

GUATEMALA: CORRUPTION ALLEGATIONS CANADIAN MINING COMPANIES: GLAMIS GOLD (MONTANA) & SKYE RESOURCES (GUATEMALA NICKEL COMPANY)

BELOW: A Guatemalan media article about allegations of corruption against two Canadian mining companies: Glamis Gold (Montana) and Skye Resources (Guatemala Nickel Company).

On Tuesday May 16, Skye Resources Inc. will hold its annual general meeting of shareholders in the Moresby Island Room, The Fairmont Hotel Vancouver, 900 West Georgia St, Vancouver, 2pm. Skye Resources is set to begin nickel mining in Guatemala, picking up from where INCO left off,

- even though there was a moratorium in place on granting new licences to mining companies
- even though Skye Resources did not consult with affected Mayan-Kekchi populations, as required by law, and there is widespread opposition in the region due to the multiple negative impacts of the global mining industry on community development, environment and human rights
- even though there is a formal complaint against Skye Resources before the ILO (International Labour Organization)
- even though there are many issues of development and environmental harms and human rights violations associated with INCO's 40 year nickel mining that were never resolved before INCO sold its interests to Skye Resources in 2004

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GUATEMALA: UNCOVERING THE TRUTH BEHIND GLAMIS GOLD/ MONTANA'S TAX EXEMPTIONS

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SUMMARY:

- Media seeks to minimize impact of scandal involving Canadian mining company
- Government knew about tax exemptions all along
- Member of Congress speaks out against alleged corruption

A recent article, published by daily newspaper Siglo Veintiuno, has led to a scandal over the exemptions granted by the Portillo administration to Montana Exploradora SA, part of the Glamis Gold Corporation. The present government claimed to be unaware of the exemptions until late 2005, when the Department of Energy and Mining called for the privileges granted to Montana to be revoked. The amount of taxation unpaid by Montana exceeds the social investments made by the mining company through the Sierra Madre Foundation by almost 90%. These social investments came under strong criticism in the past. Meanwhile a member of Congress has spoken out against alleged bribes given by mining companies to several members of the Legislature as well as state employees. Added to this, he has outlined a number of PR strategies used by Montana to project a good corporate image, despite the fact that its activities have led to human rights violations. According to several analysts, the government has tried to play for time in order to obtain the approval for another mining project in Izabal, where links have been revealed between Montana's legal representatives and President Berger.

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A COVER-UP OR A LIE?

On April 4, the daily newspaper Siglo Veintiuno, revealed that the mining company Montana Exploradora was exempt from paying customs duty, taxes on imports, income tax and VAT on machinery, equipment, spare parts and accessories.

Similar revelations came to light in September 2005 when FoodFirst Information and Action Network and MISEREOR published their report, "Open Air Mining: Human Rights Violations and Environmental Damage". According to the report, when the deputy secretary for Energy and Mining, Jorge García, was asked how the government could allow Montana to pay a mere 1% in taxes, he replied that further taxation would be paid in

the future. However, he failed to mention that Montana was exempt from taxation until 2008 and that the company would be allowed to use huge amounts of free water.

The previous administration, and in particular former vice-president Juan Francisco Reyes López, have been blamed for striking the deal with Montana, although Reyes López has denied any responsibility, arguing that such business did not fall within his remit.

The article published by Siglo Veintiuno suggested that the Department of Energy and Mining and the Department of Finance were in collusion to cover up the tax exemption granted to Montana.

DETAILS OF [GLAMIS GOLD's] MONTANA'S TAX EXEMPTION

Between November and December 2005, Montana Exploradora generated US\$100,000 in taxation, which was paid to the government and to the municipality of San Miguel Ixtahuacán (Siglo Veintiuno, 01/02/2006). The Congressional Commission on Energy and Mining estimates that the mining company saved up to Q55 million (US\$7 million) on income tax alone. According to vice minister Jorge García, Montana will save around US\$5 million every year on taxation.

Following the revelations published by Siglo Veintiuno, President Berger said he did not agree with the tax exemptions granted to Montana but added that he would not revoke the agreement "because it would send a negative message to investors." According to the FoodFirst Information and Action Network and MISEREOR report, "the investors that have expressed an interest in Guatemala are non-processing industries with few possibilities of being integrated into the national economy. Therefore, non-renewable resources produce little revenue in the form of taxation and leave the country with a serious environmental problem".

Meanwhile Magalí Rey Rosa, of the environmental organization Colectivo Madre Selva, highlighted the lack of information regarding the environmental risks of the Marlin Project.

MEDIA SILENCE

Opposition to the Marlin Project in San Marcos has provoked a violent response from the state while allegations have been made regarding both bribery of state officials as well as the creation of a network of pro-Montana supporters within the government.

The initiatives proposed by the High Commission have been used by the MEM to gain time and obtain a mining licence for Project Fenix in Izabal, to be carried out by the Guatemalan Nickel Co, part of Skye Resources (see box).

According to congressman Alfredo de León, many members of Congress have received bribes from Montana. He added that the media has been conspicuously silent on the mining issue, which suggests that the government has tried to silence dissent. Eduardo Villacorta Hadal, CEO of Glamis in Central America, is widely believed to be behind the campaign to silence the media on the mining issue.

It is also worth noting that TV news presenter Maritza Ruiz, is also Montana 's chief spin doctor and following the allegations published by Siglo Veintiuno, a newsreel depicting Montana in a favourable light (as a source of employment for people in the area) was broadcast on her news bulletin.

VESTED INTERESTS BEHIND THE GRANTING OF MONTANA'S LICENCE

On April 17, the MEM granted a licence to the Guatemalan Nickel Company (CGN), part of Skye Resources. This was considered a key achievement for the mining company, which was thus able to take advantage of the time afforded while the High Commission tried to prevent mining licences from being granted.

Congress, which is supposed to impose a moratorium on mining licences, has not yet expressed an opinion on the issue, which has been exploited by companies to obtain mining licences from the MEM.

Licences are being granted at a sensitive time. On the one hand, the International Labor Organization (ILO) has accepted a complaint lodged by the communities living in the mining area. According to Daniel Vogt, head of the El Estor Association for Development (AEPDI), based in the municipality of El Estor, Izabal, "the fact that a licence has been granted is surprising because residents in the area were never consulted. He added that "the licence was granted for an area of 248 square km but the Environmental Impact Study only included an area of 6.9 square km. We do not understand why this is the case and we are greatly concerned".

The law firm working for both mining companies - A.D. Sosa & Soto - includes names such as high-profile lawyer Rodolfo Sosa de León, whose daughter Cristina Sosa is married to the president's son Óscar Berger Widmann. The latter has been accused of having a vested interest in Montana, although this has never been proven.

Furthermore, during the 90s, Sergio Monzón, head of the CGN, worked very closely with Sosa de León in the oil company Basic Resources, from which they both retired in 2001. One of the lawyers in the firm, Carlos Pellecer López, is CGN's and Skye's legal representative. Pellecer López has also worked with Óscar Berger Widmann. It is also worth pointing out that before President Berger came to power, he worked with Sosa de León at the law firm Berger, Sosa & Pemueler Associates.

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WHAT TO DO:

- The #1 line of work in favor of community-controlled development, protection of the environment, justice and human rights in countries where we work (Guatemala, Honduras, El Salvador, Haiti, Chiapas (Mexico), is to fund and directly support local organizations so that they can implement their own development, environment and human rights projects. [Please make tax-charitable donations to Rights Action in Canada and the U.S.];
- Get involved in education and activism work in your home community concerning the global mining industry, whose policies and actions are controlled by the "G8" governments, including Canada and the U.S.;
- Consider establishing long-term "partnerships" between your community / organization with grassroots organizations / communities in these countries that are affected by North American mining companies;
- Consider coming to these countries on an educational-activist delegation;

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