

**Role Play**

**Golden Standard:**

Role of Alto de Lucia

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06/2024-6910

General Information

Five years ago Golden Standard, the world’s largest multinational gold mining company based in Toronto, Canada, discovered one of the hemisphere’s largest gold deposits high in the Antolian mountains of the Republic of San Teodoro. The region around the planned Punta Nueva project is estimated to hold nearly 20 million ounces (567 thousand kilos) of gold, enough to make it one of the largest gold mines in the world. The mine could serve as a precedent for other such projects in South America in the the future.

For the inhabitants of the remote and impoverished region, in particular the 76,000 residents of the Huascar River Valley, the mining project would bring new jobs and better access to infrastructure through the roads and facilities that would come with the mine. The company has promised the San Teodoroian government that eventually 7,500 local workers will be hired to work at the mine.

Although the project holds the promise of great economic returns over its expected twenty-five year lifespan, it also involves significant risks. The mine would be built at 5,000 meters above sea level in a hostile climate of temperatures ranging from +30 degrees Celsius to -40. These represent comparatively risky working conditions for members of the local communities compared to their traditional small-scale agriculture and herding. As it would be an open pit mine using cyanidation to extract metals it also threatens to contaminate the water supplies central to the survival of the inhabitants of the Huascar river valley. A substantial amount of the gold would also be located under or close to glaciers. Preserving these glaciers has attracted the attention of both local leaders and a rising number of international environmental organizations.

The San Teodoroian government, which has been looking to attract foreign investment to lower the country’s high unemployment rate, has provisionally approved the Punta Nueva project given that an equitable division of the gold revenues between the company and government can be agreed upon. In order to increase the mining project’s chances of succeeding, Golden Standard is seeking to secure the buy-in of as many key stakeholders as possible, including the local communities. However, skepticism has always been strong among the local farmers, who contacted environmentalist and indigenous rights NGOs in the capitol city of Chapolis which started advising them on legal, environmental, and technical matters.

In an effort to obtain local support for the mine, the Golden Standard has funded a campaign in the valley involving door-to-door information, media broadcasts, community information offices, and a major education initiative including building new schools, providing school bus services, and other free educational and vocational programs throughout the Huascar Valley.

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| **Overview of Golden Standard initiatives in the Huascar Valley** |
| **Investments made:** | **Investment costs:** |
| Elementary, Middle, and High Schools | $200 million – one time construction costs for 15 schools (already spent)$4 million per year for the next twenty-five years (= $100 million in total) - annual maintenance/teacher salaries/school lunches for children |
| School bus services | $1.3 million per year for the next twenty-five years (=$32.5 million in total) |
| Educational and vocational programs in villages | $1 million per year for the next twenty-five years (=$25 million in total) |

Thanks to the Golden Standard’s outreach and the $230 million they have already spent on education for valley residents, the Punta Nueva project won an increasing number of local supporters. The company has already spent $200 million on one-time construction costs for 15 schools and another $30 million operating the schools for the last several years. To some, the company appears to be living up to its stated goal to engage in “socially responsible mining.” In previous mining projects, company founder Tom Funk has likewise pursued the policy of investing tens of millions of dollars in local schools and infrastructure.

Supporters also note that Golden Standard has the best environmental record of any major gold mining company, typically imposing on themselves environmental restrictions more severe than their host government demands. At the Punta Nueva site, the company has already agreed to $80 million in water system improvements beyond what is done at the typical gold mine, and to building a $12 million resevoir to prevent toxic runoff from the mine entering the local waterways. They have further accepted a list of 400 conditions set by San Teodoro’s environmental commission.

Still, the leaders of the four local municipalities (in order of geographic proxity to the mine from closest to furthest: Vallenuevo, Paraiso, Tachito, and Alto de Lucia) are not satisfied and have taken their protests public. They argue that even strict environmental measures by industry standards are insufficient when their land and way of life will be put at risk, and are demanding that the Punta Nueva project either be stopped or severely scaled down in light of the potential environmental consequences. A particularly contentious issue is the company’s plan to move three large glaciers and two small glaciers to access the large gold deposits beneath them, which the local communities oppose as these are some of the hundreds of glaciers that feed their river valley. Local leaders also want Golden Standard to provide direct financial compensation to their municipalities, who they argue will suffer practically all of the negative environmental effects of the mine but only reap a small percentage of the benefits.

The conflict has captured the interest of international NGOs which include the Environmental Conflicts Association and the People’s Justice Network. These activist groups have helped the Huascar valley communities organize social media campaigns as well as large live demonstrations, which included dumping huge chunks of ice in front of the presidential palace in Chapolis. They even lobbied the Canadian government against Golden Standard’s planned mine. What used to be a disagreement about a mining project has turned into an international discourse about the legitimacy of permitting natural resources for exploitation by a multinational corporation.

After these efforts failed to obtain the hoped for concessions from Golden Standard, the local communities and their activist supporters publicly threatened to block the narrow mountain roads to the mine site if their concerns were not addressed. A civil disobedience campaign of this kind would make it very difficult for the mine to operate and also represent a public relations disaster for not only Golden Standard but also the San Teodoroian government, which is hoping to attract more international investment.

The protest movement has taken a major toll on the Punta Nueva project, severely delaying the full opening of the mine and it remains operating well below its capacity. What was planned as a $1.5 billion total investment has already swollen to an estimated $5 billion in final costs, with $3 billion already spent. Making things significantly worse for the Golden Standard company, the price of gold has fallen from its recent high of $1,920 an ounce to only $1,000 an ounce. If gold prices remain this low, industry analysts project that the Punta Nueva project will be far less profitable than originally expected.

Golden Standard founder Tom Funk has called for a meeting between the host government, San Teodoro, and the mayors of the four municipalities of the Huascar Valley to discuss the future of the Punta Nueva mining project.

Confidential Information for Sofia Pérez, the Mayor of Alto de Lucia

You are Sofia Pérez, the mayor of Alto de Lucia, a municipality in the Huascar Province in Region III of San Teodoro. Yours is one of four municipalities in the valley, which includes Vallenuevo (population 28,000), Paraiso (18,000), Tachito (17,000), and Alto de Lucia (13,000).

Agriculture is the main economic activity and the basis of the valley’s livelihood. It is the main income source and also an important food source due to subsistence farming. The main agricultural focus in Alto de Lucia is fruit production, especially pisquera grapes and table grapes for export. The people of Alto de Lucia still work in small farms growing food for their own consumption and maintaining herded livestock, mainly goats. Eighty percent of the farming lands are micro or small-scale agriculture. Due to a lack of support for basic infrastructure (in particular irrigation) from the national government and competition from corporate-run farms, many in Alto de Lucia can see their traditional way of life dying. Each year more family farms close with unemployment reaching a record 25% this year. The youth is leaving the municipalities in large numbers to look for better opportunities and a brighter future in the capital, thus dooming the future of those who stay.

Farming and herding have been the lifeblood of the valley since before the Spanish came. In Alto de Lucia agriculture is not just the main income source but the activity that structures daily time-use; family, community and inter-community relationships; and festivals and other cultural expressions. The Niaguita ethnic group of Alto de Lucia is made up of peasant families and their ancestral farming practices are a key identity claim.

As Region III is an arid region near the Matacama desert, the level of the river and the agricultural development depend on the snowfall up in the mountains and on the runoff from several hundred mountain glaciers. This is only source of water in times of drought. The Punta Nueva site in the Antolian mountains above your valley is only 95 kilometers from your municipality, and you are concerned by the Golden Standard Corporation’s plan to break apart and relocate glaciers that feed the river valley.

As usual, the national government acted unilaterally and never consulted anyone in the Huascar Valley about their plans for Punta Nueva. The company simply announced the mine on television and then sought to convince you after-the-fact with promises of mining jobs and schools. You are receiving complaints from all over your municipality about visits from the Golden Standard Corporation’s door-to-door canvassers spreading propaganda about the benefits to the people of the valley from their mine. Even more dangerous misinformation is spread in their schools, which teach San Teodoroian and Huascar valley history from a Western, pro-government perspective. Improving local school facilities would be wonderful in principle, and is in fact something the valley has sorely needed for generations. However, many local families are refusing to let their children be brainwashed at these corporate schools and instead teaching the little ones about the valley’s proud cultural heritage at home.

You do not wish for Alto de Lucia to become a mining community and place little value on the Golden Standard Corporation’s promises to hire local people to work in their mine. And what will happen to your valley in 25 years when the company has taken all the gold out of the mountain and the mine closes?

The environmentalist NGOs you have been consulting with have drawn a bleak image as regards the environmental implications of the project. The mine would use 38 tons of explosives to blast mountain tops into rocks. Twenty-seven tons of cyanide plus another 33 million litres of water per day would be needed to extract the gold. Although Golden Standard assures that no cyanide run-off is possible, the NGO shared examples around the world where similar assurances were made, but cyanide run-offs happened anyhow. Once they happen, the impacts are extremely hazardous and long-lasting. Plus since the costs to clean it are huge, companies do their best to avoid paying the bill or do the absolute minimum necessary, without a real concern to leaving things as before they arrived. Often times, the real extent of the damage is only found after the mine is exhausted and the company has packed and gone, leaving the community alone to pay the price. The hypothesis is that the companies know about the damage much earlier, but do whatever they can to hide it until they leave, when then there is little to be done in terms of suing or forcing them to restore the health of the environment they found in the first place.

As if the risk of toxic runoff from the mine reaching the local rivers wasn’t enough, the company’s Glacier Management Plan will move three large glaciers and two small glaciers to access even more gold deposits. The company intends to use explosives to break the ice and then bulldozers and front loaders to transport the ice miles away and add it to other glaciers. These glaciers are important element for the ecological survival of the basin and the viability of its complex ecosystem.

Despite all of this, there is no massive mobilisation against the mine in Alto de Lucia. People feel incapable of stopping a project like Punta Nueva, as they are both geographically and politically isolated from the San Teodoroian capital of Chapolis, where decisions are made. Many of the peasants are also afraid of taking part in risky political activities.

As you are unlikely to be able to stop the mine project entirely, you must find a way to obtain fair compensation for Alto de Lucia. You might be willing to accept the mine moving all five glaciers so long as there is fair compensation for the risks to your valley. The point is not to sell out the environment for money, but rather to use the funds to preserve the valley’s traditional way of life by building a desperately needed irrigation system to make farming viable again. Your citizens should receive some payment given expected gold revenues in the billions and the fact that the mountains of this region belong to them, not the national government or the Golden Standard corporation.

As you prepare for this negotiation, here are some of the issues at the forefront of your mind.

1. Obtaining fair compensation for the environmental threat the mine poses. The plans for Punta Nueva include moving three large glaciers and two small glaciers. Together with other similar deposits in the Antolian mountain, these glaciers feed the rivers that run into your valley. If you obtain the infrastructure investments and financial compensation for Alto de Lucia that you need to preserve your people’s way of life, you would be willing to let Golden Standard move the five glaciers. You want a fair share of the revenues so that you can use the funds to build a new irrigation, sewage and water recycling systems for all the farms in your municipality, for which you seek 1% of the revenues from the mine for Alto de Lucia. The payouts are meant to allow the community to finance a vibrant, yet local, community, due to the new influx of capital. This can promote growth in the municipalities on your terms and prevent the outflow of youngsters, thus guaranteeing the future of the Niaguita community and its happiness.
2. **Local control of the compensation funds.** You do not trust the corrupt national government, which has long neglected the Huascar River Valley and its people. Compensation payments from the Golden Standard Corporation that are administered by the national government can simply disappear with creative accounting or be stolen by corrupt officials. They therefore represent zero value to you unless you control them directly. You will insist that compensation payments for the mine from the Golden Standard Corporation be made directly to your municipality and controlled by you. Besides, the current national government enjoys no support in Alto de Lucia and belong to an opposing political party. So to give them anything will look extremely bad for you and anything that gives them more power and political capital is not in your short- or long-term interests.
3. **Forming the coalition that will lead to the best outcome for Alto de Lucia.** You see several potential partners in this situation.
* First, you could band together with all three other municipalities so you have the ability to block the narrow roads into the mountains, preventing trucks from arriving with supplies and leaving with the gold. Threatening to cut off access to the mine through acts of civil disobedience may lead Golden Standard to provide fair compensation to your municipality. To have a credible threat to block the roads you need an alliance with all three other mayors. The San Teodoroian government might then intervene with their military to guarantee road access to the mine. You are not sure whether they would actually do this, as it would come with political costs for the government.
* Second, you could form a partnership with Golden Standard and/or the San Teodoroian ministry of mining to provide road access and support for the mine in return for fair compensation for Alto de Lucia—independent of whatever the other municipalities do. Your compensation could come from the company, the government, or both.

Please prepare for your negotiations with the mayors of the other three municipalities, Tom Funk of the Golden Standard Corporation, and the representative from the San Teodoroian Ministry of Mining.