

So Much Gold, but Andean Farmers See Big Risks, Too

The New York Times
July 30, 2006

ALTO DEL CARMEN, [Chile](#) — There is gold in these hills — at least \$11.5 billion worth at last count, in a wind-swept area studded with glaciers, more than 15,000 feet up in the Andes. The world's biggest gold company wants to mine it, but is finding that a harsh terrain is not the only obstacle in its path.

Though the Chilean government has tentatively approved the \$1.5 billion mining project, called Pascua-Lama, opposition here in Huasco Province is intense and growing.

Local environmental and civic groups contend that the proposed mine will allow the Barrick Gold Corporation of [Canada](#), which has recently become the world's largest gold company, to harm the local water supply, destroy agriculture and walk away without paying taxes or royalties.

“As residents of the Huasco Valley, our interest is maintaining a permanent ecological balance so that people and farming can develop and prosper,” said Mauricio Ríos, president of the Committee for the Defense of the Huasco Valley, a civic group in Vallenar, the provincial capital. “Barrick wants to make as much money as possible in 20 years and then leave,” he added. “So what do we gain? They say they are going to create jobs, but at what cost?”

Barrick has responded by emphasizing that it has taken steps beyond those required under Chilean law to ensure that the environment is not damaged and the water supply is protected. It says the mine will bring jobs and development.

“It still puzzles me why there is so much controversy,” said Ron Kettles, the Pascua-Lama project manager. “This is far and away the safest and most environmentally sensitive project that I’ve ever built in 40 years in this business.”

At a time when the price of gold has risen sharply — it has more than doubled in less than five years, and is now at \$635 an ounce — the stakes for Barrick are enormous. In a 2004 legal filing in Canada, the company says that Pascua-Lama, which also contains silver deposits worth an estimated \$7.5 billion and some copper, represents “approximately 25 percent of Barrick’s worldwide gold reserves.”

But the stakes are just as high for local people, who will be here long after the mine closes and who depend on agriculture and runoff from the highlands for drinking water and irrigation in an otherwise parched region.

Home to 70,000 people, the Huasco Valley is a narrow ribbon of green that flows from the Andes west to the Pacific Ocean, just south of the world’s driest desert, the Atacama. Thanks to skillful irrigation, local farmers, including some who belong to the Diaguita indigenous group, have become successful exporters of grapes, avocados, olives, guavas and even mangoes to the United States, Japan and Europe.

What Barrick proposes is to carve a huge canyon, about a mile wide and about 2,000 feet deep, at the Pascua-Lama mine, which stretches over the border into Argentina. The ore would then be crushed and milled and the gold extracted using chemicals that include cyanide. Environmental groups and farmers have expressed concerns that the operations will end up tainting and diverting the local water supply.

“What the government is doing doesn’t make any sense,” said David Martínez Campillay, who has a small grape farm in the community of Chinguito near here. “Chile used to be known only as a mining country,” he added, “and so we were encouraged to branch into new areas of agriculture so that our country could export different products, like fruit. We did that, and now what does the government do? It favors a project that is only going to be here 20 years.”

Barrick complains that its opponents are using scare tactics to mobilize the local population. It says the project will include safety measures like channels to divert water away from acidic waste rock and the construction of 34 stations to monitor water quality.

“Cyanide is used in all kinds of industrial applications worldwide and needs to be transported, handled and managed in a safe and responsible manner,” Vincent Borg, a Barrick spokesman, said in a telephone interview from the company’s headquarters in Toronto. “Barrick has an exemplary record and has never had any major incidents involving cyanide.”

In an earlier version of its plan, Barrick proposed moving three glaciers near the mine by chopping them up and hauling the ice and snow to another site. Environmental and civic groups kicked up a storm, arguing that moving the glaciers would deprive the region of a source of drinking water and otherwise damage the environment.



A proposed mine near Alto del Carmen would cost \$1.5 billion.

The government acceded to their request to let the glaciers alone. But the mine’s opponents still say they fear that dust from blasting, excavation and other work at the pit will land on the glaciers and speed their melting.

Barrick officials question whether the ice can be called glaciers at all. “These ice fields — or glaciers or glaciarets or ice reservoirs, or whatever you choose to call them — are naturally dusty and because of [global warming](#) have been receding for years,” Mr. Borg said. He said the company’s studies showed that the mine would have “minimal impact on any acceleration” of the melting.

Environmental concerns are not the only issues, however. Under regulations that date to the last days of the Pinochet dictatorship and were liberalized after the return of democracy in 1990, gold, silver and copper mines in Chile are effectively exempted from most taxes and royalties. That enrages many of the project's opponents and has recently become the subject of a heated national debate.

“As Chilean farmers, we are subsidizing a multinational mining company that makes billions of dollars,” said Natanael Vivanco, who was a miner before becoming a grape grower in Chinguito. “We pay taxes, a lot of them, and our government uses that money to make things easier for a foreign company that doesn't pay a dollar to Chile.”

The Ministry of Mines and Energy declined a request for an interview to discuss Pascua-Lama and tax and royalty policy for foreign-owned mines, as did the government's Foreign Investment Commission. But Julián Alcayaga, an economist and former congressional aide who specializes in mining issues, said that over the last decade, fewer than five foreign-owned mining projects have paid any taxes or royalties to the Chilean government.

And even with the government approval it obtained in February, Barrick still faces legal obstacles. In June, a Chilean court ruled that a contract in which Rodolfo Villar, a Chilean mining engineer, ceded his claims to 21,000 acres surrounding Pascua-Lama was invalid because Barrick paid Mr. Villar only \$10 while giving his lawyer \$650,000 for a much smaller area.

Mr. Borg said the company viewed the Villar case as “a nuisance suit” that will be resolved in Barrick's favor on appeal. But Mr. Villar's lawyer, Hernán Montealegre, described the case as “a David versus Goliath” struggle in which a corporate giant has been caught cheating.

“For having deceived this man, Barrick is going to have to pay a high price,” Mr. Montealegre said in an interview in Santiago. “They are going to have to negotiate with us, and our floor price is at least \$100 million.”

Barrick has sought to blunt complaints about its windfall strike here by establishing itself as a good corporate citizen, donating ambulances and other equipment to local governments and community groups in the Huasco Valley.

The company has also set up a job training program that more than 3,000 people have attended, and it says the project will purchase \$250 million in goods and services from local merchants.

But the steps seem to merely irritate the project's opponents even further. "You know how you give a piece of candy to a noisy child to shut it up?" asked Enrique Gaytán Arcos, a municipal council member here. "Well, that's what they are trying to do to us."