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Gold Fever: Global investor search for “safe haven” makes indigenous Guatemalan communities unsafe

Lyuba Zarsky

In the indigenous, western highlands of Guatemala, a rebellion is swelling against the forces of global capitalism. Well, at least against its palpable manifestation—an open pit gold and silver mine owned and operated by the Canadian company Goldcorp. The mine is seen as early warning of what could be a storm of foreign mining companies: the Guatemalan government has granted some 300 mining concessions, over 90% of them near indigenous communities. On June 18, some 12,000 [indigenous people streamed into Huehuetenango](#) to give a message to a visiting UN Special Rapporteur on Indigenous Rights: “No to mining, yes to life”.

Goldcorp inherited the Marlin mine when it acquired Glamis Gold back in 2006. Since then, Goldcorp has emerged as the industry’s “growth leader”. Its [2009 Annual Report](#) boasts a five-year average return to shareholders of 21.2%—nearly double that of its “senior” competitors.

Goldcorp is riding the wave of a bull market. Searching for a [safe haven](#)—a hedge against financial market instability—[investors are feverishly buying gold](#). Demand for gold is also being pumped by economic growth in China, mainly for jewelry and industrial uses. Already at 11% of the global gold market—the second highest in the world after India (the US is number three)—[China’s demand for gold](#) is expected to double over the next decade.

The boom in demand has surged the gold price. In December 2005, gold sold for about \$450 per ounce. By December, 2008, it had risen to \$750, and by mid June of this year, it was trading for a spot price of \$1240. Analysts predict that by the end of 2010, the [gold price will rise to \\$1500](#)—and keep on rising.

The ballooning gold price makes marginal mines—like Marlin—economically viable. Like oil, there is a [limited amount of gold](#) in the world. The easy- to- mine gold at the surface is pretty much mined out. What’s left is deeper in the ground and often—like Marlin—next to where people live. To get at the gold, companies dig big pits and use a process called “cyanide heap leaching” to separate a gold-filled sludge from dug-up waste rock. If gold companies were fully liable for the [long term legacy costs](#) of the mine—including management and monitoring of leached toxic materials like mercury, zinc, and arsenic—gold prices would have to rise a lot more to make many mines viable.

Gold production has fallen in recent years and companies are rushing to meet global demand: [Goldcorp projects 57% growth](#) in production over the next five years. While Goldcorp rejoices in its good fortune, indigenous communities surrounding the Marlin mine are shaking in their boots—and, they claim, in their [houses due to mine blasting](#). Despite Goldcorp’s assurances that the mine will bring development and no negative environmental or health impacts, the town of Sipacapa rejected the mine by over 95% in a [special self-organized “consulta”](#) in June 2005. That vote, the failure of the Guatemalan government and the mine to respect it, and continued local organizing eventually propelled the Marlin mine onto the international stage.

Guatemala is a signatory a number of international conventions on human rights: ILO 169, which asserts the rights of indigenous peoples to “free, prior and informed consultation” about development projects that affect them; the UN Declaration on the Rights of Indigenous Peoples which goes even further, assuring the right to “free, prior and informed consent”; and most importantly, as it turned out, a number of human rights declarations—including on indigenous peoples and the environment—that are part of the [Organization of American States \(OAS\)](#). However, Guatemala has enacted no domestic legislation to implement these rights.

Neither consultation nor consent have been in abundance at the Marlin mine: a [2005 assessment by the IFC](#), which bankrolled the mine to the tune of \$45 million, found that initial environmental and social impact assessments were both inadequate and not made available for public comment. [Numerous independent studies](#) have [raised concerns](#) about the failure to respect the indigenous “consultas,” as well as environmental contamination, health, and a “climate of intimidation”. In the communities of San Miguel Ixtahuacan, in which 85% of the mine is located, intense social conflict has erupted between the 900 or so mine workers and the mine “Resistencia”.

Pressed by a group of shareholders, Goldcorp itself commissioned an independent [Human Rights Impact Assessment](#). Released in May, the report found numerous human rights infringements, including the right to consultation and free association, the failure to undertake “due diligence on the potential negative social and cultural impacts of mining” and, perhaps most worrisomely, the lack of an adequate mine closure plan.

The report claims that the mine generates significant economic benefits in the form of jobs, royalties and taxes, and Goldcorp’s voluntary social investment. However, the royalty rate—set by Guatemala’s Mining Law—is only 1% of production. Moreover, the company does not publish data about salary levels or job classifications, and local authorities do not publish data on how royalty payments are spent. According to its annual report, Goldcorp’s social investment funds are meager. Studies in process, including by a team from the [Global Development and Environment Institute](#) (including this author) are currently investigating the economic costs and benefits of the mine.

A host of international organizations are weighing in. Last month, the [Inter-American Commission for Human Rights of the OAS](#) ordered the Guatemala government to suspend

operations at Marlin until health impacts on indigenous communities can be fully assessed. Earlier this month, James Anaya, the visiting [UN Rapporteur, called on the government](#) to suspend Marlin operations and grant no further mining concessions until the rights of indigenous peoples are protected in national law. Even Goldcorp's own report recommended no further expansion of mining until human rights are addressed.

So what happens next? The Guatemalan government announced on June 24 that it would comply with the OAS order and suspend operations—but not right away. The government (rightly) needs to go through administrative procedures to determine “cause” and to ensure that its actions comply with national law. Importantly, the Minister of Energy and Mining resigned and his replacement is taking a conciliatory line. Meanwhile, the mine is operating. If the government does not suspend operations, the Guatemalan lawyers who initially asked for an investigation will take the case to the Inter-American Court of Human Rights, where the case will drag on for years. The indigenous movement and its national allies, however, are growing stronger and are not about to back down on Marlin or the larger plans for mining in Guatemala. The last time that indigenous people in Guatemala mobilized for their rights, the government cracked down with a brutal and bloody repression. This time, the international human rights apparatus has been harnessed to their cause and expectations of global business have changed. Who will blink?