be relatively less concerned for material demands in terms of compensation in comparison to more westernized communities, however, these indigenous communities might be more interested in the preservation of their natural environment, which demands more sustainable mining practices by mining MNCs in this context to avoid resistance from these communities as well as to build stronger alliances with them.

In addition, MNCs should also consider the compensation demands of different groups within local communities to mitigate resentful attitudes to their activities. According to Piet (2018) those groups comprise community leaders, labor unions, independent minor miners, farmers, criminal gangs and indigenous tribes with special rights on the local land as distinctive local characteristic in Latin America, collaborating with NGOs and journalists to obtain feedback on the local needs and to communicate community engagement initiatives and their benefits. Their multiple demands should be identified through community consultations initiatives gathering these groups. Their compensation can take many forms ranging from lump sums to recurrent compensation mechanism such as payment for free services to

the community including healthcare, education, among others and direct recurrent payments to community groups such as royalties for the use of land to indigenous groups as well as indirect compensation for affected groups comprising recovery of environmental damages from mining exploitation, etc. In particular, lump sums could be quickly spent, leading to demands for more compensation in future periods, hence, MNCs should devise strategies to provide recurrent payments, preferable with a perspective beyond the lifetime of mines to ensure a long term loyalty from communities, such as setting trusts in favor of these communities to finance these payments, etc., in order to reduce community concerns on their livelihoods once the mining exploitations are over in the area, leaving an environmental impact that might affect traditional activities such as agriculture, etc.

In the Latin American context, this compensation should also consider the particular demands of local indigenous communities with special rights to lands surrounding mines. These communities can be clustered into two groups, namely, Andean groups and Amazonian groups. Andean indigenous groups are likelier to be relatively more concerned for the preservation of their land in their original state for agriculture and religious practices as they are relatively more organized and sedentary, hence, less dependent on surrounding mining activities, preferring any indirect compensation for environmental damages affecting their lands whereas Amazonian groups are more nomadic and spread, mostly surviving from fishing and hunting, preferring to keep their rights to continue with these activities and are less organized, with less frequent demands for specific environmental damages related to mining activities (Sempertegui 2022; Gros 2013).

Based on the previous review, the total reserve compensation C_R of a local community in mining areas across Latin America should include, at least, a direct reserve compensation (C_{DR}) related to the recurrent earnings needed by the community groups for their living expenses and an indirect reserve compensation (C_{IR}) involving the expenses for the restoration of the affected environment wherever they prefer to keep their traditional economic activities and religious practices that include veneration to the land in its original condition.³⁾

3) The veneration to the Mother Land, widely known as “Pachamama” across Andean

Hence, mining MNCs procuring to operate in the Latin American context should assess both types of reserve compensation to derive the total reserve compensation that may be expected from local communities:

$$C_R = C_{DR} + C_{IR} \quad (14)$$

Further to the previous considerations, ritual practices across local indigenous groups require the preservation of their original sanctuaries, conflicting with the territorial reach of mining activities, hence, reducing the potential mining exploitation and related revenues (R). This variation of R, namely, ΔR , should be taken into account as an opportunity cost for a mining MNC in the region engaging with indigenous groups with these religious concerns, hence, its annual net profits (P) can be detailed as follows to reflect this features prevailing in the Latin American context:

$$P = R - \Delta R - C_{DR} - C_{IR} \quad (15)$$

Applied case studies for the analytical framework

Different experiences across Latin America portray the dynamics of the negotiations between mining MNCs and local communities whose distinctive feature is mostly focused on the particular demands of indigenous groups, as extensively reported in countries such as Ecuador, Chile, Peru, among others,

In the case of Ecuador, a referendum held in the city of Cuenca voted to ban mining projects nearby, affecting 43 concessions that otherwise would affect soils and water supplies. Even though this referendum, the national government in July 2021 transferred the Loma Larga project to a Canadian MNC, known as Dundee Precious Metals, which was unwilling to comply with the referendum results as it counted on its strong relationship with the national government, disregarding its engagement with local communities under the conservative government of Guillermo Lasso. In order to stop the

indigenous groups (quechuas and aimaras) in Argentina, Bolivia, Colombia, Chile, Ecuador and Peru.

advance of the mining exploitation promoted by this government, different social movements joined the Ecuador's Indigenous organization, the Confederation of Indigenous Nationalities of Ecuador to call for a national strike in 2022. Claims for mining moratorium increasingly became part of the Indigenous Movement's agenda as the result of alliances made between Indigenous, farmers, and urban organizations over the last two decades in Ecuador. Under this dynamic context, mining MNCs evolved from a position in which they heavily relied on an allied national government and without much regard for any kind of community engagement to a more active engagement with local communities assuming a Lonely Fighter approach. In this process, the reserve compensation (C_R) of these communities have been progressively revealed, coupled with the impact on the MNCs' revenues (ΔR) arising from mining moratoriums across the country as claimed by indigenous groups concerned for the impact of mining activities on the Pachamama as a deity (Sempertegui 2022).

Additional experiences in the region also reveal that mining MNCs mostly relying on connections with governments without concern for demands from local communities start to be perceived as unreliable by these communities, at risk of losing social license to operate. Once this perception is prevailing in communities, then, a new phase of hostilities starts and the common way to mitigate them is through the mediation of the State with a clear and strong governance framework to deal with social demands. This pattern has been reported with the conflicts faced by Los Pelambres project in Chile and Yanacocha project in Peru (Hoon et al. 2023). These two mining conflicts shared environmental issues as main cause, however, the differential institutional environment in Peru and Chile impacted on their conflict resolution processes. Los Pelambres project was operated by a domestic company in Chile that obtained social license from the local community whereas the Yanacocha project was a joint venture majority owned by the US MNC Newmont Mining Corporation that did not obtained social license in Peru as it reported less engagement with local communities, procuring to standardized its community approach across countries with diverging cultures in an attempt to optimize its operations to escalate them worldwide under a nice citizen corporate diplomatic strategy.

The evidence of Los Pelambres project shows a pattern of initial reliance on the national government during the Pinochet regime in Chile to solve mining conflicts mainly through repressing mechanisms. Once this regime was over, the mining operators started to engage with the local community, however, it kept a distrustful stance towards these operators based on their track record. This situation was gradually solved with a stronger legal framework and institutions to enforced them, delivering solutions that were perceived as fairer by both parties, including a desalination plant and the use of seawater to solve local water issues, a compensation to the community for resettlement and the lease of part of the project's land by the local community for agricultural purposes through development funds in 2016.

In relation to Yanacocha Project, its operators attempted some engagement with local communities that were concerned with its environmental impact. As safety protocols followed by the operators were perceived as non-satisfactory by local residents, the community started different demonstrations, without relying on the State as mediator to solve these issues, since the Peruvian government declared state of emergency in the zone and used the police to repress local conflicts. The operators commissioned an international third party to review local claims on environmental impacts, especially those affecting religious practices, however, it was rejected by the local community, keeping social unrest, leading its operators to shut down this project in 2016.

The previous both cases show the importance of gaining social license since the first stages of mining exploitation to gain trust by local communities as well as a strong legal and institutional framework to deliver solutions that are perceived as fair by the counterparties in any potential conflict. Within this context, local communities have lower incentives to play opportunistic mixed games with MNCs playing a Lonely Fighter strategy to gain local support to face non-allied local governments, leading the probability $1 - r$ to nearly 0 for a community type L of hiding its real type, with an expected profit for a mining MNC, $E(P)$, form (13) that is expected to be approximated to the following expression:

$$E(P) \approx 2(R - \Delta R - C_{DR1} - C_{IR1})\Gamma \quad (16)$$

CONCLUSION

The current techno-nationalist competition for technology metals and REEs represents an important opportunity for Latin American countries to obtain an important influx of Foreign Direct Investment into the exploitation of these resources in which the region reports reserves. Governments from these countries could take advantage of this competition to arbitrate the best terms that MNCs from competing home countries can provide these governments with, in exchange for a privileged access to local resources. This trend calls for the incorporation of non-market strategies in the strategic framework of mining MNCs engaged in the quest for these resources to understand key local actors in the local non-market context to deal with them to obtain their support for their operations.

From the previous literature review, Latin America has certain particularities to be taken into account to analyze its non-market context for mining operations. Among these particularities it is important to point out that the largest reserves of local technology metals and rare earth elements have been found in counties ruled under democratic regimes with varied and changing geopolitical stances, as evidenced in countries such as Brazil, Colombia, Chile and Peru frequently shifting between left-wing and right-wing governments, with contrasting international alliances. This evidence might reduce the effectiveness of a friendshoring approach for the regional expansion of mining MNCs. In addition, most local findings of technology metals and REEs have been reported in indigenous reserves under lower control by local states and affected by illegal actors such as criminal gangs, among others, reducing the scope for MNCs to deal with local players to gain their support without risking their corporate reputation.

Facing this context, it is important for mining MNC to devise a robust hedging strategy to protect their operations from political risks such as investment expropriations, depriving their home countries from strategic mineral resources. As solution, this article proposed corporate diplomacy strategies to build alliances with local communities as suitable framework for the local positioning of mining MNCs over the long term. From the literature review in the reversal of local expropriation attempts, it was identified the key role of local communities blocking these attempts and

favoring MNCs from home countries whose governments have not been close allies of local governments procuring these attempts. This adverse context with government actors is likely to push these MNCs to play a Lonely Fighter corporate diplomacy strategy in pro of actors of local communities to ensure their support to their operations. However, the deployment of this strategy represents different challenges for mining MNCs in the Latin American context to foresee the likely outcomes from their interactions with local communities to obtain their “social license” based on the proposed game-theoretical framework in this article, as those communities might have different demands from MNCs according to the relative importance that their members place on material and non-material compensations, specially the indigenous communities that place a religious importance on the preservation of land for whom material compensations are not enough, impacting on the production levels of these strategic resources. This strategic approach should be revealed by MNCs at all stages of their local operations to build trust in local communities so these can consider any direct or indirect compensation received from MNCs as fair and to keep a non-hostile attitude towards their mining operations, reducing their incentives to play opportunistic games with MNCs.

For further research to effectively deploy a corporate diplomacy strategy with local communities in the region, it is suggested to conduct more anthropological studies on these communities to identify their material and non-material needs as well as their preferred conflict-resolution methods, so mining MNCs can be best positioned to address them to gain their long term support. Particularly, it is important to explore these needs among local indigenous communities with cultural values that might divert from those of more westernized communities.

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