June 25, 2001

'Theres gold in them thar exploitations and envirermental degriadations'

A Rights Action colleague, Michal Marsh, has written this extensive profile of the town of San Andres Minas in Honduras, that has been devastated by global mining companies, in concert with the Honduras government that is implementing a "free" trade "development" model which increases poverty and environmental destruction.

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FROM QUEBEC TO COPAN
Globalization and the Case of San Andrés Minas
-- By Michael Marsh

Economic Theory Ends Where Economic Reality Begins

No one was thinking about the small Mayan community of San Andrés Minas, in Honduras, when political and business "leaders" met in Quebec city, April 2001, to discuss the FTAA - "Free" Trade Agreement of the Americas. No one considered the community devastation wrought by Greenstone, a Canadian gold mining company, when it forcibly relocated the community of San Andrés. No one gave second thought to the destruction of San Andres' one hundred year old church. Not one "elected" leader protested the deforestation of surrounding mountainsides. No one cared that Greenstone illegally discharged pollutants into the Lara River. Not a single business leader spoke up to denounce increasing respiratory and other illnesses.

Four years have passed, since the uprooting of San Andrés, and not one "leader" has spoken up to demand that the company hand over land titles plus other compensation promised to the displaced campesino families!

No, not one "leader" was thinking about San Andrés Minas when they met in April to push forward their plans to further entrench the "free" trade economic model. Intent on strengthening "free" market conditions, destined primarily to benefit global corporations and mainly northern consumers, small economically disadvantaged countries like Honduras were offered hollow promises of increased trade and employment.

This article focuses not so much on "development" philosophy, but on

reality, specifically that of the town of San Andrés Minas, completely destroyed by a North American gold mining company in search of profits, in a "free" trade globalized economy.

San Andrés Minas: From Quiet Pueblo to Open Pit

It is tempting but wrong to idealize San Andrés Minas as a quaint rural pueblo without problems before the arrival of Greenstone Resources Limited. According to local lore, and the Honduran Executive Department for the Promotion of Mining (DEFOMIN by its Spanish acronym), the gold deposit at San Andrés was "discovered" by Spanish conquistadors nearly five hundred years ago. This mine quickly became the Spanish Crown's largest source of gold in Central America, and over the next hundred years, thousands of Maya Chortis and Lenca people were enslaved to work the deposit. The gold stripped from the earth became property of the Crown, and -- as was the case in nearly all of Latin America -- profits were used to enrich the European elite, not reinvested on native soil. Thus began a cycle that Honduras has not been able to escape.

Long after the gold was discovered and carried away, people of mixed indigenous and Spanish blood continued to live in and farm the surrounding mountains. While artisans, both Honduran and foreign, continued to work the depleted mine over the decades, small orchards, cattle grazing and corn farming increasingly provided subsistence and employment to the slowly growing population.

Eventually three communities developed: San Andrés Minas (displaced by the latest mine), Azaculapa, (located on the mountainside above the current open pit mine), and San Miguel (located adjacent to the cyanide leach pads). Each pueblo had its cemetery, communal house and church. According to local lore, San Andrés's first church was constructed of animal hides strung over cut tree saplings, but was later reconstructed from adobe.

During the 1970s, 80s and 90s, San Andrés Minas faced the same problems as other rural Honduran communities - endemic violations of basic rights to employment, education and health; deforestation. Poverty was widespread. In addition, local waters were already devoid of fish due to years of mining activities; some of its lands were scarred by tons of mine tailings cast about.

Still, at its best, San Andrés was a pueblo with a heart, an established community among pine covered mountains, not far from the famous Mayan ruins at Copán. Its inhabitants were secure on their lands. Many possessed legal titles going back decades. Subsistence farming did not make anyone rich, but neither did anyone starve. The inhabitants were united, and regularly elected a local community board to plan for the development of the community. Before Greenstone's arrival, life was quiet and predictable in San Andrés. ... All that has since changed.

'Globalization' Settles Upon San Andrés Minas

When Mirna Doris Hernández signed her contract with Greenstone Resources Limited in 1998 she was not happy. Clearly, she and all of the inhabitants of the small village of San Andrés Minas were going to lose their adobe homes and traditional lands, but in return they had been promised new, large homes made out of cement blocks and mortar. And although Greenstone was going to destroy the town where her family had resided for more than six generations, in order to cut a giant pit mine, the company had promised to rebuild the school, the two churches, the community center and the cemetery. Additionally, it had promised them 162 acres of new land. With foreign capital, Greenstone was going to expand the mine and increase gold production, meaning more employment. Among the over 300 promised employment was Mirna's brother.

Today, only three years later, Greenstone no longer exists. Treacherously, before going bankrupt, Greenstone mortgaged the lands promised to the inhabitants of San Andrés to a bank in Canada. Their previous homes destroyed, the inhabitants continue to fight to gain legal title to their new homes and land. Over ninety percent still do not have legal title, which makes life in San Andrés insecure and prevents families from seeking collateral-based loans, or selling.

Greenstone, when it went bankrupt, owed more than two million lempiras (over US\$100,000), to the municipality of La Union, Copan, where San Andrés is located. Greenstone left unfulfilled at least thirty-four promises contained in twelve contracts signed with the local government.

Finally, in June 2000, Greenstone was auctioned by the largest bank in Honduras, Banco Atlántida, and purchased by a subsidiary of the same bank. The attitude of bank representatives, at the first meetings with employees and community members, was so oppressive and omnipotent that this set off a series of work stoppages and community protests that lasted several months. Dozens of miners were fired or laid off and not hired back. Relations between the communities and company have been sour ever since.

## An Inconvenient Village

The pueblo of San Andrés Minas was always considered an obstacle to Greenstone because it was located over the rock that the company wished to mine. In order to relocate the inhabitants and open the pit, Greenstone used time honored divide and conquer strategies. It played upon people's fears and created great divisions in the community. According to one of the teachers at the local school, "Greenstone came in and promised some families one thing and then promised other families something else. ... They said that the new San Andrés would be much better and modern, ... but they always reminded us that they were going to take out the gold whether we agreed or not because the gold, they said, was theirs."

And Greenstone used Honduras' weak or lack of mining laws to threaten the inhabitants. And when these tactics didn't work, Greenstone shut off water to the community and, in a struggle over the community's water tank, the mine's Canadian manager bulldozed the tank knowing that at least one community member was on top; that young man suffered a broken leg. The mine's manager, Gerald Phillips, was quickly whisked out of Honduras in then ensuing community activism related to the deliberate injury.

[Phillips, who Greenstone hired to promote its interests, has an infamous record as a mining engineer and would have had an extremely difficult time finding employment in his naturalized country of Canada at the time he took charge of the San Andrés mine. In 1979, Phillips was in charge of a mine that suffered an accident resulting in the deaths of four miners. In 1992, Phillips was a manager of the Westray Mine in Nova Scotia, Canada. An explosion caused by the criminal negligence of Phillips and others in management cost the lives of 26 miners. Phillips was charged with manslaughter but a botched investigation and prosecution spared him imprisonment. But with his reputation in Canada destroyed, Mr. Philips went to work with Greenstone in Honduras, where mining officials were unaware of or less caring about his history.]

After being victimized by months of repression and dirty tactics, the inhabitants of San Andrés Minas acceded to the company's pressures and demands, but not before achieving a compromise agreement. San Andres' population agreed to leave their houses, and the company promised to relocate the community, its homes, its public buildings and churches, and its cemetery, and to develop a serious of projects aimed at improving the standard of living.

### One of Many Deceptions

The 123 families of San Andrés Minas signed 'exchange of property' contracts with the company, giving Greenstone their old homes, lands and legal titles, and accepting promises of new homes and lands, with legal titles. With the relocation slowly advancing, the Canadians of Greenstone, like the Spanish during the colonial days, began to sack the mine of it's gold, achieving a production of more than 40,000 ounces in 1999.

Unfortunately, the profits did not satisfy its Canadian business partners and when the company was short of capital, it mortgaged itself and its lands, including the lands of the newly relocated Nuevo (New) San Andrés Minas, to Montreal Trust Company and Banco Atlántida for \$35 million. The company claimed that the mortgaging of lands promised to the poor inhabitants of the now destroyed San Andrés was an accident!

Then last year, Banco Atlántida, without warning and without consulting the community or the workers, auctioned the properties of Greenstone. This occurred after months of guarantees by representatives of Greenstone and the bank that the problem of the mortgaged lands would be quickly resolved in favor of the community. Only a series of protests and political actions assured that the lands of Nuevo San Andrés Minas were not also auctioned.

Continued demands by the community lead to negotiations with the bank's newly formed subsidiary, Minerales de Occidente. In a meeting in May 2001, the general manager of Minerales, a corpulent mining engineer from Pennsylvania, indicated that land titles will soon be given to the residents of San Andrés.

# Pay Unto Cesar

When Greenstone bought the mine from Minerales de Copán in 1997 it promised to pay the debts of the prior owner. Yet when it went bankrupt, Greenstone still owed \$15,000 in back taxes to the municipality of La Unión. Worse still, Greenstone hadn't paid a penny of the new tax required under the freshly passed General Mining Law, which requires companies to pay 1% to the municipalities in which they operate. At first Greenstone argued that it operated in a "tax free zone", much like the controversial "maquilas." Later it conceded the tax debt, but calculated it incorrectly using net sales rather that brute sales, and in any case, never paid. According to company representatives and municipal officials, Minerales de Occidente is currently paying the correct tax and is working towards paying off the back debt.

Interestingly, municipal officials who were once attentive to the social and environmental problems of the communities affected by the mine, no longer speak up to protect the communities. A resident of Azacualpa said: "When the company owed the municipality taxes, the mayor always supported us, but now he has a new truck [paid for by company taxes] and he doesn't offer us much support."

To its credit, Minerales de Occidente has worked to fulfill some of the promises left by Greenstone. For instance, the water project was completed and homes in San Andrés now have running water. The health center and community center constructed by Greenstone were painted and fenced. Several road improvements have been made and a new cemetery was constructed. Among other items, the company currently gives a number of scholarships to local students and pays the salary of a kindergarten teacher. Feeling the effects of community criticism, Minerales recently made public relations use of these projects by sending an elaborate list of its social achievements to the press.

#### Dig Your Own Gold Mine

Imagine going to your yard with a shovel and a teaspoon. With the shovel, dig a hole nine feet wide, by nine feet long, by nine feet deep. That's how big your pit mine is. Now, with the teaspoon, reach down and scoop one spoonful of soil. That's how much gold you've extracted from your mine!

The mine at San Andrés, like most "modern" gold mines around the world, will extract and abandon over 30 tons of rock for each ounce of gold it produces. That's a ratio of a million to one! Some of the rock

extracted contains minute quantities of gold. That rock is crushed and then piled on top of thick plastic where it will be sprayed with a liquid solution that contains cyanide. That solution is then carried by gravity (in the case of San Andrés) to holding ponds before it is treated, so as to separate the gold and silver from the solution and other heavy metals. This process can extract gold from low grade ore, and is extremely dangerous and contaminating.

Recent data from the US Environmental Protection Agency (EPA) show that the metal mining industry in the United States is the dirtiest of all industries, worse than the petrochemical or coal mining industries. In wealthy countries, the cyanide leach process in particular has caused environmental disasters. To cite just one example, an Australian company operating in Rumania caused an accident last year in which over a hundred miles of river were polluted and over two million people were left without potable water. The accident caused nearly \$250 billion in damages and clean-up costs. The environmental damage was so great that UNESCO declared it the worst environmental disaster in Europe since Chernobyl. And this was in Europe. In poor countries with weak regulatory systems, like Honduras, ideal conditions exist for even larger "disasters".

The "Gold Standard" of Environmental Protection?

It is July 28, 1999. Greenstone Mining Company is discharging mining wastes (what they euphemistically call "water") from its third holding pond into the Lara River. Five miles downstream the Lara meets with the Higuito River, which in turn joins with the majestic River Ulúa on its way to the Caribbean sea. Present during the discharge is the Center for the Study and Control of Contaminants, CESCCO, an investigative branch of the Honduran government's Secretary of Natural Resources and the Environment. The lagoon holds more than ten million gallons of waste, including concentrations of cyanide, copper, hexavalant crome, zinc and lead. It is CESCCO's job to monitor the discharge and analyze its effects. Somewhat unexpectedly, CESCCO found something as dangerous as cyanide - hexavalant crome, the same substance that Julia Roberts fought against in the movie "Erin Brockovich", which caused cancer in hundreds of Californians.

In San Andrés, according to CESCCO, the level of this ion of crome was "41 times greater than the limit." The CESCCO study also showed that the presence of this substance caused the death of certain aquatic microorganisms in the Casa Viejas stream. These organisms function like the canaries that miners in earlier years carried into the coal mines with them. Their death indicates that there are serious risks for other animals as well. The CESCCO study concluded "These toxicological results show that if the [mine] continues to discharge, even sporadically, this could impact life" along the Lara River.

CESCCO no longer conducts environmental studies at the San Andrés mine. Those studies are now conducted by DEFOMIN, the Executive Department for the Promotion of Mining. Putting aside conflict of interest arguments,

that it the same office in charge of both promoting mining and protecting the environment from mining, DEFOMIN has conducted a number of studies at the mine site. These studies, according to DEFOMIN, prove that the discharges have caused no environmental damage!

And yet at a recent meeting between community members, mining officials and company representatives, DEFOMIN engineers were openly hostile to the idea of an environmental study being conducted by a water quality specialist from the United States, even though the non-governmental organization, ASONOG (Asociación de Organismos No Gubernamentales), had offered to pay for the study. Experiences such as these leave the communities doubting the veracity of Honduran mining officials.

Laws Are Weak, Non-Existent or Ignored

In January of this year, the community boards of San Andrés, Azacualpa and San Miguel formally denounced the environmental damage being caused by the mine. In its complaint to the Special Prosecutor for the Environment, the local community boards denounced:

- 1) Illegal discharges of industrial waste "water" into the Lara River;
- 2) Dangerous proximity (40 yards) of the cyanide leach pad to homes in San Miguel;
- 3) High level of erosion and risk of landslides above San Miguel and below Azacualpa;
- 4) High and unacceptable levels of dust and noise in San Miguel and Azacualpa;
- 5) High level of smoke in San Miguel and the death of a farm animal due to contaminants:
- 6) High intensity explosions along the road to Azacualpa, which cause this public road to be closed periodically, stranding residents on both sides of the mine.

The Special Prosecutor has yet to send a team to investigate the complaints! Instead, a team of mining specialists from DEFOMIN arrived to investigate the communities' allegations. To date, the only concrete action taken has been to relocate and fence the company crematorium. In the important area of discharges, no action has been taken to stop the illegal discharges, even though the mine's environmental impact study states over forty times that the mine was designed to operate without discharging and Article 79 of the General Mining Law states that companies must operate strictly in accordance with their environmental impact studies.

Likewise, no action has been taken to close or move the cyanide leach pad that is operating close to homes. Honduras' weak laws and regulations do not speak of a minimum distance between cyanide applications and occupied homes. But the mine's environmental impact study indicates that when Honduras does not have a regulation applicable to a given situation, that the US or Canadian standard will be used. Yet even when it was pointed out that the distance between cyanide applications and homes - less than a city block - would be illegal if

the mine was operating in Nevada, (the state where the cyanide leach process is most used), the company and DEFOMIN indicated that they were not willing to stop the application of cyanide close to homes. The Nevada minimum distance is approximately 310 yards, more than seven times the distance at the San Andrés mine!

These, and other complaints, point to only one conclusion - the San Andrés mine would be illegal to operate if it were located in the United States. Community members ask if foreign mining engineers couldn't operate this mine in this dangerous fashion in North America, why should they be able to in Honduras?

Victimized By A Distorted "Development" Model

The Asociación de Organismos No Gubernamentales, ASONOG, based in Santa Rosa de Copán, has spent more than a year investigating the massive influx of gold mining companies from Canada and the United States. The results are, as usual, disturbing. In just two years, 1996 and 1997, the Honduran mining department issued concessions totaling 21,000 square miles, or more than 30% of Honduras' territory to foreign companies, mainly from the United States, Canada and Australia.

In December of 1998, just four weeks after Hurricane Mitch ravaged much of the country, these companies achieved their first objective, the passage of a new mining law which reduced taxes and gave them nearly unlimited power to petition for the removal of traditional communities located near mineral deposits.

The argument in favor of expanding mining operations in Honduras is rooted in neo-liberal economic thinking, based on attracting foreign venture capital at all costs. Passed under the shadow of Hurricane Mitch, the new mining law offers companies lifelong concessions, low taxes, unlimited access to water, legal rights to expropriate campesino and indigenous lands, and few environmental regulations with which to comply.

In December of 2000, the International Monetary Fund -IMF- pressured Honduras to reduce taxes even further with the elimination of the export tax on mining products. With land use fees as low as \$1500 a year for a large mine and a nominal 1% municipal tax, Honduras has created an ideal tributary environment for foreign companies.

Supporters of the neo-liberal mining model argue that the Honduran economy will benefit from rising employment offered by the mines. This, too, has not materialized. In San Andrés Minas, the community forcibly removed by Greenstone, only 11 people are employed by Minerales de Occidente. Overall, Minerales employs just 144 people, less than half of the 370 jobs promised by Greenstone when it convinced the government to grant it the concession. Considering that the land occupied by the mine was used previously to grow corn and graze cattle, there is little evidence to show that the local economy of San Andrés has experienced real growth since the arrival of Greenstone. And the government, when

questioned, admits that it has not conducted any economic studies which show that giving tens of millions of dollars of free gold to foreign companies in return for projected employment and tax income is a viable strategy of economic development.

The Illustrated Honduran Encyclopedia writes:

"[This] administration opened the doors to North American capital, which was expanding throughout Latin America, with the initiation of mining exploitation in Honduras. The concessionary system was extremely damaging to the country, because with the goal of protecting foreign investors and attracting foreign capital, the country lost its riches without obtaining important economic advantages."

This passage of the Encyclopedia is describing the notorious actions of President Marco Aurelio Soto, in 1876, not the present situation which is remarkably parallel to the past.

This reality, however, does not stop DEFOMIN representatives from arguing otherwise. At a recent meeting with community members from San Andrés, San Miguel and Azacualpa, DEFOMIN engineers stated that while his office recognized that five thousand people in the area may be experiencing some problems with the mine, this had to be tolerated because six million Hondurans were being benefited by increasing mining revenue. This, as could be expected, brought jeers from the community in attendance.

"El Pueblo Unido, Jamás Será Vencido"

"The people united will never be defeated" is a chant frequently heard at strikes and demonstrations in Latin American countries. It may be true, too, but unifying people is a difficult task, especially when people lack funds to mobilize themselves, are illiterate, or out of sheer necessity are focused on day-to-day routines like making sure their families are fed.

Still, the first steps to organize national opposition to environmental and socially damaging mining have been taken. Beginning early this year, community members from San Andrés, Azacualpa and San Miguel in Copán began conversations with community members from San Ignacio and El Porvenir located in the department of Francisco Morazán, twelve hours away by bus. Residents of San Ignacio and El Porvenir had formed the "Committee to Protect the Environment in the Valley of Syria" over a year earlier in response to mining operations by Nevada-based Glamis Gold.

Glamis, according to community members, has deforested a section of pine forest without permission, dangerously lowered the ground water table, commenced operations without the required environmental license, and damaged local streams. Entre Mares, Glamis' Honduran subsidiary, faces civil and criminal charges based on several of these claims. [In a side note, Glamis Gold also made history in the US in January, when for the

first time ever then-Interior Secretary Bruce Babbitt denied its permit for a mine slated for sacred Quechan indigenous land in southern California.]

Assisted by the ASONOG, and Catholic-based CARITAS, community members from Copán traveled to meet with residents in San Ignacio in January. Residents of San Ignacio and El Porvenir completed the exchange, traveling to Copán the following month. These exchanges clearly showed that these communities, located far apart, were experiencing similar problems. Plans were made for a national meeting to bring together communities affected by mining operations.

Nearly seventy people from fifteen different communities located adjacent to eight different mines or proposed mines gathered together on March 9 of this year to share their experiences. Some, like the inhabitants surrounding the San Andrés and San Ignacio mines, were already quite aware of the environmental and social problems that a mine cause. Others, like representatives from Quimistan, Santa Barbara, where a new foreign owned mine opened up just this year, are only beginning to learn about and monitor the mine.

As a result, the first national meeting did not attempt to draw definitive conclusions and instead worked to permit the airing of various opinions. Some argued against large mining operations in general and felt that negotiating for cleaner, more socially acceptable mines is a waste of time. Others focused on the use of cyanide in particular as an evil. Others felt like the national campaign that was forming needed to focus on educating and assisting communities so that they could negotiate on a more equal footing with mining officials and engineers.

One person, Miguel Miranda, President of the Azacualpa Community board summed up his participation in the event:

"Our community has existed on this land for nearly 200 years. When Greenstone came they offered us employment and promised to leave our road, the cemetery and surrounding lands intact. But we were fooled. The company's explosions shake our homes and their open pit is swallowing our homes, causing landslides and cracks in our walls and foundations. They close our road so we have no access to our homes and their heavy equipment put our children's lives at risk. When we complain, the Mining Department says that we have to understand that this is for the good of the country ... . In Azacualpa we have the problem of the open pit, in San Miguel they have the heap leach pad, and San Andres was forcibly relocated to open the mine and is now relocated downstream. Maybe our problems are distinct, but they're all caused by the company. This mine is violating our human rights and if we don't join together we'll never end these abuses."

While it is still too early to predict the outcome of this campaign, or even in the long run what its specific goals will be, four early goals are evident: 1) prohibit the use of cyanide in mining operations, 2)

prohibit the expropriation of campesino and indigenous lands, 3) strengthen mining and environmental laws, and 4) seek a viable strategy for sustainable employment and development in rural Honduras.

# The United Nations Speaks Up

On May 11th of this year, the United Nations Committee on Economic, Social and Cultural Rights concluded its review of conditions in Honduras. Among its numerous observations, the Committee voiced concern over the forced eviction of campesino and indigenous populations to make way for mining activities. The Committee also stated that it was particularly concerned about the extremely negative effects of the use of toxic substances in the banana and gold mining industries, and recommended that Honduras implement legislative and administrative measures to avoid violations of environmental and labor laws by transnational companies. The Committee also called on Honduras to adopt and implement measures to protect workers from health hazards resulting from the use of toxic substances such as pesticides and cyanide.

The Committee made its observations and recommendations after hearing from Honduran government officials, a representative active with the campaign against the Glamis Gold mine, and representatives from the Center for Economic and Social Rights (CESR) in New York. CESR conducted extensive interviews with DEFOMIN and other government officials involved in monitoring mining activities or the environment, as well as interviews with community representatives. A full report can be obtained from CESR.

#### A Final Word

What has happened to San Andrés Minas is not unique to Honduras, and what is happening in Honduras is not unique to Latin America. What San Andrés has experienced is part of a global problem that instead of abating is accelerating. On the one side are world political and business leaders intent on establishing global free market conditions that will ultimately benefit those who are already rich. On the other side are residents of small rural communities, workers and the urban poor, and environmental and human rights activists, who see in San Andrés a model that should never be repeated.

The last word goes to Jacobo Lopez, Secretary of the San Miguel Community board:

"The San Andres Mine is slowly killing us .... We've seen an increase in respiratory diseases and skin infections in the community, and we fear that this is just the beginning. The Mining Department, DEFOMIN, says we're suffering but that it's for the good of the country .... Each day the mine takes more of our land, we no longer have land to grow corn and beans, and all the gold and the profits are shipped out of the country .... The company hasn't even come through with the employment they promised us. This mine is a disaster, a complete disaster."

- end -

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Interested in bringing an educational delegation to Honduras? Contact Rights Action: 416-654-2074. info@rightsaction.org.

Interested in coming to Honduras to work as a volunteer on the campaign (desired commitment: one year)? Contact ASONOG.

Read more about how international mining companies are ruining the lives, livelihood and environment in developing countries at Project Underground (www.moles.org) and the Mineral Policy Center (www.mineralpolicy.org).

Help fund the work of ASONOG. Contact Rights Action to find out how to make tax-charitable donations in Canada and the US: 416-654-2074. info@rightsaction.org.

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