

A BATTLE OVER MINES AND MINDS

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Introduction

“The gold mine at El Dorado will use 10.4 liters of water per second. That is almost 900,000 liters a day, what a family would consume over twenty years,” reads a local anti-mining pamphlet. One anti-mining leader in the municipality of San Isidro explained, “The mining would occur where the country’s main water reserves are located. Half the population of San Salvador gets its water from the *Río Lempa*. It is life for us, and it would be contaminated if the mines open.” Another representative of the mining opposition asked me, “Would you accept a new industry that brings contamination to the water, the soil, the air? Mining pollutes with heavy metals, cyanide, mercury, and other poisons. This mining company, Pacific Rim, would use two tons of cyanide per day, over seven thousand tons in a decade, at El Dorado. We live here. We have to think of our children. How could we accept this?”

The mining companies, and the industry’s supporters in government, the private sector, and rural communities, argue that the development of a gold mining industry in El Salvador would produce economic development. They argue the industry offers financial investment, desperately needed in the impoverished northern portion of the country where the mine projects are concentrated; job opportunities; and additional, significant social and infrastructural investments. Over the past two years, the mining companies operating in El Salvador financed a major “green mining” media campaign in which they insisted that new technology and environmental standards obviate the environmental concerns of the opposition. Pacific Rim’s website highlights that the company is “setting industry standards for environmental stewardship and social responsibility.”

El Salvador is the last country in Central America to resurrect its gold mining industry since the low global gold prices in the 1950s and the region’s Cold War-era civil wars prompted the industry’s decline. In the 1990s, under pressure from the World Bank, El Salvador and other Central American countries reformed their mining laws to attract greater investment: Honduras in 1991, El Salvador and Nicaragua in 1996, and Guatemala in 1997. In each case, the reforms made the metallic resources available for purchase with reduced financial and regulatory burdens on potential investors. In El Salvador, the National Legislative Assembly reduced annual royalty rates from four percent to two percent of corporate revenue. Guatemala’s shrank from six percent to one percent.

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Prompted by the significant rise in metal commodity prices, around a dozen gold mining companies have appeared in El Salvador in the past fifteen years, sparking a vocal anti-mining movement. Operating at the local and national level, the individuals and organizations involved in the opposition movement are primarily concerned with the potential environmental, economic, and social effects of mining. They strongly distrust the foreign mining companies and, perhaps more importantly, distrust their own government to protect their interests and needs.

The debate over whether or not to allow gold mines to open has taken place in this atmosphere of suspicion, fear, confrontation, and distrust – and in the context of an electoral campaign. On March 15, 2009, El Salvador held its fourth national presidential elections since the 1992 Peace Accords. For the first time, the left-wing party, the Farabundo Martí National Liberation Front (FMLN), established out of the wartime peasant-based guerrilla movement, won 51.27 percent of the vote to the right-wing Nationalist Republican Alliance (ARENA) party’s 48.72 percent. Evidently, the country is still deeply divided.

In the halls of the National Legislative Assembly, many of the FMLN offices are decorated with red bumper stickers reading “*No a la minería, Sí a la vida*” (No to mining, yes to life). El Salvador’s outgoing president, Elías Antonio “Tony” Saca, and ARENA generally, have been much more hesitant than the FMLN to take a firm stand on mining, because any position could have become a liability in the elections. (In the last weeks of the campaign, perhaps as a political strategy, President Saca did make an unequivocal statement against mining, “Not even one mine exploitation permit will be granted while [I am] the president. Not even the environmental permission, which precedes the permission granted by the Ministry of Economy, will be granted.”¹)

However, what has resulted as the government’s greatest liability is not its position on mining, but its inaction. In December 2008, Pacific Rim El Salvador, the largest investor of all the companies operating in El Salvador, sued the Salvadoran government for \$600 million under the Central American Free Trade Agreement (CAFTA). The case is based on the government’s failure to obey its own regulations,

which stipulate that the Ministry of Environment and Ministry of Economy must respond to a company’s application for a mining exploitation concession within 60 days. It has been five years since Pacific Rim applied.

Between 2007 and 2008, I visited El Salvador on three occasions to explore the mining debate. I met with the leaders of the opposition movement, observing their community information sessions and the organization of protest activities. I visited Pacific Rim’s El Dorado mine site and field offices, accompanied by the company’s chief executives. I interviewed lawyers; scientists; religious leaders; journalists; national and local politicians across the political spectrum; and community members located near several proposed mine sites.

In 2008, with support from Tufts University, the Massachusetts Institute of Technology, and the Consensus Building Institute, and after consultation with Pacific Rim, anti-mining movement leaders, and the University of Central America in San Salvador, I attempted to carry out a stakeholder assessment to gather independent data on local stakeholders’ positions on mining.

The assessment, the first part of “joint fact-finding,” one of the emerging best practices in environmental conflict negotiation meant to integrate hard, scientific data with local values and knowledge, would map the local population’s primary questions and concerns as well as their level of interest in a permanent stakeholder engagement forum. If Pacific Rim’s flagship El Dorado mine were to open and a critical mass of people endorsed the proposed forum, the mechanism would aim to create the neutral, legitimate space for community representatives, Pacific Rim, local government, and independent scientists to negotiate, in an inclusive and ongoing manner, terms of the mining operations; methods to increase, and distribute fairly, the benefits of mining; and remediation or compensation measures for environmental or other damages.

The assessment was never carried out. At the peak of the opposition movement’s most militant actions, when anti-mining organizers burned \$30,000 worth of Pacific Rim’s machinery, rumors spread that I worked for Pacific Rim and

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I lost all credibility. Days after I left, on July 4, 2008, Pacific Rim, the last mining company in El Salvador, also left.

Few major players in El Salvador appear willing to negotiate or compromise on the mining issue. This article, based on my research and these interactions, is a story not only about mining, but also about a country constrained by high levels of political polarization and social and institutional distrust. Neither the foreign companies nor the opposition movement could achieve its goals through current Salvadoran government channels.

Pacific Rim and El Dorado

Pacific Rim El Salvador is a wholly owned subsidiary of Pacific Rim Mining Corporation, based in Vancouver, Canada. Since purchasing the rights to El Dorado, located in the municipality of San Isidro, in 2002, the company has spent over \$44 million in El Salvador. Pacific Rim has other less developed mine sites in El Salvador and partial ownership at operations outside the country as well. The Denton-Rawhide residual heap leach gold operation in Nevada was a major source of cash flow, until the company sold its rights there in late 2008.²

The El Dorado project, designed to be a one quarter-square mile, hard rock, subterranean mine, is one of around two dozen gold exploration projects in northern El Salvador. It is located approximately 40 miles east of the capital, in the department of Cabañas. Spanning 700 square miles and with a population just over 150,000, Cabañas is by many measures the poorest of the country's fourteen departments. In 2002, average per capita income in rural Cabañas was \$1,676, compared to the national rural average of \$2,579 and the national urban average of \$7,124. Average life expectancy is 62 years in rural Cabañas, almost ten years less than the national average. Approximately 42 percent of the department's population does not have access to potable water, while nationally only 26 percent lack access.³ The majority of the population near Pacific Rim's property is subsistence farmers.

Since receiving its exploration license, Pacific Rim has submitted Environmental Impact Assessments, conducted pre-feasibility studies, held public consultations, and updated its resource estimates. In 2004, Pacific Rim applied for an exploitation permit to begin the production phase at the mine. The permit would allow for a six-year operation with a production average of 80,000 ounces of gold per year, though during an interview in June 2007, Pacific Rim's CEO and President Thomas Shrake remarked, “This is only the start.” Subsequent exploration work indicated Pacific Rim could increase its operation to 150,000-ounce annual production for ten years. The January 2008 estimate found that the El Dorado mine held 1.4 million ounces of gold (and 7.4 million ounces of silver).

Ultimately, with further exploration, Pacific Rim expects El Dorado to produce up to five million ounces of gold in total. This is not a trivial sum when the value of the dollar is low and the price of gold correspondingly high. In 2007, when the price of gold circled around \$650 per ounce, El Dorado was estimated to be worth \$3.3 billion.⁴ The global price of gold topped \$1,000 per ounce in early March 2009, as fears of the global financial crisis continued to deepen.⁵

According to Pacific Rim, if its three main Salvadoran mine sites were to open, the company would become the biggest taxpayer in El Salvador. Operations at El Dorado alone are

expected to produce \$20 million in taxes each year. With other mining companies extracting the 15 to 25 million ounces of gold that El Salvador allegedly holds nationally, the industry could increase gross domestic product by 1.4 percent and exports by 20.8 percent over the next 20 years.⁶

At the local level, Pacific Rim argues that its financial, social, and infrastructural investment would have an immensely positive effect. Its operations would provide hundreds of direct and indirect jobs. With Pacific Rim's taxes and royalty payments, the annual budget for the municipality of San Isidro would jump from around \$100,000 to around \$1 million. (When Tom Shrake invited me to meet with the mayor of San Isidro, Juan Ignacio Bautista, the mayor highlighted the “good communication” and “sincere relationship” that his office had developed with the company.) In 2002, the annual tax income for the entire department of Cabañas, which holds nine municipalities including San Isidro, was under \$1.3 million.⁷ During El Dorado's exploration phase, when a company makes smaller expenditures than after the mine opens, Pacific Rim spent almost \$1 million per year on community projects. To the villagers, Pacific Rim's donations are basic necessities: fertilizer subsidies, sheet metal roofs, medical services, school supplies. To the company, the goods are the means to a “social license to operate.”

In terms of environmental impact, Pacific Rim executives charge that the mining opposition, “poorly informed, ideological and politically motivated,” exaggerates the potential for harm. Company representatives argue that agriculture and raising livestock can coexist with mining. They allege their operations would not affect the local water supply because they would use only rainwater collected during the rainy season and water pumped up from the old El Dorado mine that was shut down in the early 1950s. The water would be recycled and discharged into the local supply after purification and monitoring.

Contamination from cyanide and acid mine drainage would not be problems at El Dorado, company representatives say. The risk from cyanide use “is manageable” and cyanide is used in many other, non-controversial industrial processes. Its transportation, processing, and storage would be strictly regulated. The company plans to line the tailings pond,

which holds the mine operation's toxic waste, with two impermeable layers for extra protection against accidental or incremental seepage.

Pacific Rim executives say that the risk of acid mine drainage would be negligible because the rock at El Dorado contains very little sulfidic minerals, the key ingredient for the manufacture of sulfuric acid. They say that the gold at El Dorado is of such high quality that only 3.5 tons of rock would be extracted to produce one ounce of gold. (To yield 150,000 ounces of gold annually for a decade, over five million tons of waste rock would need storage.) Pacific Rim claims that all land removed during mining will be restored with the mine's closure.

In interviews, the company's executives argued that their operations would actually help to fix some of the region's existing environmental problems. More and cleaner water would flow in the local streams with the monitored discharge from the mines' operations. The thousands of trees that the company would plant would help counter the region's deforestation. With their greenhouse, re-vegetation, and erosion prevention efforts, “this place may look better post-mining than it does today,” one executive said.

According to Pacific Rim, only a minority of Salvadorans opposes mining. The company and the two major national newspapers, *La Prensa Gráfica* and *El Diario de Hoy*, often cite a survey of 1,800 Salvadorans from across the country, published in January 2008 by *Métodos Estudios y Procesos (MEP)*, which found that 67 percent of respondents support mining projects, either “managed responsibly” or “unlimited,” and that only 30 percent were in favor of banning all mining in El Salvador. The demographic breakdown showed youth, the rural population, and citizens of lower socio-economic strata are greater supporters of mining than their elderly, urban, and more well off counterparts. MEP reports the results showed no trends based on political affiliation or ideology.⁸

While mining is an issue of national importance, many Salvadorans who live far from the proposed mine sites are less informed about mining – and have less at stake – than those living in the northern zone of the country. Thus the

MEP survey results may be skewed by its nation-wide population sample. Moreover, even substantial portions of Salvadorans living near the proposed mine sites lack information about mining. One survey, published in January 2008 by the University Institute of Public Opinion of the University of Central America in El Salvador, interviewed 1,256 residents of northern El Salvador. The results showed that only 20 percent of respondents were “aware of the existence of mining projects in their municipality” and 30 percent of these respondents did not know its name.⁹ When I asked one interviewee in San Isidro her opinion on gold mining, she responded, “Mining has been going on here for years, and it has not hurt us yet.” The woman, who lives less than 100 meters from the terrain Pacific Rim had designated for its 634,000-cubic meter tailings pond, most likely imagined that the company’s exploration drilling was the mining itself.

The Opposition Movement

The first organizing against mining in El Salvador began in Chalatenango, a department to the northwest of Cabañas on the border with Honduras. Several Canadian companies and their Salvadoran subsidiaries – Aura Silver Resources, Tribune Resources, Au Martinique, Intrepid Minerals, and Triada – had been exploring the region unbeknownst to the local population. Residents first discovered the presence of the companies in September 2005. The story, as told by members of the opposition movement, opens with a villager checking on his cattle. He notices his fences cut and men with backpacks walking around his land. The villager asks the men what they are doing. “Looking for mines,” they said. The villager replies that all the mines were cleared out with the Peace Accords, thinking the men were looking

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for land mines. “No, no, gold and silver mines,” the backpacked men explained.

The villager promptly informed community leaders. The companies began talking to community members. They apologized for their secretive entrance and paid for minor damages. They sought support from local religious and political leaders and attended meetings the communities called.

Two of the twelve-year civil war’s legacies in Chalatenango, then a guerrilla stronghold, are strong community organization and symbolic value attached to land. When the mining issue arose, community development groups, which had evolved from the remnants of guerrilla organizations, worked quickly. They garnered support from government and church authorities, neighboring communities, and international solidarity organizations. The community groups effectively framed mining as a land rights issue. One interviewee explained to me, “We fought over a decade for this land with our blood. Our brothers, parents, and children died here. We won’t hand it over now without a fight.” Even children I spoke with in Chalatenango were adamantly anti-mining.

The local communities coordinated an effort to remove the companies’ exploration markers. They planned protest marches, including one trek to place a larger-than-life, wooden Virgin Mary atop a mountain where companies had planned to mine. The national media started paying attention to mining. On two occasions, the communities organized successful roadblocks to prevent the entrance of the companies’ executives. By 2007, after attempting to enter under as many as three different names, the Canadian companies and subsidiaries retreated from Chalatenango.

They did not sell their property, leaving open the possibility of returning, but currently the companies have reinvested in Guatemala and Costa Rica.

The anti-mining movement in Chalatenango is not representative of the movement in other parts of the country. Cabañas, for example, is not as cohesive in terms of its position on mining, general politics, or its historical narrative. Today, the opposition movement is composed primarily of small rural organizations and national environmental or development organizations. Oxfam America is an active participant in the National Coalition on Metallic Mining, formed in 2005, and the FMLN is supportive of the movement. The governmental National Development Commission, the national Human Rights Ombudsman, and the Catholic Church have all made public statements against mining. According to Pacific Rim’s executives, in the months after May 2007, when El Salvador’s National Episcopal Conference formally pronounced its opposition to mining, the value of Pacific Rim’s stock dropped 30–40 percent.

The opposition movement counts among its supporters the former Minister of Environment and Natural Resources, Hugo Barrera, and current Minister Carlos Guerrero. Barrera, vice president of ARENA’s National Executive Council and owner of a giant snack-food company, came out publicly against mining in June 2006. In December 2006, Guerrero, a former Vice Minister of Public Works and owner of a construction company, replaced Barrera. Two years later, in July 2008, Guerrero is quoted in the online newspaper, *El Faro*, saying, “Mining is an industry that demands four times more energy than the average industry. The quantities of water resources it demands are industrial-size, *grandísimas*, which definitely has an impact on the environment.”

The anti-mining network has international advocates as well. In February 2007, a letter drafted by U.S. and Canadian solidarity organizations, such as US-El Salvador Sister Cities, Community in Solidarity with the People of El Salvador (CISPES), SHARE El Salvador, and many others, and signed by 41 members of the U.S. House of Representatives pushed President Saca not to approve mining. The letter argued that mining could threaten El Salvador’s Compact with the Millennium Challenge Account (MCA), an innovative U.S. foreign aid program that conditions assistance on good governance, effective poverty reduction measures, and, among other things, environmental stewardship. The \$460 million MCA aid package – a grant paramount to an international political and financial “stamp of approval” – is designed to address poverty in the same northern third of El Salvador where mining would take place.

The main reasons the anti-mining movement opposes the industry’s development are its environmental, economic, and social risks. While the most well-versed anti-mining activists can run through the list of contaminants mining would use or produce (aluminum, ammonia, antimony, arsenic, cadmium, chrome, cobalt, cyanide, iron, lead, mercury, nickel, nitrate, selenium, sulfate, and uranium), many supporters of the opposition movement sum up their position with the phrase: “*Vivo sin oro, pero no sin agua*” (I can live without gold, but not without water).

Environmental Risks

The 2008 University of Central America (UCA) public opinion survey found that, for the 62.5 percent of respondents against mining, the most common reason for opposition was the country's small geographical area.¹⁰ El Salvador is approximately 20,000 square kilometers, roughly the size of Rhode Island, and overpopulated with six million inhabitants (369 people per square kilometer). The opposition movement argues it would be impossible to mine far from people. They say that the industry's potential negative effects would be exacerbated by the mine's inevitably close proximity to people and key natural resources.

The second most common reason for opposition to mining in the UCA survey was that mining would contaminate the environment, particularly water resources (21.9 percent). Pacific Rim's Environmental Impact Assessment reports that their operations at El Dorado would use 10.4 liters of water per second. They also do not trust the company to only take this water from rain and the shutdown 1950s mine. They do not trust the company to purify the water before returning it to the streams. Ultimately, they do not trust that the company will report honestly on their water consumption or environmental damage – or their ore extraction, profits, tax payments or anything else.

In March 2008, one of Pacific Rim's 600 exploration boreholes accidentally hit an aquifer in one village in San Isidro, cutting off several dozen families' water supply from natural springs and streams. The company immediately began trucking and piping in water and continued to do so until the natural sources returned two months later, in the rainy season. In the days following the accident, Pacific Rim sent its community liaisons to explain the accident and negotiate compensation with the village. But the liaisons did not work with the elected village leadership; instead they negotiated with a few families, known to favor mining and to be close with the mayor.

Predictably, this incident further alienated and infuriated community members opposed to mining and brought many more families to their side. "The borehole was six centimeters in diameter," one community leader fumed. "Look at

the damage it did. If the mines open, they will build tunnels big enough for trucks to drive through them. You think that won't do damage?"

The piped water was allegedly too hot and dirty to drink; it made small animals die when they drank it. At least two other residents from the same village made public statements that natural springs on their land had also dried up in the past year. They reported that they had been afraid to say anything before and that Pacific Rim had compensated them financially for the damage and to close the issue. The pressure at this time on the community government threatened to dissolve it. For years, the government had been divided on how to react to Pacific Rim's presence; now they felt impotent with the company's failure to recognize or speak with them. The dry streambeds and empty water collection tanks were featured on the front pages of the national newspapers.

In numerous interviews, anti-mining activists noted that even without mining, El Salvador is experiencing water scarcity and environmental degradation through deforestation and industrial and agricultural pollution. Many interviewees in Cabañas asked, "How could we destroy our environment further?" Another interviewee, Dr. Norman Quijano, then an ARENA party deputy in the National Assembly serving on the Committee on Environment and Public Health, and now, as of January 2009, mayor-elect of San Salvador, drew an alternative conclusion. "If they suggested mining in the west of the country, where there are volcanoes, forests, and lots of tourism, I would say no. But in Morazán, Chalatenango, and Cabañas – it is already deforested there. I would not throw out that option." One Pacific Rim executive was of a similar mind. "About 90 percent of El Salvador is already deforested. Farmers deforest, and their fertilizers are contaminants. Why are people so worried about the tiny amount of land that mining would use?"

Inevitably, mining would alter the landscape and ecosystem by building roads, truck ramps, underground tunnels, ventilation systems, a processing plant, and tailings pond. The ore extraction and transportation involve big machinery, explosives, large quantities of water, and carry the potential

for accidents, above and under ground, and the build up of sediment, fuel waste, and greases. At the processing plant, the extracted ore is turned to powder and mixed with lime and sodium cyanide to increase pH levels and dissolve the precious metals, respectively. Zinc is added to separate out the gold from the muddy slush; then sulfuric acid is added to remove the zinc. The remaining wastewater is sent to a plant for INCO treatment, a common procedure to oxidize the cyanide and make the wastewater more than 90 percent less toxic. The wastewater then remains in the tailings pond or gets recycled through the system before its ultimate discharge into the environment, in this case a decade or more after the mine closes, according to Pacific Rim.

The impact on vegetation, aquatic life, and animals could affect not only the environment and the economy, but also human health. The anti-mining movement is quick to show pictures and tell stories of skin rashes, allergies, respiratory diseases, chronic illnesses, cancers, and deaths linked to mining in other countries in Latin America and Africa with developed mining industries.

Economic and Social Concerns

Anti-mining activists challenge Pacific Rim's and other companies' claim that mining will lead to development and economic growth for El Salvador. Mining is not a major economic force in Central America. In 2006, "mining and quarrying," which comprises metallic mining and non-metallic industries such as fossil fuels, sand, gravel, and cement, accounted for less than 0.4 percent of El Salvador's GDP.¹¹ The figure was only slightly higher in Guatemala (0.6 percent) and Honduras (1.5 percent). Even with the expansion of the gold mining industry, these figures would not increase significantly, according to Oxfam.¹² By comparison, in El Salvador, the service and manufacturing sectors represented 54.5 percent and 21.4 percent of GDP in 2006, respectively. Agriculture contributed 9.0 percent of GDP. All of these sectors pale relative to the volume of remittances. In 2004, remittances were approximately as great as all export earnings in Guatemala and Honduras; in El Salvador, remittances were 70 percent greater than all export earnings.

The economic benefits of the mining industry are often short-lived, concentrated, and unpredictable. According to Oxfam's analysis of mining in Central America, Goldcorp's San Martin gold mine in Honduras, which opened in 2001, was already undergoing reclamation efforts by 2007.¹³ Pacific Rim's El Dorado mine project is estimated to last six years, though subsequent estimates increased that figure as well as the company's annual production target, making it difficult to predict the probable lifespan of the mine. Unless the company's investments can be institutionalized and translated into other services and goods, the direct benefits of mining are few once the jobs dry up. Most skills Pacific Rim employees would learn are not transferable, though the company has made a serious effort to offer literacy classes to employees and potential employees.

The profits of mining are concentrated on several levels. Salvadoran law puts royalty rates at two percent of corporate revenue; in 2007, Pacific Rim estimated two percent would amount to \$1-2 million. (The anti-mining activists are quick to argue the company is running off with 98 percent of the wealth. Pacific Rim executives explained in an interview that 50 percent of their revenue would go to employee salaries, buying land, and operating costs; 25 percent would go to taxes; the last 25 percent would be profit, half of which they would reinvest in the mine.) El Salvador's 1996 mining law stipulates that the central government and municipal government where the mine site is located split royalty payments evenly. In a June 2007 interview, Bautista, the mayor of San Isidro, described how he would spend this money. "Twenty five percent will go to administration: air conditioning, our employees, and other things for the office. The communities in the municipality will determine how to spend the rest. They have great need for electricity, potable water, and roads."

Bautista is known for his corruption. He regularly excludes villages in his municipality not supportive of his ARENA party from infrastructural projects. He withholds agricultural subsidies from individuals who do not support him. During the January 2009 national municipal and legislative elections, voting was suspended in San Isidro because so many Hondurans voted. Allegedly, Bautista facilitated their transportation and paid each person as much as \$100

to vote for him. When the vote was rescheduled the following week, Bautista won his fourth consecutive three-year term in office.

The benefits of mining are also concentrated at the level of employment. In 2007, Pacific Rim employed 150 local Salvadorans. San Isidro has a population of 14,000 and the department has 150,000 residents. While the number of Pacific Rim's employees could double for several years if El Dorado were to open, the later phases of the mine operation require fewer workers.

The economic benefits of mining are unpredictable because of volatility in world markets and the boom-bust cycle in gold commodity prices. Moreover, in El Salvador, and many other countries, a mine's potential economic benefit, and environmental impact, are calculated based on a company's estimate of mineral reserves to be mined. The companies are not bound to these estimates, and, regardless of their accuracy, it is the price of gold that determines how much a company mines. "If the price of gold were to double, it is very common for a pit to get two to three times as big," explained Dr. Robert Moran, a hydro-geologist based in Colorado who has analyzed Pacific Rim's Environmental Impact Assessment as well as many others in Central America and around the world. The expected profit affects the size of the mine, its lifespan, and the extraction techniques, which, in turn affect the actual profit and environmental impact.

In addition to the commodity price variable issue, uncertainty in the mining industry arises because companies tend to begin operating a mine before conducting a full mineral resource estimate. They often choose to do further drill explorations only after entering the production phase, when the company has a stronger cash flow. This practice is legal and economical from the company's perspective, but it means that its initial estimates are prone to change once mining begins. Meanwhile, the government grants the extraction concessions based on the company's initial estimates.

Dr. Moran noted the imprudence of trusting technical predictions and computer simulations. He compared this

methodology utilized for granting mining licenses to that of the US insurance industry. The insurance industry is "one of the richest industries in the US. And they would never ask you to predict whether you're going to have an accident. They would look at the statistics of twenty-year-olds getting into accidents and charge insurance based on that."

Financial assurance laws could mitigate the uncertainty involved in the mining industry. In the US and Canada, the laws oblige mining companies to "guarantee that future environmental costs will be paid for (both during operation and after mine closure), even if the company goes bankrupt."¹⁴ In other words, "medium and long-term environmental costs are internalized within the operating costs of the companies." Without such laws in El Salvador, the people would likely end up paying for damages.

The opposition is also concerned with the social ramifications of the mine operations and its accompanying influx of wealth. Most directly, mining will displace people. Pacific Rim's exploration work is spread throughout villages, sometimes so close that several interviewees said that while the noisy drill rigs were located near their homes, they could not even hear their television sets. The opposition is also concerned with increases in the cost of goods, labor, property, taxes, and water. Often, in the areas surrounding mine sites, prostitution, alcohol consumption, and crime increase. The local gap in income and wealth tends to grow. While the government could theoretically design policies and programs to reduce these negative ramifications, the opposition movement cites significant evidence demonstrating that it is unlikely their mayors would have the capacity or will to do so.

Scarcity of Independent Information

An overriding problem with the mining debate in El Salvador is that almost all of its information comes from either the companies or the opposition movement. Dr. Moran's October 2005 review of Pacific Rim's Environmental Impact Assessment (EIA) provided one independent, technical perspective on El Dorado, although he was commissioned by the Association for Economic and Social Development,

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an organization now active in the anti-mining movement in Cabañas. His main findings were that the EIA "lacks basic testing and data necessary to adequately define baseline water quantity and quality conditions" and that "the public EIA review process is clearly lacking in openness and transparency." The EIA is 1,400 pages long, portions on cyanide management are in English only, and only one copy of it was available for public review and comment for only ten working days.¹⁵

For the most part, neither the public nor the government has responded to Dr. Moran's criticisms. In an interview, Pacific Rim's CEO and President Thomas Shrake described Dr. Moran's Technical Review as a "cookie sheet" report by someone "paid to condemn mining projects." But Shrake did grant that "the hydro-geologic data was a little light" in the company's first EIA. "We should have done more at the beginning to prove our conclusions, but they are so simple we did not want to spend money on it," he explained. Pacific Rim did go back to do more hydro-geologic testing. Shrake says that the results do not change their original conclusions. Still, this information is not provided by independent, widely trusted sources.

A former Minister of Finance, Manuel Enrique Hinds, who oversaw El Salvador's conversion from the Salvadoran *colón* to the US dollar in 2001, wrote another allegedly independent report on mining. It was published in June 2007, entitled "Gold Mining in El Salvador: Costs and Benefits," and could easily be mistaken for a report written by Pacific Rim. Its cover is an idyllic, sun-lit forest scene, and the header on every other page is "The Economic Benefits of Gold Mining in El Salvador." The tone, arguments, and statistics, which are hardly distinguishable from those Pacific Rim uses elsewhere, and the six pages on environmental impacts, which dismisses each of the concerns, add to that general impression. The report's conclusion is: "To not permit gold mining in the country would be to reject very important benefits for some risks that can be reduced to levels lower than many other activities currently permitted in the country."¹⁶

According to an Oxfam report, Hinds' analysis is faulty, as well as biased: "Hinds hypothesizes that not only will El Dorado open, but that each year another mine will open, leading to 10 mines the size of the proposed El Dorado.... He also projects that new mines might continue to open annually indefinitely into the future."¹⁷ Hinds uses a similar method to estimate the number of jobs the mines would generate (450 direct jobs, 2,500 additional jobs, and 36,000 jobs if three other mines like El Dorado were to open).

The Salvadoran government has made an effort to provide theoretically independent information, but thus far has produced nothing. In June 2007, the Minister of the Environment, Carlos Guerrero, said no mining permits would be granted until a Strategic Environmental Evaluation was conducted. The Evaluation was meant to consider the environmental, economic, and social viability of the mining industry and its cumulative impact on the northern zone of El Salvador. The 1998 Law of the Environment, which created the Ministry of Environment, mandates the Strategic Evaluation.

In June 2008, the Minister of Economy Yolanda Mayora de Gavidia allegedly began an international effort to raise the funds for the Evaluation. But Gavidia was replaced by the end of the month by Ricardo Esmahán, a businessman and former president of the Salvadoran Chamber of Agriculture and Agribusiness. Gavidia became general secretary of the Central American Secretariat for Economic Integration. The current status of the fundraising effort is not known publicly.

Lack of Institutional and Social Trust

The lack of trust in Salvadoran society and towards the government is a result, in large part, of the country's history and political culture. Many members of the mining opposition, and supporters of the FMLN, are cynical towards the government. People see impunity and corruption as well as low levels of institutional independence and capacity. Many members of the opposition do not count on the government to protect their interests or offer legal recourse, should they need it. The general political polarization that has grown in the past decade and, in the case of mining, the power gap between multinational companies and small, rural organizations, contribute significantly to the lack of social trust. These factors greatly inhibit communication, rational debate, and the ability for either side to negotiate or compromise on mining.

Pacific Rim charges that the anti-mining movement is ideological, poorly informed, and politically motivated. The company contends that the movement inflates the risks associated with mining; does not compare mining-related risks to those of other existing, non-controversial industries; and does not take into account the protection that new technologies offer.

It is true that the opposition movement is not always careful with its arguments against mining. Anti-mining leaders compare open-pit mines in other Latin American and African countries to Pacific Rim's plans for a subterranean mine at El Dorado. Several anti-mining groups have organized trips to operational mines in Honduras and Guatemala so Salvadorans can see for themselves the social conflict, cyanide dust clouds, dried riverbeds, sick children, and dead land. Lead, mercury, and arsenic have been found at the Valle de Siria gold mine operated in Honduras by Goldcorp Inc. and its subsidiary Entre Mares. At the Marlin Mine in Guatemala, owned by Goldcorp and Glamis Gold, there have been violent clashes between the local population, largely opposed to the open-pit mine there, and

security agents defending the companies' activities. The anti-mining groups and villagers return from these trips intent on conveying the disturbing truths they have found. As one person put it, "We are educating ourselves and looking out for our villages' and children's best interests." But as many of them travel with the certainty and sense of urgency that mining must be stopped, potentially critical nuances can slip by. The characteristics and effects of open pit mines differ from those of subterranean mines, for example. Still, the bigger-picture cause for concern may yet apply.

Neither mining companies nor the opposition movement see much flexibility in the other's position and, by necessity, each side has firm objectives of its own to pursue. Pacific Rim professes to be interested in talking to the anti-mining movement; they have held public meetings and participated in some debates and conferences. But ultimately, the company has an agenda to pursue on its shareholders' behalf. In interviews, Pacific Rim executives indicated they would be willing to negotiate the conditions under which mining takes place, within the boundary of what the law dictates; but it is difficult to negotiate like that with an opposition movement that fully rejects the development of the industry.

On the whole, the anti-mining movement is not interested in talking to Pacific Rim. Previously, representatives of the anti-mining movement did participate in forums with Pacific Rim and other companies, but now they do not see the benefit. From their perspective, the mining companies have not and will not respond to their demands or concerns. They even distrust people who communicate with "the enemy." One anti-mining leader said to me, "There is nothing to negotiate. Mining must be stopped. So why would you talk to the company? They will only trick you."

With its historical experience, political narrative, and limited resources, the anti-mining movement has found that it can best advance its cause with negative power: interrupting, protesting, and destroying. Opposition members are not taken seriously inside the National Assembly or Canadian Embassy, so they set up camp outside the buildings and in the *Plaza Cívica*. They cannot keep the companies from receiving exploration or exploitation permits, so they burn the company's property until the costs are too high for the company to maintain its presence—or, as the opposition leaders might put it, "until the companies learn their lesson." So far, the strategy has worked; after all, today, there is no mining in El Salvador. Still, the severely constrained communication and rational interaction could become disadvantages to both sides in the future, if the mines open.

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Reform of the Mining Law and Other Recent Developments

The National Assembly received a proposal to reform the national mining law in late 2006. The proposal, which would ban gold mining, was submitted by the Foundation for Studies of the Application of the Law (FESPAD), a member of the National Coalition on Metallic Mining. The Legislative Assembly never seriously considered the bill.

A year later, in November 2007, the center-right National Conciliation Party (PCN) submitted a proposal to facilitate mining. According to PCN deputy, Orlando Arévalo, also a member of the Inter-American Commission of Mines and Energy, the legal reform would increase royalty payments that companies must pay to the government. In an interview in June 2007, Arévalo said he believed in “finding a balance. Protect the environment and take advantage of our natural resources. Share the benefits between the company and the state. It is the new wave of win-win.” After receiving the PCN proposal, the National Assembly created an Ad-Hoc Commission on Mining with members from all five political parties. The Commission closed in the spring of 2008 and has yet to issue its conclusions publicly.

By February 2008, the National Coalition on Metallic Mining was reporting on the PCN’s proposal in the *Diario Co Latino* left-leaning national paper. Allegedly, a new Mining Authority would grant exploration and exploitation permits, instead of the Ministries of Economy and Environment. Industry representatives would dominate the Mining Authority, though it would incorporate some representation from government and ecological organizations. The Mining Authority would grant exploitation concessions automatically after a company receives an exploration license, whereas today an Environmental Impact Assessment and public consultation process are required. The proposed law allows one company to sell its property rights to another. According to the National Coalition on Metallic Mining, the PCN proposal would not regulate water usage or mandate compensation for damage, either.¹⁸ Other sources confirmed most of these statements. In June 2007, Pacific Rim executives mentioned to me that they had suggested to President Saca’s government to create a new regulatory agency that could be funded using the mining company’s money. The PCN proposal would increase royalty rates from two percent to three percent, with the third percentage dedicated to funding the Mining Authority.

In the *Diario Co Latino*, the National Coalition on Metallic Mining claimed that Pacific Rim’s lawyers drafted the PCN’s proposal. One of those lawyers is the father of the vice president of Pacific Rim El Salvador, Rodrigo Chávez. Chávez, also an editorialist for the *El Diario de Hoy* newspaper, comes from a political family with connections to the elite business class. His father, Fidel Chávez Mena, was a presidential candidate in 1989 and 1994 for the Christian Democrat Party.

The National Coalition on Metallic Mining asserts that Pacific Rim has formed a relationship with Patricio Escobar Thompson, a representative of Grupo Poma, one of the most economically and politically powerful entities in El Salvador. Grupo Poma is a family-owned conglomerate of businesses, with most of its activities in El Salvador but some

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that span across and outside of Central America: automobile dealerships, real estate development and construction, industrial manufacturing, hotels, telecommunications. Grupo Poma had over 10,000 employees in 2001. Patricio Escobar Thompson’s wife, Ana Vilma de Escobar, is the Vice President of El Salvador.

Despite the potency of such putative political connections, whether or not the gold mining industry will develop is unclear. Most mining companies exited El Salvador by 2007. Pacific Rim was the last company to leave, in July 2008. By the end of the year, Pacific Rim had reduced its workforce and cut investments from about \$1 million per month to \$100,000.¹⁹ “Pacific Rim was encouraged every step of the way by the highest levels of government,” said Shrake, Pacific Rim’s President and CEO, in explaining the company’s decision to pull out of El Salvador. But “nothing has moved in the mining industry for two years.” The company relocated its exploration work to Guatemala and Costa Rica, which has the same geological environment – a “fantastic, untapped gold belt” – but different political climate. According to Pacific Rim, the other Central American countries are more “politically stable for mining investment.”²⁰

On December 9, 2008, Pacific Rim issued a press release announcing that it had filed a Notice of Intent “to commence international arbitration proceeds” against El Salvador’s government under the Central American Free Trade Agreement. The basis of Pacific Rim’s claim was “the Government of El Salvador’s breaches of international and El Salvadoran law arising out of the Government’s failure, within its own

mandated time frames and pursuant to the clear terms of applicable laws, to issue exploration and exploitation permits to which the Company is entitled.”²¹ Pacific Rim plans to seek “compensation for the money [it] has spent in pursuit of its investments in El Salvador; damages for the loss of value that has been created by the Company through its efforts and investments resulting from the Government’s wrongful conduct; costs associated with preparation for and conduct of the arbitration proceedings; and pre- and post-award interest on all claims.” The arbitration process may take one to three years.

By CAFTA rules, Pacific Rim and the government of El Salvador had three months, until March 8, 2009, to “resolve their dispute amicably” before arbitration began. No such resolution occurred. Instead, on February 25, the new archbishop of El Salvador, Monseñor Luis Escobar Alas, spoke of the “grave damage” mining would bring in; the Director of the private National Foundation for Development (FUNDE), Roberto Rubio, endorsed the anti-mining movement.²² Most significantly, President Saca made his first major public statement against mining, aired on a Catholic radio station. “No president, knowing the harm that [the industry] causes to public health, would dare to order his ministers to grant the permits. [Pacific Rim] is on the verge of opening an international claim, and I want to make one thing clear: I would prefer to pay \$90 million than grant them a permit.” Saca’s statement was likely a political move in the run-up to the elections, with ARENA trailing the FMLN in the polls by as much as 15 percent, but the statement stands nonetheless.

Conclusion

During interviews in Cabañas, I was taken aback by the lack of information and interest in mining among people whose lives and livelihoods would be the first ones affected if the gold mines opened. “I don’t know, maybe mining is bad for water,” one man said. “I went to a meeting. I heard from lots of people about water. But I don’t know if it will affect the agriculture. I don’t know much. I don’t really want to be involved.” Another interviewee said flatly, “I am not going to talk for or against mining. I do not like to fight. People who fight do not know what they are fighting for.” “For me, I am outside the debate. I don’t want to get involved. If they mine, okay. If they don’t, then they don’t.” Other interviewees were not indifferent but resigned. “People say the company will take the gold and leave us poor,” one interviewee said. “But I say take the gold or leave it, we will still be poor.”

It is impossible to understand the current mining debate in El Salvador without considering its context: rural poverty and low education levels. Roughly 30 percent of the country’s rural population was illiterate in 2002. In the department of Cabañas, youth go to school for only 3.7 years on average; the national average is 5.5 years.²³ The pressures of a subsistence lifestyle limit many people’s critical analysis of this complicated issue or bring people to accept the industry for a lack of alternative options. “I oppose mining, but I accept the company’s help,” one interviewee said. “Who knows, maybe I will end up worse off later. But imagine! There is nobody here providing for us, and then comes Pacific Rim saying it will help us with our greatest needs.”

The results of the CAFTA arbitration process and the new FMLN administration’s position on mining are as yet unknown. Some analysts have questioned whether President-elect Funes will continue to oppose mining as obstinately as he did during his campaign once he is under pressure to govern and boost the rural economy. But the nature of the anti-mining movement is indisputably one of little compromise. During one interview in San Isidro with several leaders of the anti-mining movement, one of them squared his chair in front of mine and said, “Let me show you what negotiation means. Suppose you and I are the ones negotiating. I ask if you would rather give up your hand or your leg. What do you say? You see now. That is exactly how it is for us. We have nothing to negotiate with the mining company.” When I asked about the possibility that the government might approve mining, another leader insisted, “You don’t understand how things work here. There is the law in San Salvador and another law here. It does not matter what they say in the Assembly. There will be no mining here. We will not allow it.”

These factors ought to play a significant role in national decision-making on mining: the context of rural poverty and low education rates; the probable distribution of potential environmental, economic, and social harms and benefits; the degree of neutrality and enforcement capacity of the government; the high levels of polarization and distrust; and the uncertainty inherent in the mining industry. These are the issues that ultimately determine who wins and who loses – and who can afford to lose – from gold mining in El Salvador.

/ END

Notes

¹ Keny Lopez Piche. “No a la minería: Saca cierra puertas a explotación de metales.” *La Prensa Grafica*. 26 February 2009. <<http://www.laprensagrafica.com/index.php/economia/nacional/32-nacional/20190-no-a-la-mineriasacacierra-puertas-a-explotacion-de-metales.html>>

² Pacific Rim Mining Corp. <<http://www.pacrim-mining.com/s/Home.asp>>

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⁵ “Gold, Oil Reach Highs Amid U.S. Recession Fears” 13 March 2008. CNN World Business. <<http://www.cnn.com/2008/BUSINESS/03/13/world.markets/index.html>>

⁶ Ibid.

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¹¹ Thomas Power, “Metals Mining and Sustainable Development in Central America: An Assessment of Benefits and Costs.” Oxfam America, 2008.

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¹⁶ Manuel Enrique Hinds. Gold Mining in El Salvador: Costs and Benefits. June 2007.

¹⁷ Thomas Power, “Metals Mining and Sustainable Development in Central America: An Assessment of Benefits and Costs.” Oxfam America, 2008.

¹⁸ Minería Metalica: El Espelzunante Proyecto de Ley de Pacific Rim. 27

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¹⁹ Ibid.

²⁰ Ibid.

²¹ “Pacific Rim Files Notice of Intent to Seek CAFTA Arbitration. 9

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²² Keny Lopez Piche. “No a la minería: Saca cierra puertas a explotación de metales.” *La Prensa Grafica*. 26 February 2009. <<http://www.laprensagrafica.com/index.php/economia/nacional/32-nacional/20190-no-a-la-mineriasacacierra-puertas-a-explotacion-de-metales.html>>

²³ Programa de las Naciones Unidas para el Desarrollo (PNUD) Informe sobre Desarrollo Humano El Salvador 2003.