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## CANADIAN MINING IN DEVELOPING COUNTRIES: HELPING THE POOR OR HELPING OURSELVES TO THEIR WEALTH

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### INTRODUCTION

Juan Tema is a long way from home. He is sitting in an elegant ballroom in Toronto's Royal York Hotel at Glamis Gold's 2006 Annual General Meeting. He is in Canada to tell anyone who will listen about his community's opposition to Glamis' massive open-pit gold mine near his home in Guatemala's western highlands.

The company allows him to speak for several minutes, from the back of the room. When he finishes, not a single shareholder follows up with a question or comment, and no one takes him up on an offer to see a documentary about his community's plight. An account of the meeting in the Globe and Mail is headlined: Glamis profit skyrockets.

Canadian corporate executives are not the first foreigners to go to Guatemala or other Latin American countries in search of mineral riches. But today's foreigners are dressed in business suits and armed with international agreements and capital instead of swords and shields. Glamis was drawn to Tema's community by the 2.4 million ounces of gold, worth well over \$1.5 billion at today's prices, located in a nearby mountain.

Glamis is just one of a thousand Canadian mining companies operating abroad.

The companies are supported through Canadian stock exchanges, which are the world's biggest source of capital for mining. Canada's laws protect investors, like those at Glamis' AGM last May, by imposing reporting, disclosure, and other obligations on corporations. Our laws, however, do little to protect people in developing countries from mining risks, including human rights abuses that often accompany such mega-projects. And for Tema and other mine opponents, the question is not just about the weak rules of the mining game. It's also about the questionable benefits of participating in the game in the first place.

A June 2005 referendum in the communities near Glamis' Guatemalan mine overwhelmingly rejected the project. But the company's legal challenge of the process has mired the vote's result in the bizarre workings of the country's highest court. The subsistence farmers of the area worry that cyanide and other toxics from the mine, which started processing

gold in December 2005, will contaminate their water supply. They are already seeing social tensions caused by the mine re-opening wounds still raw from 36 years of bloodshed that only officially ended with the 1996 Peace Accords. When opponents of the mine blocked a truck bringing in equipment, the police and army arrived in force. One person was killed and twenty injured. Rampant corruption among police, judges, and lawmakers devalues Glamis' assurance that it complies with all local laws.

#### GRAMS OF GOLD, TONNES OF DESTRUCTION

Open-pit mines that are common for gold extraction are violent intrusions on the environment. Minas a cielo abierto (mines open to the sky) creates a romantic image in Spanish that belies serious risks. Mountains are crushed.

The exposed rock may yield valuable minerals but can release heavy metals locked inside. Acids from the rock may leach into rivers even centuries after a mine has closed. Dangerous chemicals, used to extract gold, can escape.

The use of enormous amounts of water competes with the needs of local people. Massive tailings areas that hold waste rock and chemical sludge are left behind. The mineral benefits of mines are measured in ounces or grams, while the waste rock that is generated is measured in tonnes; the land, forests, and wetlands that are destroyed are measured in square kilometers.

Individuals and groups in Latin America that oppose such projects often face brutal repression from their own governments --- and military or paramilitary organizations --- which have negotiated a mining company's entry into the country.

#### STRENGTHENING THE RULES OF THE GAME?

Joe Danni, (now former) Vice President of Corporate Relations for Glamis --- which became Goldcorp Inc. after a recent merger --- says that what most protects Guatemalans from bad behaviour by foreign companies starts with corporate reputation. The last thing you want to do if you want to stay in business is to leave something inappropriate behind because that means you won't be able to do business elsewhere.

Next, says Danni, come the standards, systems, and financial bonds (and relationships among parties) put in place by international institutions like the World Bank --- from which Glamis borrowed \$45 million --- or by the host government.

Government institutions in Guatemala, however, can't be trusted even to provide basic services like education and health care let alone a trustworthy regulatory system for mines. The safeguards mentioned by Danni are voluntary or without legal consequence at the international level, and weak or non-existent at the local level. Corporate

reputation won't be harmed if violations are not caught or prosecuted. Although Danni says Glamis also set up local organizations to monitor its mine there is little chance that non-compliance with whatever standards exist will be prosecuted.

The country has yet to bring to justice even the perpetrators of the genocide against indigenous people that occurred just over 20 years ago.

Impunity is a household word.

When Canada promotes Glamis in Guatemala, through its Ambassador James Lambert for example, it does not focus on its own problems with mining. The federal Auditor General recently estimated that the cost to remediate abandoned mines in Canada's north alone was easily over a half billion dollars, while royalties during the period 1996-2002 amounted to only \$150 million. In the case of the notorious Giant gold mine the taxpayer will be on the hook for up to \$400 million to clean up an arsenic problem at the abandoned site while water that leaves the mine area will likely require treatment forever.

Glamis was not required under its World Bank loan or international standards to post a bond for the proper closure of its Guatemalan mine. Glamis voluntarily negotiated with the Guatemalan government for a clean up bond, which Danni thinks is in the range of \$1 million. Jamie Kneen, who directs the Latin America program for Mining Watch, a Canadian research and advocacy group, says the requirement for financial assurances from mining companies by developing countries or international institutions is virtually unknown.

When he recently asked his Chilean colleagues about financial security from mining companies there, he says, "They laughed, ruefully."

In 2005 a Canadian Parliamentary Committee studied the issue of regulating Canadian mining companies abroad to prevent the well-documented cases of death threats, assassinations, toxic accidents, and destruction of protected areas in which such corporations have been implicated. The Committee recommended significant changes. It called for laws that would empower the federal government to punish corporations on evidence of environmental or human rights abuses. It also called for policies that would see the government withdraw advocacy and financial support on evidence of wrongdoing.

Instead of acting on the recommendations the government set up roundtables to further study the problem. Grahame Russell, a co-director of Rights Action, which works with communities in Guatemala and other developing countries, called the roundtables "a delaying tactic to talk the issue to death again instead of acting upon concrete recommendations" to have binding law put in place.

"At a bare bones minimum," says Russell "we need strong civil and criminal law in countries like Canada and the U.S. whereby affected parties --- individuals, communities collectively, or their NGOs ---

can come to Canada to sue straight up in our courts for environmental harms associated with their projects and businesses, or human rights violations, labour standards and other abuses.

In a 1995 case in Guyana, for example, a torrent of cyanide-laced sludge and heavy metals escaped into that country's largest river from a break in the tailings dam of a gold mine operated by Cambior, a Canadian company. A suit against the company by Guyanese plaintiffs was filed in a Quebec court. The judge rejected the suit after considering whether Canadian courts provided a convenient forum, based on issues such as the location of the harm and witnesses. A change in Canadian law would make the right to sue clear.

But what if stronger Canadian laws simply induce Canadian enterprises to sell their projects to nations with even weaker laws and a lower tolerance for dissent? As one mining official at the Toronto roundtable put the matter: "If we don't do it [mining], others will." Canadian corporations like Talisman in the Sudan and EnCana in Peru, for example, faced significant pressure from home over alleged environmental and human rights abuses. They ultimately sold these projects to India and China respectively.

Mining Watch's Kneen says the objective is to establish binding international standards in Canada that would allow us to pressure other countries to adopt the same. Ultimately, "you could actually have an enforceable body of international law."

The final roundtable recommendations were released in March of this year to positive reviews from many civil society groups. The report included many of the recommendations made two years earlier by the Parliamentary Committee.

Now the ball is back in the federal government's court with an opportunity to prove wrong Russell's assertion that the roundtables were just a delaying tactic instead of the impetus for real change.

#### WHOSE GOLD IS IT?

Strengthening the rules that apply to Canadian mining companies abroad is not the only issue for mining opponents like Tema and Rights Action's Russell. They also question who benefits from the international system under which Canadians extract and sell the gold of Guatemala and other developing countries. Their opposition often leads others to dismiss them as anti-development for rejecting the multi-million-dollar investments brought by companies like Glamis. Yet, past experience has made many Guatemalans suspicious about current promises of economic development.

The multinational United Fruit Company, for instance, provides good

reason for their distrust. The company, which owned large swaths of Guatemala, made it clear they were not preoccupied with improving the lives of local people.

In 1954 the CIA, partly in response to prodding from the company, helped bring down a national government dedicated to popular reforms. Soon thereafter, Guatemala was plunged into the darkness of the internal war that left 200,000 civilians dead.

For others, their distrust is more deeply rooted in history. 500 years ago the Spanish came to take our riches, wealth, and resources," says Mayor Arturo Mendez Portiz of a municipality in the neighbouring department of Huehuetenango. A recent referendum there rejected any new mines. "Now they have found minerals in the mountains and they want to dispossess us again."

Uruguayan journalist Eduardo Galeano is equally blunt. He describes the international system whereby multi-nationals exploit the resource wealth of countries like Guatemala as "organized looting." Galeano writes, in his classic *The Open Veins of Latin America*, "Our defeat was always implicit in the victory of others; our wealth has always generated our poverty by nourishing the prosperity of others."

#### DEVELOPMENT?

The World Bank promotes mining investment as economic growth and development. The claim is worth examining, not only because the Bank is controlled by the finance ministers of wealthy nations and is now headed by Paul Wolfowitz, a prominent architect of George Bush's foreign policy.

#### MINES CREATE JOBS

The Glamis mine will operate for ten years. It promises hundreds of jobs, although many jobs have not lasted beyond the initial construction phase.

Open-pit mining is not labour intensive and much of Glamis' investment is for imported machinery. The farmers living near the mine don't possess skills that are in demand by the venture; the best paying jobs will go to engineers, managers, and other experts from outside the area and outside the country. Mines are subject to boom and bust cycles that can throw people out of work suddenly.

When mining giant Inco Ltd. left Guatemala in the early 1980s it wasn't because of strong local opposition or the rising violence in the region, including massacres perpetrated by the military; it was because the price of nickel was falling.

**MINE OWNERS PAY TAXES AND ROYALTIES TO HOST COUNTRIES** Until recently Glamis paid no income taxes, by taking advantage of a Guatemalan tax holiday. Glamis voluntarily agreed to start paying taxes, but only after public pressure. The royalties paid by Glamis for Guatemala's gold amount to one penny on the dollar of gross sales. Half of that

penny does, however, go to the Municipality of San Miguel where the gold-bearing ore deposit is physically located. A large billboard at the entrance to the mine displays the impressive numbers for local financial benefits.

Unfortunately, the many zeros don't necessarily translate into economic development.

An investment in a mine --- say in a remote region of a country --- does little to assist the development transformation, beyond the resources that it generates, writes Joseph Stiglitz, a Nobel Prize winning economist and former senior economist at the World Bank. In his book, *Globalization and its Discontents*, he concludes that such investment can help create a dual economy, an economy in which there are pockets of wealth. But a dual economy is not a developed economy.

In Latin America, continues Stiglitz, growth has not been accompanied by a reduction in inequality, or even a reduction in poverty. In some cases poverty has actually increased. He concludes that, "It is not true that a rising tide lifts all boats."

Guatemala's people are not poor because they don't have enough Canadian mines. Mostly they are poor because of their country's grossly unequal distribution of wealth. The national government collects very little income or other taxes. It spends very little on social programs, even though the majority of the country's 12 million people are poor and 20% live in extreme poverty. The nation's elites have massive landholdings while millions of peasants representing half of the workforce try to squeeze livelihoods from plots once described as "the size of graveyards."

Glamis' Joe Danni says the financial benefits of Guatemala's gold that stay in the country can be gleaned from his company's cash cost for an ounce of gold. The cash cost for the Guatemalan mine is \$196 per ounce. This cost includes taxes paid, local purchases, wages, and royalties, although the figures also include salaries paid to foreign personnel. When Juan Tema addressed the Glamis shareholders at their AGM in May 2006 the price of gold was \$650 per ounce.

Danni is, however, quick to point out that the company assumed all the risks of the initial multi-million dollar investment. He does not mention the risks taken on by local communities --- risks that do not come with the limited liability of corporations. And a feeble or non-existent regulatory system simply means that mining risks are another cost foisted on already vulnerable populations.

#### SAYING "NO THANKS" TO MINING

If Juan Tema and other opponents of the mine have concluded that its costs to the community outweigh the benefits they have also found out that stopping a Canadian mining project supported by the World Bank is no easy task. Others have had the same experience.

One indigenous leader in Ghana recently asked, after his community's water supply was contaminated by a spill from a Canadian mine, "Is it a crime to sit on gold?" The question is especially apt given that 80% of the gold mined today will adorn consumers around the world as jewelry.

Under international law the Guatemalan government was required to consult with local communities before allowing the mine to go ahead. In the Municipality of Sipakapa where Tema lives, and where much of the mine's gold processing takes place, the lack of consultation inspired the referendum and its unequivocal result: 98% of voters said no to the project.

In neighbouring San Miguel there was no similar referendum but the lack of prior consultation seems equally apparent, even according to the convoluted findings of a World Bank Ombudsman who reviewed a complaint from Sipakapa about the mine. When I interview Eduardo Gonzales, a resident of San Miguel he answers my questions carefully but when I ask about prior consultation he waves his index finger animatedly from side to side. "There was no consultation," he repeats definitively -- and waves his finger again. Others are equally precise.

The consultation requirement is vital in a country like Guatemala where democratic means of influencing the national government generally don't work. The fact of high illiteracy and poverty and the entrenched interests that dominate the country make a real democracy illusory. And popular protests, such as the blocking of the truck, simply justify the repressive measures for which the government has a notorious reputation.

But if mega-mining projects are not the answer to improving the lives of Guatemalans then what is the way forward?

"Resistance and the alternative plan," says Roberto Morani, a community activist in Sipakapa. He is referring to their opposition to the Glamis mine and the community's detailed plan to develop processing plants for the fruit --- which is both abundant and varied in the three micro-climates of the area --- to make jams, juices and other products. It's an alternative, sustainable model that draws on local skills, participation, and control. It is a model that stands in stark contrast to the development imposed from above and beyond where most of the decisions are already made when a company determines there is gold to be unearthed and that the risks are manageable.

Glamis, of course, did not come to Guatemala to solve the problems of the unjust distribution of wealth, poverty, or impunity. Glamis came to Guatemala because of the gold in the mountain near Juan Tema's

community.

And as Tema and other mining opponents, have found out, from the back of the

room: saying ño thanksí to a mining company that arrives in the neighbourhood is more difficult than it might sound.

[Albert Koehl is an environmental lawyer. He is a former investigator for the United Nations Truth Commission in Guatemala and prosecutor for the Ontario Ministry of the Environment. He recently visited the communities near the Glamis mine in Guatemala, in part as a member of an educational delegation organized by Rights Action.]

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For more info ... [info@rightsaction.org](mailto:info@rightsaction.org)

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