

USESSC Fact Sheet: Mining in El Salvador

The State of Mining in El Salvador:

- According to Salvadoran Mining Law a company must obtain both an exploration and exploitation permit in order to open a mine in El Salvador.
- There are currently 29 active exploration permits.
- There are no active exploitation permits. If all the exploitation permits solicited were issued they would be equivalent to 15% of El Salvador's national territory.
- The 29 exploration permits are for areas in the Northern region of El Salvador, which is the source of the Lempa River. The Lempa River provides 3 million people with drinking water in El Salvador, over 50% of the population.

Mining is Damaging to the Environment and Human Health:

- El Salvador has the highest population density in the Americas. The total territory of the country is only about 21,000 km².
- The average mine, like the El Dorado mine proposed in Cabañas, uses about 90,000 liters an hour, which is equivalent to what a typical Salvadoran family would consume in 20 years. El Salvador has the second highest water shortage index in the Americas.
- The average mine uses 40 tons of cyanide a day in the mineral extraction process.
- The infant mortality rates around the Valle de Siria mine in Honduras are 12 times higher than normal rates in Honduras, and 50% of the surrounding population has developed skin rashes or legions.
- Heavy metals already in the soil, such as arsenic, lead, selenium, and cadmium, would be released during the mining process
- To this day there are still effects and acid run off from the mines built by the Romans in France and Spain.
- There must be two tons of soil removed from the earth to produce one ounce of gold (the equivalent of one ring).

Mining Does Not Bring Economic Development for Communities:

- If all the proposed mining projects were approved they would create about 13,800 jobs which are equal to about only 3% of the economically active population. Of those jobs, the majority of them would be manual labor that would only last during the mine's construction. The remaining longer-term jobs are skilled technical labor that would most likely be given to technicians brought in from outside the region.
- Also, the mining companies are estimating \$9.8 billion in profits if all the projects are approved. According to Salvadoran law they would only be obligated to leave 3% of those profits in El Salvador.
- The estimated life of the Pacific Rim mine is only 6 years.
- 80% of gold is used for jewelry, 15% is used for electronics, and 5% is used for medical reasons.
- The price of gold has sky-rocketed in recent years with the economic crisis. In 2000 an ounce of gold was worth \$282. Currently it is at about \$1,200 and projected to reach \$1,500.

Mining Has Caused Social Conflict in Communities

- Pacific Rim has paid for scholarships, patron saint festivals, school reparations, and health brigades in communities to try and sway public opinion around mining. They have actively

targeted communities not directly affect by mining in order to convince them to put pressure on communities that would be affected.

- Dozens of mining opponents have received death threats in 2009 and 2010 including environmental activists, priests, and local radio journalists.
- There have been three anti-mining activists murdered in Cabañas to date, one of whom was 8 months pregnant at the time she was killed.
- The man accused of assaulting Ramiro Rivera in August of 2009, Oscar Menjivar, was found absolved of all charges in a trial in March of 2010. People who attended the trial noted serious irregularities in the process. Menjivar, known by his neighbors to have limited financial resources, was represented by a team of lawyers from El Salvador's four most prestigious law firms – raising the question of who was financing his defense. Witnesses also report that one of the tribunal judges slept through a significant portion of the trial. According to the Rivera family's lawyer, the tribunal recognized that there was significant evidence pointing to Menjivar's guilt, but it ruled "not guilty" because the principal eyewitness – Rivera himself, murdered last December – was not present to testify against Menjivar.
- By observing cases of mining conflict in Mexico, Guatemala and Ecuador it is apparent that mining companies create conflict in communities with their presence and by trying to influence the population. That conflict often leads to violence among community members, which provide the companies with the perfect excuse in saying that they have nothing to do with the violence

There has been Massive Resistance to Mining in El Salvador:

- The communities affected by mining and Salvadoran NGO's opposed to mining have formed the Mesa Nacional Frente la Minería in 2005.
- In 2007, the Catholic Bishops' Conference of El Salvador made a public statement expressing its concern for the environment and communities that would be affected by mining. Both the past Archbishop of El Salvador Fernando Saenz Lacalle and José Luis Escobar Alas have come out against mining (in February of 2008 and February of 2009, respectively).
- In October 2007, the Institute for Public Opinion of the Central American University "José Simeón Cañas" conducted a public opinion poll that found that 62.5% of those surveyed considering El Salvador as an inappropriate country for mining.
- Ex-President Antonio Elias Saca said he would rather pay the \$77 million dollars to Pacific Rim in their suit against the government of El Salvador than allow mining in December of 2008.
- Current President Mauricio Funes stated in January of 2010 that he would not allow mining while he was President and he would support anti-mining legislation.

There Are Currently Two Cases of Mining Companies Suing the Salvadoran Government

- Pacific Rim Cayman LLC is suing the Salvadoran government for \$77 million dollars for violating investor's rights. They have presented their preliminary arguments and the first hearing is scheduled for May 31st.
- Commerce Group Corp and San Sebastian Gold Mines Inc. filed a Notice of Intent to sue the Salvadoran Government on March 16th, 2009 (the day after Mauricio Funes was elected President).
- Both companies are basing their arguments in Chapter 10 of the Central American Free Trade Agreement. Chapter 10 was written to protect foreign investors rights and includes clauses that protect investors if they have been authorized to invest by the government and

are not allowed to (Art 10.16) and protect the right to sue for a loss of projected profits (Art 10.28)

- According to Salvadoran law, in order to be issued and exploitation permit a mining company must submit a description of the area of the concession, license of ownership or authorization to use the land the mine would be built on, an Environmental Impact Study, a Feasibility Study and a five year Development Plan. To date, Pacific Rim can not prove ownership of the land nor has it presented the Feasibility Study.
- Both cases will be tried in the International Centre for Settlement of Investment Disputes (ICSID), which is a branch of the World Bank.
- The last ICSID Secretary General, Roberto Dañino Zapata, is currently the Executive Director and Vice-President of Hochschild Mining PLC, a company with mining exploration or exploitation operations in Peru, Argentina, Mexico, Canada, and Chile. The current Secretary General is Meg Kinnear, was until recently a lawyer for the Canadian Trade Law Bureau, a body that counsels the Canadian government on matters of international trade. 60% of all mining companies are registered in Canada.
- Pacific Rim is using a Nevada based subsidiary started in 2007 that hasn't been active since 2008 to file the suit against because the company's main headquarters are located in Vancouver and Canada is not included in the Central American Free Trade Agreement (CAFTA).
- Out of all the cases currently being tried in the ICSID 25% or 32 cases are related to extractive industries (oil, gas and mining). Latin American governments make up 9% of the 155 ICSID members but are facing over 77 cases (55% of the total cases). They are also facing 66% of all the extractive industry cases.
- In 2001 the U.S. based company Betchel sued the Bolivian government for \$25 million claiming the government unfairly canceled their water contract for Bolivia's third largest city, Cochabamba. Because of public pressure on the company and specifically the President of Betchel the case was settled for \$1. The president of Betchel is reported to have told the company lawyers to "make [the public campaign] go away."

Mining in Guatemala and Honduras Will Affect El Salvador

- There are currently 13 proposed mining projects along the El Salvador/Guatemala border and 42 along the El Salvador/Honduras border.
- The Cerro Blanco mine which is about to begin construction, owned by Entre Mares a subsidiary of Goldcorp, is only 10 km from the Salvadoran border. If allowed the mine would contaminate the Lago Guija which is the source of the Lempa River. The Guatemalan government has already given the company an extraction permit for 25 years, even though the mine is in an area in which any project needs approval from the Salvadoran, Guatemalan, and Honduran governments.

U.S. and Canadian Solidarity Supports El Salvador's Anti-Mining Movement

- A broad based alliance has formed among dozens of solidarity, human rights, environmental, faith and trade organizations from the U.S. and Canada to support the Salvadoran anti-mining movement.
- This alliance has organized protests, hundreds of phone calls to Pacific Rim and Salvadoran and U.S. officials, organizational sign on letters, Congressional letters, and media campaigns about Pacific Rim's activities in El Salvador.
- There is currently a bill in the Canadian parliament (C-300) which would attempt to force the Canadian government to regulate the activities of Canadian mining companies.