RWS-004

Witness Statement of Rosario de Pilar Fernández Figueroa

April 8, 2016

English Translation
I. INTRODUCTION

1. My name is Rosario del Pilar Fernández Figueroa, and I was Prime Minister of Peru during President Alan García’s administration, from March 2011 to July 2011. Also during President Alan García’s administration, I was Minister of Justice from September 2010 to July 2011 and from December 2007 to July 2009. I now work in the private sector, and I am a founding partner at the Fernández Herraud & Sánchez Law Firm. I earned my law degree at the Pontifical Catholic University of Peru. I have been a university professor since 1978; I have taught private international law at the Pontifical Catholic University of Peru, the University of Piura, the Diplomatic Academy of Peru, and, to this date, the University of Lima. In addition, I am an arbitrator, both in institutional environments and on an ad-hoc basis.

2. While I was Prime Minister of Peru from March 2011 to July 2011, my office took part in some of the events relating to the government’s response to the dangerous social crises that arose in the Region of Puno, as well as in the issuance of Decree No. 032 of 2011 (“Supreme Decree No. 032”). As Prime Minister, I participated in a meeting held on May 28,
2011 with representatives of the regional government of Puno, and participated in the negotiation round tables with protesters in Lima in mid-June 2011.

3. In this witness statement, I will respond to certain claims made by Bear Creek Mining Corporation (“Bear Creek” or “Claimant”) in its Memorial dated May 29, 2015, and in its Reply dated January 8, 2016.\(^1\) In particular, Claimant argues that the government’s decision to repeal the declaration of public necessity was arbitrary and entirely unfounded.\(^2\) This is wrong. The government’s actions were absolutely appropriate. Supreme Decree No. 032 was issued in view of the evidence of constitutional violations by Bear Creek and in the context of a situation of extreme social violence that had been developing in Puno. I will now briefly describe the protests in Puno in 2011 which created a highly unstable, unsafe situation, and which provide significant context to the decision to repeal the declaration of public necessity of Bear Creek and its Santa Ana Project. First, I will explain the social origins of the conflict in Puno. Second, I will describe the negotiation round tables organized with protesters. Finally, I will explain the government’s reasons for adopting Supreme Decree No. 032.

II. THE 2011 CRISIS IN PUNO

A. THE PROTESTS RESULTED FROM SOCIAL CONFLICT

4. As Prime Minister, I became aware of the events in Puno as my advisors and government officials who were present in the area informed me of them, and I personally participated in the negotiation round tables carried out in Lima. In June 2011, the situation in the department of Puno was critical. There were three different protest fronts, which resulted in injuries and incalculable material losses in a number of cities in the Region. This conflict arose

\(^1\) See Claimant’s Memorial on the Merits, May 29, 2015 (“Claimant’s Memorial”); Claimant’s Reply on the Merits and Counter-Memorial on Jurisdiction, January 8, 2016 (“Claimant’s Reply”).

\(^2\) See Claimant’s Memorial at para. 80; Claimant’s Reply at paras. 132-146.
mainly for social and economic reasons. Generally speaking, the people did not agree with the mining and petroleum activities that were being performed in Puno.

5. The three fronts of conflict fronts in the Region materialized into violent protests that severely affected the safety of citizens and public and private property in Puno. The three fronts were as follows:

(i) North Zone 1 (Province of Melgar), where protests were initiated mainly against mining activities at the “Poderosa” mine and against the contamination of water resources of the area;³

(ii) North Zone 2 (Ramis River Basin), where the inhabitants of the area claimed that the Ramis River Basin was being contaminated as a result of illegal mining in the area. People demanded specific control actions to prevent irreparable environmental harm;⁴

(iii) South Zone (Bear Creek), where the Aymara people demanded the cancellation of the Santa Ana Project, the cease of all mining and petroleum activities in the area, and protection of the Khapia Hill.⁵

6. Bear Creek argues that the protests, especially those in the south of Puno, were entirely unrelated to its activities in connection with the Santa Ana Project.⁶ Nevertheless, this description of the conflict is incorrect. According to the information I received from the government officials appointed to address this social conflict directly, including the Deputy Minister of Mines and the Director of the Social Management Office, within the Office of the President of the Council of Ministers (“PCM”), the protest front in the south area of Puno directly demanded, from the onset, that the company leave the area and that the Santa Ana

³ See Aide Memoire “Actions Taken by the Executive Regarding Conflicts in the Department of Puno,” July 2011 (“Aide Memoire 2011”), at p. 11 [Exhibit R-010].
⁴ See Aide Memoire 2011 at p. 15 [Exhibit R-010].
⁵ See Aide Memoire 2011 at p. 4 [Exhibit R-010].
⁶ See Claimant’s Memorial at paras. 65-72; Claimant’s Reply at para. 3.
Project be cancelled. Several comunidades campesinas from the south of Puno participated in these protests. That is to say, according to the information I received, the protests arose, in part, as a consequence of the fact that Bear Creek had failed to develop the necessary relations with all communities within its area of influence. This resulted in a lack of agreement and of knowledge by the population in relation to the potential consequences of mining activities in the region.

7. Bear Creek further argues that the protests in Puno were motivated merely by Mr. Walter Aduviri’s political interests. Claimant adds that my statements to the press on May 18 and 31 prove that the protests led by Mr. Aduviri were only based on political, opportunist motives. Claimant refers to these two statements to the press at least six times in its Reply for the purpose of creating the impression that I made several statements on this topic. However, this depiction of the conflict is inaccurate and out of context. To suggest that a single person is capable of causing an entire Region to rise with mass demonstrations based only on personal political interests is a simplistic way of describing the conflict, erasing from the scenario the Santa Ana Project, an important part of the source of the conflict. Claimant is taking my statements out of context. It may be that Mr. Aduviri had political intentions. It is true that Aduviri and other activists carried out violent actions for which they must assume their responsibility in accordance with the Law. Nevertheless, it cannot be denied that Mr. Aduviri received massive support from Aymara communities—close to 20,000 people—as a result of their profound dissatisfaction with the mining activities in the area, including the Santa Ana Project. Regardless of Mr. Aduviri’s political intentions or the activists’ actions, the protests

\[7 \text{ See Claimant’s Memorial at paras. 65-72; Claimant’s Reply at para. 112.}\]
\[8 \text{ See Claimant’s Memorial at para. 71; Claimant’s Reply at paras. 101, 112, 115, 135, 274, 302. See also Press Article “Prime Minister says roadblocks in Puno are inadmissible, asks to stop violent action,” May 18, 2011 [Exhibit C-0092]; “Interview with Prime Minister Rosario Fernández,” Mira Quien Habla, Willax TV, May 31, 2011 [Exhibit C-0097].}\]
arose among the inhabitants as a consequence of social dissatisfaction with the mining activities that were being conducted in the region and out of fear of environmental damage to the families of Puno and their property. This conflict had a significant social component, as the media stated at the time and as reported by my advisors.

8. From May to June 2011, as a result of the protests by Aymara communities in the south of the Department of Puno, the cities of Puno and Desaguadero (two of the main cities in Puno) went through a period of profound crisis. The city of Puno is the regional capital, and Desaguadero is the main city on the border with Bolivia, located close to the Santa Ana Project. Protesters were on strike for more than thirty (30) days. Over that period, they blocked the Desaguadero bridge, the main transport road between Peru and Bolivia, which resulted in a block to cross-border trade. Protesters further set fire to several government offices and committed actions of vandalism, causing serious material damage to private and public property. In addition, several people were severely injured and one person lost their life at the protests. In short, the situation was critical and the region was paralyzed.

9. Faced with this context, the government was under a duty to seek to guarantee citizens’ security and to find the means to resolve the conflict. In addition, there are two factors to take into account in respect of the conflict in Puno which made the situation worse. First, it should be considered that any conflict that arises in the region of Puno implies an additional risk, since it is a border region. That is to say, any conflict in the region can result in negative effects not only on the area, but also extending across the border. Second, the second round of the presidential election was supposed to be held in June 2011. As a consequence, the government was under a duty to guarantee the stability of the area, not only to resolve the existing social issues, but also for the general election to be held in the peaceful context of a democratic
process. In the following section, I will describe the measures adopted by the government to find a solution to the conflict.

B. NEGOTIATION ROUND TABLES

10. As the conflict in Puno escalated, different sectors of the central government became involved. In view of how fast the protests and violent actions escalated in a number of cities in Puno, the PCM became involved in the handling of the conflict in May 2011, following the April 26 events, in which the city of Desaguadero was blocked and which left one person dead and several wounded, as well as considerable damage to public and private property.

11. In late April 2011, the Regional President of Puno requested that the Minister of Energy and Mines take the measures required to find a solution to the conflict and stabilize the region. The Minister of Energy and Mines reported on the situation, as his Ministry was responsible for addressing these issues and for initiating the first control actions in the area.

12. In late April 2011, I had a meeting with Company representatives to discuss the situation. Claimant misrepresented the contents of that discussion. According to Claimant, Mr. Antúnez de Mayolo and others explained to us the political nature of the protest and the fact that the Community supported them. Allegedly, during the meeting, the Company promised that it would provide support to find a solution to the protest and I purportedly assured that “Bear Creek’s rights would be protected and the principle of legal certainty would be observed.” Nevertheless, as I recall, that meeting was quite different. At that time, I did not need to be informed of the alleged “political nature” of the protest, because we were concerned and monitoring the protest from its start.

9 See Letter from the Regional President of Puno to the Minister of Energy and Mines, Letter No. 520-2011-GR-PUNO PR, April 26, 2011 [Exhibit R-018].

13. While we explained to the Company that the government complies with the law, such statement cannot be used by Bear Creek to argue that the Peruvian government was bound to maintain the authorization in its favor, much less where it was apparent that the authorization was not obtained by lawful means and that the safety of the citizens as well as that of public and private property in the area, was at risk. My comments cannot be understood as a limitation on the government’s authority to protect its citizens or to maintain public order within the scope of the Law. I must clarify that at the time such meeting was held, we were unaware of Bear Creek’s potential violation of Article 71 of the Constitution. If we said to Bear Creek that the government would protect the company’s rights, that is due to the fact that up to the end the government sought to promote the investment, based on the understanding that the company had acted in compliance with the law.

14. Finally, in this meeting, I expressly stated that the future of the Santa Ana Project depended on whether the Company was capable of building and maintaining its social license with the affected communities or not. I made the following statement at a later interview on May 31, 2011: “I spoke with the company and said: ‘Look, these conditions are obviously not the best to work under; you have to continue working on community relations until you succeed at establishing a good relationship with the community, if you can do that.’”11 I made it clear at our meeting that the Company’s success depended entirely on its own skills to convince the community of a desirable Project, since it is the Company that must establish friendly relations with communities to guarantee the success of the Project. Again, I repeat that such statements are from a time in which I was unaware of the unlawful origin of the authorization obtained by Bear Creek.

15. At that time, I was informed that the Deputy Minister of Mines had a meeting with the Regional President of Puno on May 6, 2011 where the Regional President informed the Deputy Minister about the evolution of the protests and the claims of the protesters. As a consequence of that meeting, the Deputy Minister of Mines sent a MINEM delegation to Puno so it would explain to citizens the process of mining activities. That meeting had to be suspended in view of the heated protests that were taking place.\(^\text{12}\) On the same day, protesters announced that they would go on strike indefinitely until their claims were heeded.

16. Since mid-May 2011, the inhabitants of south Puno blocked the Desaguadero Bridge. As I explained above, that is the main cross-border transport road between Peru and Bolivia, which makes it essential for the normal course of trade between the two countries. As a result of that roadblock and all of the roadblocks that followed until May 31, 2011, on June 7, 2011 the Peruvian government received a note from the Ministry of Foreign Affairs of Bolivia which stated its concern over the situation in Puno and the impact it was having on individuals’ right to free transit and on trade between the two countries.\(^\text{13}\) The Bolivian government "reiterate[d] its profound concern to the Government of Peru, since said conflict is hindering free transit between the two countries, thus causing considerable, significant economic prejudice to the exports and transport sector in Bolivia."\(^\text{14}\)

17. As a result of the roadblock to the city of Desaguadero, I formed a High Level Commission for the purpose of traveling to Puno, talking to protesters directly and proposing solutions to the situation in Puno. The Commission was comprised of the Vice Minister of Agriculture, Luis Sánchez, the Vice Minister of Interior, Jorge Luis Caloggero, the Vice Minister

\(^\text{12}\) See Aide Memoire 2011 at pp. 4-5 [Exhibit R-010].

\(^\text{13}\) See Note of Protest from the Government of Bolivia, June 7, 2011 [Exhibit R-075].

\(^\text{14}\) Note of Protest from the Government of Bolivia, June 7, 2011 [Exhibit R-075].
of Mines, Fernando Gala, and the Director of the Office of Social Conflicts of the President of the Council of Ministers. The Commission held three negotiation sessions with the protesters. I recall that I was informed that the sessions were extremely tense. Two of these sessions had to be conducted at Army headquarters to guarantee the safety of the members of the High Level Commission, and the last one had to be abruptly suspended because of an imminent threat on the physical safety of the members of the High Level Commission, even though they were inside military facilities.

18. Government representatives told me that at these meetings, protesters presented mainly four claims:

(i) Cessation and cancellation of the Santa Ana Project;

(ii) Cancellation of mining and petroleum concessions in the south of Puno;

(iii) Repeal of Supreme Decree No. 083-2007, whereby Bear Creek obtained the declaration of public necessity to carry out the Santa Ana Project; and

(iv) Protection of the Khapia Hill.\textsuperscript{15} The Khapia Hill is in the Province of Chucuito, Department of Puno (in the same province where the Santa Ana Project is located), and it is considered a sacred site by the Aymara people.

19. In response to these claims, the government proposed as follows:

(i) To create two technical committees: one to guarantee the protection of the Khapia Hill, and another to analyze the demands relating to the cancellation of the mining concessions and of Bear Creek’s Santa Ana Project;

(ii) To issue a Supreme Decree staying the processing of new mining concession applications in south Puno;

(iii) To issue a protective measure suspending the Santa Ana Project.\textsuperscript{16} Government representatives informed me that the

\textsuperscript{15} See Aide Memoire 2011 at p. 5 [Exhibit R-010].

\textsuperscript{16} See Aide Memoire 2011 at p. 7 [Exhibit R-010].
suspension was proposed to cool down the situation and to be able to have a dialogue with protesters on reasonable terms.

20. Unfortunately, the negotiation round tables had to end abruptly due to an imminent threat to the safety of the members of the High Level Commission. Due to the end of the negotiations, I had a meeting with the Regional President of Puno, local government representatives from the Region, the Minister of Energy and Mines and the Minister of Interior in Lima on May 31, 2011. At that meeting, the government agreed to issue the following provisions:

(i) Supreme Decree No. 026-2011-EM, through which the admission of mining concession applications was stayed in south Puno for a twelve-month period; \(^{17}\)

(ii) Supreme Resolution No. 142-2011-OCM, that widened the scope of the Supreme Resolution that created the Multi-Sectoral Committee charged with analyzing appropriate actions with regard to mining concessions in the south of Puno; and \(^{18}\)

(iii) Director’s Resolution No. 162-2011-MEM-AAM, that established the preventative measure suspending the evaluation of the Environmental Impact Assessment for the Santa Ana Project. \(^{19}\)

21. As a result of these agreements, protesters suspended demonstrations until June 8, 2011, which enabled the second round of the presidential election to take place peacefully.

22. Unfortunately, members of the comunidades campesinas were not satisfied with the agreements of May 28, 2011, and so they resumed the protests on June 8, 2011. In view of

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\(^{17}\) See Decree Suspending Admissions of New Mining Requests in the Provinces of Chucuito, El Collao, Puno and Yunguyo in the Puno Department, Supreme Decree No. 026-2011-EM, May 29, 2011 [Exhibit R-025].

\(^{18}\) See Resolution that Extends the Scope of the Multi-Sectoral Committee, Supreme Resolution No. 142-2011-PCM, May 29, 2011, at Art. 1 [Exhibit R-026].

this situation, I decided to meet with Aymara leaders, the Minister of Energy and Mines and the Minister of the Interior in Lima. 20

23. The Company suggests that the cessation of the protests to enable the presidential elections to be held is additional proof that the protests responded to a political movement rather than to actual community interests. According to the Company, Mr. Aduviri encouraged the protest to support his political career, and then paused to ensure that his preferred political candidates were elected. This statement makes no sense. The protests ceased as a consequence of our negotiations with Puno leaders, following which we suspended the procedure for review of the EIA for the Santa Ana Project and stayed new mining concession applications in the area. What is more, the government decidedly prioritized security in open, free national elections. Therefore, convincing protesters to stop their demonstrations was crucial to maintain democratic order. Mr. Aduviri’s apparent political concerns had nothing to do with the government’s intention of carrying out the election. I explained this objective in the interview that Claimant has cited several times throughout its claims. 21 The Company further argues that the protests ceased as a result of an arrangement between then presidential candidate, Mr. Ollanta Humala, and Mr. Aduviri. 22 I am not aware of any such purported arrangement.

24. The meetings with community representatives were held in Lima in June 2011. At those meetings, Aymara leaders continued to insist on their claims against mining activities in the area and, specifically, they said that Bear Creek’s activities were concerning and problematic, and that the company had to leave the area. On the last day of meetings, in the presence of a

20 See Aide Memoire 2011 at p. 7 [Exhibit R-010].

21 See “Interview with Prime Minister Rosario Fernández,” Mira Quien Habla, Willax TV, May 31, 2011, at 2:53 (“It is extremely important for citizens to have faith and trust in the rule of law, a democratic rule that guarantees that elections are held under constitutional rules—lawful rules that absolutely reject any fraudulent intent . . . We have come to a point, Cecilia, where people are anxious or even scared to go and cast their vote.”) [Exhibit C-0097].

22 See Claimant’s Reply at para. 136.
significant number of participants, Congressman Yohnny Lescano also made a statement and produced, in the middle of the discussions, documents which he used to argue that the authorization granted to Bear Creek was unlawful. Next, he stated that the company had violated the Constitution and the Law, as, despite the fact that it was a foreign company, it had performed mining activities in the border area through a Peruvian citizen (Jenny Karina Villavicencio) prior to obtaining a declaration of public necessity. Such allegation had a strong impact on the attendees, and raised serious concern and questions as to whether Bear Creek violated Article 71 of the Constitution, according to which the company was required to obtain a declaration of public necessity prior to acquiring (under any title), either directly or indirectly, mining concessions in the border area. 23 That is to say, there were objective elements to state that Bear Creek had acquired the mining concessions in violation of Article 71 of the Constitution, and that it had used a Peruvian citizen to initiate its operations prior to obtaining the required declaration of public necessity.

25. As a consequence, having become aware of these new events and the critical situation the region of Puno was in, the Executive issued the following provisions:

(i) Supreme Decree No. 032 of 2011: Ordered the prohibition of mining activities in the districts of Huacullani and Kelluyo, and repealed the declaration of public necessity for the Santa Ana Project. 24

(ii) Supreme Decree No. 034 of 2011: Established an obligation of prior consultation with comunidades campesinas before conducting exploitation activities at mining concessions already granted. 25 The reference to ‘already granted’ mining concessions is due to the fact that the processing of all mining concession applications had

23 See Constitution of Peru, December 29, 1993, at Art. 71 [Exhibit C-0024].
24 See Aide Memoire 2011 at p. 7 [Exhibit R-010].
already been stayed in the department of Puno. I should clarify that although we speak of prior consultations, in practice this amounts to a requirement to obtain the communities’ consent to execute the project.

26. These actions were decisive to put an end to the protests in Puno. I must underscore the fact that the situation in the region was critical. The protests had very serious effects on stability and security in the region. The State was under a fundamental duty to guarantee security in the region; therefore, it had a duty to take any actions required to put an end to a conflict that could have escalated much more and could have had an impact on other regions of Peru and on the neighboring country.

III. DECREE NO. 032 OF 2011

27. Decree 032 was one of the measures implemented by the government to find a solution to the crisis that was unfolding in Puno in 2011. Bear Creek argues that it was an arbitrary, unfounded measure. It claims that the government simply gave in to the pressure exerted by protesters and that it was the easy way out the government took when faced with the conflict in Puno. That is not true.

28. The government issued Decree No. 032 and repealed the declaration of public necessity for Bear Creek’s Santa Ana Project mainly for two reasons. First, Bear Creek’s mining activities in the area and its failure to obtain approval from all of the communities that would be affected by the project were some of the main causes of the conflict in Puno from March to June 2011. From the outset, the community demanded that the company leave the area. As I explained before, this was due to the fact that the community was, to a great extent, unaware of the potential effects (good or bad) that the Project could have on the area. As a consequence, the

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27 See Claimant’s Memorial at para. 82.
community had a feeling of great dissatisfaction in relation to the Project and, generally, to mining activities in the area, which ultimately resulted in the protests in Puno. That situation was contrary to Peru’s public interests. Second, during the dialogue with protesters in Lima, we became aware of the existence of documents that objectively evidenced the fact that Bear Creek had acquired the mining concessions in violation of Article 71 of the Constitution. At that time, it was perfectly reasonable to consider that there were sufficient legal grounds to revoke the authorization granted by the government; to such end, the government had to reconsider its initial conclusion (from 2007) on the public interest of the Santa Ana Project and, as a consequence, it had to repeal the declaration of public necessity.

29. Claimant and its witnesses argue that I did not agree with the issuance of Decree No. 032 and that I considered that repealing the declaration of public necessity granted to Bear Creek was the worst case scenario. However, it seems that Claimant is taking my statements out of context. First, Bear Creek cites an interview I gave on May 31. At that time, I said that the cancellation of the Santa Ana Project was not the ideal outcome, since the government was interested in promoting investment (always on the understanding that the company had acted in compliance with the law). That is why, at that time, we proposed suspending the Environmental Impact Assessment in order to cool down the protests; in fact, we succeeded in having the protests suspended for one week. As I said in the same interview, it was important to seek to balance the conflicting interests in the area: on the one hand, the comunidades campesinas that rejected mining activities in the area and, on the other hand, those who believed that mining activities in the area would create more jobs. Unfortunately, the measure was insufficient and

28 See Claimant’s Memorial at para. 82.

29 See “Interview with Prime Minister Rosario Fernández,” Mira Quien Habla, Willaz TV, May 31, 2011, at 6:20 (“And, slowly, we made progress until we finally understood that according to what they were saying, that could not be done. And we met them halfway and said: let’s suspend this for some time while, in parallel, a multi-sectoral
the protests resumed on a larger scale; as a consequence, the government had to change its position. Let us recall that such measures were adopted at the time without knowing that the authorization obtained by Bear Creek was unconstitutional.

30. The government’s priority was to guarantee security in the area. And that is precisely why I was not surprised by the issuance of the Decree, as stated by Mr. Antúnez de Mayolo, witness for Claimant.\(^{30}\) Apparently, the Company did not pay attention to what I personally said to it in April and failed to build the community support required for the Project; this resulted in additional protests, strikes and civil unrest. Again, in a context of unawareness of the unlawfulness of the authorization obtained by Bear Creek.

31. Claimant further argues that following the issuance of Supreme Decree No. 032, I expressed my surprise at the manner in which said decree was adopted.\(^{31}\) That is false. First, I have no recollection of meeting with company members or with Mr. Miguel Grau following the issuance of Decree No. 032. Second, I have no recollection of stating what Claimant argues that I stated and, quite frankly, Claimant’s argument makes no sense. I participated in the process leading to the adoption of the Decree; thus, I was never surprised at the manner in which it was adopted.

32. Again, the government implemented the measures required to put an end to an extremely critical situation.


\(^{31}\) See Antúnez de Mayolo First Witness Statement at para. 21.
The above statement is true to the best of my knowledge and belief.

________Signature____________________

Rosario del Pilar Fernández Figueroa

Date: April 8, 2016