



UPDATE EXTRA

BULLETIN OF THE PERU SUPPORT GROUP

Mining in Peru

The aims of the PSG are to promote the rights and interests of the people of Peru and in particular the poorest sectors.

Mining and Poverty

Over the last decade, Latin America has emerged as the world's leading destination for mining investment. Peru alone has nearly doubled its mineral export earnings during the last 5 years, now worth approximately \$6.77 billion - an increase of 44% from 2003. Peru is also the world's biggest silver producer, the largest gold producer in Latin America, and second only to China as the world's main producer of zinc. The potential for mining to contribute to Peru's development and alleviate poverty is clear. However, translating Peru's mineral wealth into human development raises major challenges for governments, mining companies and communities. How to manage this wealth effectively and ensure the equitable distribution of the impacts and benefits of mining?

In an era dominated by concerns about the environment and climate change, developing new strategies to improve mining industry performance and its contribution to sustainable development is a global affair. Ultimately, of course, mining is a non-sustainable activity, and will last only as long as there is raw material in the ground. Also, history shows how volatile an industry mining is. Although prices are generally high at present, there is no guarantee that they will stay that way. The volatility of Peru's economy is a direct reflection of this. But assuming that mining will continue to be a major part of the Peruvian economy, NGOs,

academia, civil society, industry and trade union representatives, environmentalists, international financial institutions, governments and inter-governmental organisations all have a vital role in defining the standards expected of industry and ensuring these are met. But the complexity of the debate plus the difficulty of reconciling different stakeholder interests, means that developing a consensus will be no easy matter.

“The potential for mining to contribute to Peru's development and alleviate poverty is clear. However, translating Peru's mineral wealth into human development raises major challenges”

It is hard to dispute the evidence of neglect, poor accountability and damaging social and environmental legacies that have undermined public trust in mining in Peru. However, evidence is beginning to emerge of the outlines of a new relationship between mining companies, governments and civil society. This is no mean feat. If mining can achieve its economic goals with environmental and social integrity, it could augur a new political ethos. Mining could also serve as a model for reform in other extractive industries, including oil, gas and forestry which have caused so much turmoil elsewhere in Latin America. The key will be in whether there is the political will to make this happen.

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“Finding a way to enhance the sector's development potential while enabling communities to use their country's natural resources and mineral wealth to create jobs and infrastructure in ways that protect the environment, is an overriding national goal”

The ability to extract raw materials from the earth is essential to our 21st century lifestyles and the needs of our societies and economies. Mineral resources are necessary for manufacturing goods, constructing buildings and also providing our homes with power, heating and lighting. Other mineral deposits have a high cultural value according to their perceived beauty or scarcity.

The key challenges confronting the sector today are how best to manage society's need for minerals, integrate the demands of mining and economic development with environmental and social concerns, and build effective governance mechanisms. This bulletin presents an analysis of these topics as they affect Peru, and makes some policy recommendations on the basis of this analysis.

Some five hundred years ago the Inca Emperor Atahualpa offered the Spanish 'conquistadors' a room full of gold and two filled with silver in exchange for his life. Today, Peru's mineral exports account for more than half of all Peruvian exports and the sector makes up 6% of the country's gross national product (GNP). The mining and minerals sector continues to provide the country with a necessary and vital means of existence in a competitive world economy. It also has the potential to make an important contribution in the fight against poverty.

Finding a way to enhance the sector's development potential, while enabling communities to use their country's natural resources and mineral wealth to create jobs and infrastructure in ways that protect the environment, is an overriding national goal. But it is one that continues to court controversy.

Disputes and social tension have arisen over the material damage - losses to people's homes, land, access to livelihoods, as well as, environmental and cultural degradation - caused. The unequal distribution of costs and benefits between the local and national level is also a critical flashpoint. Usually communities see little of the revenues or other benefits generated from mining operations, and this fuels resistance and opposition to mining activities. Lack of transparency, abuse and corruption have added to this climate of mistrust. Many have come to the conclusion that mining is harmful and damaging.

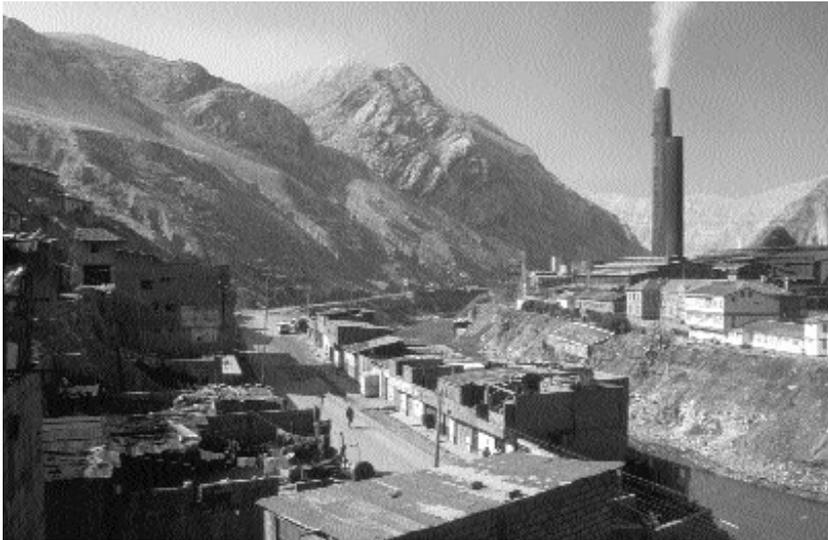
To mine or not to mine - what are the true costs and benefits of mining? Who are the real winners and losers? This edition of the PSG Update Extra looks at the contemporary 'gold rush', its social and environmental impact, and the opportunities and challenges posed by mining.

“To mine or not to mine - what are the true costs and benefits of mining?”



Communities living in close proximity to large scale mines

A country of huge natural resources



Mines often operate alongside a village or town, transforming the landscape and putting additional strain on scarce water-supplies

"Peru's natural and cultural diversity, coupled with its great agricultural potential, make it one of the world's most beautiful and awe-inspiring countries"

Peru is a country rich in natural resources with an overwhelming variety of flora and fauna. It has a tenth of the planet's mammal species and a fifth of all known birds. There are 50,000 plant species, numerous species of fish and reptiles inhabiting different geographical and climatic environments, which make up 84 of the 104 known bio-systems in the world. This natural and cultural diversity makes Peru a beautiful and awe-inspiring country. What's more, hidden under its soil is one of the world's most prized reserves of gold, silver, zinc, iron and copper.

Since colonial times, Peru's economy has relied on mining to generate hard currency. With world prices high and new mining operations coming on stream, this reliance on mining has increased in recent years. More than half of the country's exports are derived from mining activities, and Peru needs this to service its large foreign debt. However, the mining sector is subject to highly volatile international prices over which Peru has no control. Also, modern mining is highly capital-intensive. It generates little employment, and its development spin-offs on other sectors are very limited.

In recent years, there has been a rush on the part of large world mining companies to invest in Peru. In part, this is because for years there had been little by way of investment in the modern technologies that had transformed the

mining business. The Fujimori government (1990-2000) did much to encourage investment.

It privatized the state companies that had dominated mining since the 1970s and changed the mining code to attract foreign companies. The Constitution was amended in 1993 to provide competitive guarantees for investors and offer them tax breaks. Although mining is now an important source of government income, companies extract far more in profits than they contribute in local taxes.

Under Fujimori then, Peru became one of the most attractive open markets in Latin America. An unprecedented number of mining permits or concessions were given to mining companies granting them rights of access to Peru's mineral wealth. Mining became a key development priority, helping the government pay for imports and service the debt. Today, mining export is worth an estimated \$3.5 billion each year.

At the same time, the laws governing land use, rights and ownership and environmental management have been reformed. Proponents stress how the liberalisation of the mining sector has contributed to Peru's economic growth, while critics argue that this growth has done little to benefit local communities; rather it has been at their expense.

"Mining became a key development priority and grew to be the country's largest export sector"

Mining regulations



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This map shows the location of mining activity throughout Peru

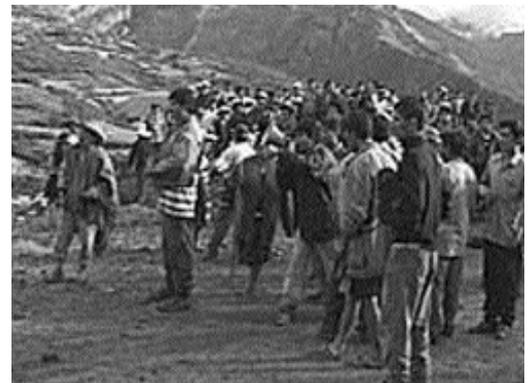
"the holder of a mining concession is usually granted permission to land use on the surface, regardless of pre-existing land rights"

The Ministry of Energy and Mines (MEM) is the government entity in charge of regulating mining activities in areas as diverse as taxation, labour and the environment. Both the MEM and the World Bank, which has supported and financed mining investments across Latin America, argue strongly that extractive industries can help alleviate poverty through economic growth. In its 'Plan Referencial 2000-2009', MEM says that Peru is committed to promoting future mining and mineral investment and accepts its responsibility in protecting local communities where mining activities take place, as well as minimising adverse environmental impacts.

Mining companies and government therefore believe that investment will bring development and that this will ultimately benefit local communities through improved economic growth, increased tax revenue, employment opportunities, new infrastructure, better public services and improved technology transfer. MEM states that 58% of goods and services used by the mining industry were contracted locally at an approximate value of US\$800 million a year. Critics of mining activities however, dispute the accuracy of these assess-

ments and cite the costs involved and the losses suffered by communities. They say that the promised job gains often do not materialise and when they do they are either temporary or inaccessible to local people. According to a recent Christian Aid report, 'Unearthing the Truth', unemployment is increasing in Peru. In 1999, 12.6% of young people were unemployed; in 2002 this figure rose to 15%. Mining is a highly - and increasingly - specialised and technically complex undertaking, that tends to take place in isolated areas cut off from other parts of the economy and requires a labour force that is highly skilled. The absence of technical expertise means that few jobs go to local people.

Job creation therefore depends on skills training. At the large Escondida mine in Chile, a specialist training centre has been established, enabling hundreds of workers to benefit from its skills development programme. Raising educational standards and building local workforce capacity can be accomplished through company training programmes, and it is possible to extend these benefits through the local community providing a source of income and employment. But this requires planning, design and the implementation of alternative development strategies to support local communities beyond the immediate life-span of a mine. As well as the transfer of skills, consideration has to be paid to building capacities that will help people have livelihoods once mining operations come to an end. This involves working on gender and cultural issues in ways that bring together mining companies, governments, communities, NGOs and other stakeholders. Such efforts are conspicuous by their absence in most of Peru.



Residents of Choropampa protesting after a mining accident where mercury was spilled onto their land

Land Law

Mining unavoidably conflicts with other land uses. The issue of how land is used and who makes decisions regarding that use affects a wide number of interested parties and is often contentious. In Peru, the government has exclusive control and ownership of the country's subsurface resources, while the surface may be owned privately or communally. To extract mineral deposits, a mining company must gain legal access to the surface property as well. In practice, the holder of a mining concession is usually granted permission to land use on the surface, regardless of pre-existing land rights.

Peru's 1979 Constitution legislated for the protection of peasant (campesino) and indigenous land rights in such a way that it prevented land from being transferred to third parties. Fujimori's 1993 Constitution paved the way for new legislation allowing third party access to surface land rights. In 1995, a new Land Law (Ley de Tierras) liberalised indigenous and campesino land rights, allowing these to be bought and sold on the open market. In practice, this effectively granted mining companies

Environmental Hazards

Large-scale mining operations generate large volumes of waste. A key environmental consideration is how to minimise the harmful impact of such waste. In the past, little consideration has been given to land that is left infertile and unproductive or the implications this may have for people living close to a mine site long after it has been closed. The problem of waste is related to the contamination of rivers, lakes and lagoons. Pollution of both water and soil is associated with the tailings - the left-over rock waste from which minerals have been extracted using chemical reagents. Telling cases of such contamination have been found in the Mantaro, Acari, Locumba, Cañete and Moche river basins. Every year, 45 million cubic meters of tailings are poured into the Mantaro making it the most polluted river in the country. Contaminated water reduces fish stocks, kills or destroys animals and livestock (depriving local people of a vital food source and damaging their local economy), and has immediate impact on human health.

Mining generally takes place in arid regions where water is scarce. This can create conflict and social tension between communities and mining companies over the use of land and water resources. The Peruvian government tried to address this problem through a five-year Environmental Adaptation and Management Programme (PAMA), between 1997 and 2002. The results were less than satisfactory.

Mining can also cause environmental health problems, for example dust pollution that contributes to respiratory diseases. In La Oroya, a town in the central highlands with a large smelter, the effects of air and water pollution have been identified in the blood samples of children. In fact, the area surrounding La Oroya has been designated as one of the most contaminated regions in Peru. According to Christian Aid, the average level of lead in the blood of children was over four times the World Health Organisation (WHO) recommended levels, meaning that they are suffering from advanced lead poisoning.

Managing the mining environment is therefore an essential public concern. Legislation and guidelines for best practice need to be established to address these environmental and social issues. Such norms need to be established on the basis of consultations between all stakeholders. The mining industry needs to review its practices and invest in new technologies to improve its disposal practices, and should also support the commissioning and independent monitoring and verification of environmental and socio-economic impact assessments.

unreserved land access supported by a policy of 'easement'. Easement means that land is never actually transferred to the mining company and is eventually returned to the owner, however no provision is made for the rehabilitation or the condition in which the land is returned, or the opportunity cost to the landowner of not being able to work the land in the meantime.

These sorts of disputes over land ownership, rights, entitlements and responsibilities have to be seen in the context of power relations between the local and national. Communities may regard land use as a local issue but the concession to mine is usually granted by central government authority. Often, this is unaccountable and resistant to any local participation or consultation. Concessions involve terms regarding displacement, resettlement and compensation of affected parties. Such issues raise a number of questions over the quality, access and effectiveness of legal and administrative mechanisms available to communities, and the principles that should govern negotiations between companies and local landowners who lack the capacity to defend their interests through legal channels.

The role of government is therefore critical though usually deficient. This means that mining companies may have to take the lead in establishing proper norms of conduct in their dealings with communities. These should be transparent and above-board. Ultimately, it means respecting a community's right to say 'no' to mining if they do not wish it to take place. In practice, this is not what usually happens.

A community leader who has campaigned against a mining concession being granted on his communities land



The social impact of mining

Small-scale mining

“the social, environmental and economic impacts of small scale mining are great”

Artisanal or small-scale mining is an activity carried out by millions of people worldwide, predominantly in developing countries. The vast majority of small-scale miners are poor. They rely on simple tools and equipment to provide them with a basic livelihood. Such mining activity is outside the formal economy and is unregulated. For people living in rural areas, it may be their only source of income. Annual gold production in Peru by small-scale miners is estimated to be worth \$250 million and is also believed to employ 25,000 - 50,000 families. But the social, environmental and economic impacts of this sort of mining are great. Concern over issues such as child labour, health and safety, environmental damage and the empowerment of women have gained the attention of governments, intergovernmental agencies and NGOs.

In some cases, these miners work seams that have been abandoned by larger enterprises. Often the work is highly dangerous and people suffer the effects of pollution. In Mollehuaca in the Nasca-Orona zone in southern Peru, for example, working conditions are appalling, and the district lacks health services, electricity or piped water supply. An ILO report published in 2000 tells of child labour in the Mollehuaca zone, and estimates that 104 children aged between 7 and 17 worked in small-scale mining. A key concern was the methods used by artisanal miners to recover and purify gold by use of mercury. There are clear health risks associated through exposure to mercury and other chemicals. The ILO report shows that working children had a below-average intellectual ability and impaired physical capacities. The majority had barely completed primary education, and there was no secondary school in Mollehuaca.

Peruvian mining legislation does not cover such small-scale mining, but Article 23 of the 1993 Constitution protects child labour. In 1999, the ILO passed Convention 182 on the 'Worst Forms of Child Labour' including mining. This was ratified by Peru in 2001. Eliminating child labour in mining and improving working conditions for adults will require a coordinated and collaborative approach between international and national industry and civil society actors. Clearly the government has a key role to play, despite shortcomings to do so in the past. Attempts to ban the use of mercury or shut down such mining operations have generally failed. But there have been some success stories. An ILO supported programme run by the Peruvian NGO Cooperación on the southern coast of Peru in the artisanal gold-mining community of Santa Filomena has been successful in using community-based initiatives to achieve the withdrawal of child labour from mining.

“Eliminating child labour in mining and improving working conditions for adults will require a coordinated and collaborative approach”



This is a multi-award winning chronicle of a heroic peasant village and their struggle for justice against the world's largest gold mining corporation. When a devastating mercury spill occurs, the intrepid young mayor unites his previously peaceful village into a bastion of civil resistance. Spanning two years, the film charts their unfaltering determination in the face of powerful opposition. Both shocking archive material and the cinema vérité approach combine revealing what can be termed the true 'price of gold'.

There will be a PSG screening of this film with a talk by the director on May 20th, for more info call the PSG office.

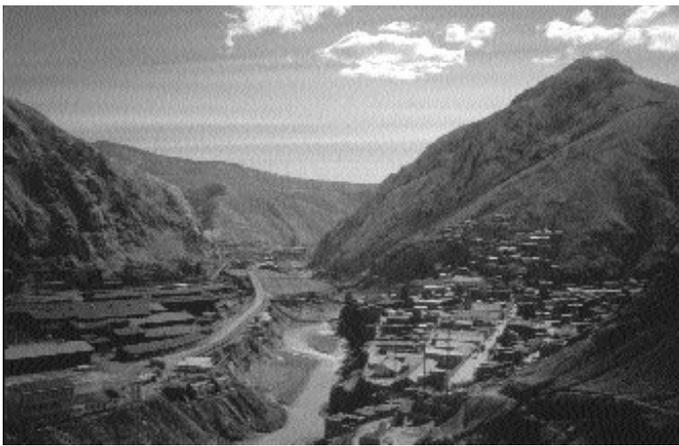
To find out more and to order a copy of the film go to www.guarango.org

The Social Impact of mining

Since the beginning of the 1990s, the area of Peru dedicated to mining activities has increased substantially. They cover more than 12% of Peru's national territory. According to CONACAMI, an organization that seeks to defend the interests of peasant communities affected by mining, these now total 2,978. Of these, 348 are currently impacted by active mining operations.

The way in which mining has been conducted in the past has led to a deep mistrust between communities, mines and mining companies. More often than not, communities have suffered major disruption to their livelihoods. For indigenous and traditional communities, it is difficult to cope with large invasive industrial operations, as well as an influx of outsiders. Mining can have particularly damaging effects on indigenous communities. Mining companies may be unaware of, or choose to

The social impact of mining



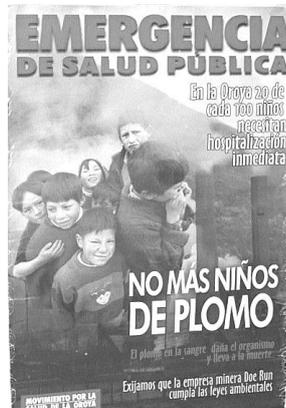
The mine is located directly above the river, and local water supply

ignore, traditional decision-making bodies, negotiating with individuals who do not have the trust or support of their community. Some communities may welcome the development potential that mining offers, but others may flatly reject it. Governments and mining companies need to demonstrate more awareness and respect for indigenous peoples, their land rights, traditions, customs, social networks and indigenous knowledge.

Mining can also lead to gambling, prostitution, HIV/AIDS, alcoholism, family break-

down, domestic violence and crime. Better planning of how mining can best support and mitigate for the worst social impacts should be central to any mining project. Community participation is essential to ensure that local concerns are heard and dealt with, and that they have a voice in determining changes that will affect their lives. Exercising control over their future is critical to the survival of indigenous communities.

“Better planning of how mining can best support and mitigate for the worst social impacts should be central to any mining project”



Campaign poster: “Public health emergency. In la Oroya 20 in every 100 children need immediate hospitalisation. “No more children of lead”

CASE STUDY 1: Antamina

Along with the Tintaya copper mine, BHP Billiton owns the seventh largest copper mine and third largest zinc mine in the world, Compañía Minera Antamina (CMA). Antamina is the largest project ever undertaken in Peru. Opened in November 2001, in the department of Ancash, the project plans to be operational for at least 21 years. According to its mission statement, it has complied with environmental and social responsibility, not only increasing Peru's GDP by 1.4% but by implementing reforestation and community development programmes. CMA has invested US\$16 million in social programmes, the largest amount ever invested in poverty alleviation by a private company in Peru, but are criticized for failing fully to make good on its social and environmental responsibilities.

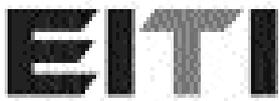
The local residents of the fishing village of Huarmey began protesting in 2001 that the transshipment of minerals through a pipeline to the Pacific would contaminate their land. Two years later, 150 men, women and young chil-

dren, developed symptoms related to intoxication, such as nose bleeds, headaches and fainting fits. An attempt to enter into a round table debate on the issue failed when the Antamina Mining Company did not take part. The population of Huarmey argues their rivers and water reserves have been contaminated and that communities whose land had been bought by the mining company faced relocation. Tintaya, a mine in southern Peru that is also owned by BHP-Billiton, has raised similar concerns about corporate social responsibility towards the members of communities affected by their activities (see below).

In December 2004 the British Embassy in Lima held a seminar entitled "Mining in Peru: Challenges and Opportunities". It concluded that while mining investment is essential for the country's development there is also a need for transparency, proper distribution of revenues, government involvement in all aspects of the industry, sustainability and communication between foreign corporations and local communities.

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UK mineral investment in Peru



Extractive Industries Transparency Initiative

The United Kingdom's total investment in mineral activities in Peru amounted to US\$800 million in 2002, which accounted for 47% of total foreign investment in the country. With the opening of Anatamina, this has increased substantially. Mining products comprise more than 90% of UK imports from Peru. The UK's investment in the extractive industry in Peru grew considerably in the 1990s during the era of structural adjustment reforms that liberalised the Peruvian economy and led to increased exploitation of its natural resources. These investments include non-UK companies registered as overseas territories of the UK, such as Canadian, Japanese and American corporations. The list (left) refers to the joint ventures of UK companies investing in Peru:

- ◊Anglo American (South Africa / UK)
- ◊Anglo Gold (South Africa/UK)
- ◊BHP Billiton (Australia / UK)
- ◊Rio Tinto Zinc (UK)
- ◊Monterrico Metals (UK)

Responding to demands from local communities and increasing concerns among the international community, the UK Department for International Development (DFID) launched an Extractive Industries Transparency Initiative (EITI) at the World Summit on Sustainable Development, in Johannesburg, 2002. This is a multi-sector initiative, bringing together people from governments, international organisations, companies, NGOs, investors, and business and industrial organisations. The initiative "aims to ensure that the revenues from extractive industries contribute to sustainable development and poverty reduction" by "increasing transparency over payments and revenues in the extractives sector in

countries heavily dependent on these resources". Those taking part had to sign up to a set of principals, stating that mineral resources must be managed for the benefit of the country's citizens and accepting that if natural resources are not managed correctly, they can have negative economic and social effects. Hilary Benn, UK Secretary of State for International Development, said of the initiative: "Through our collective resolve the work of EITI will continue, ensuring that the wealth of natural resources in developing countries is well accounted for, and helps to drive the reduction of poverty."

Of the above companies, Anglo American and Rio Tinto are participants in the initiative Newmont Mining, a major US investor in Peruvian mining, are also involved, as are the IMF and the World Bank. The next conference is taking place as we publish this report, in March 2005.

The International Council on Mining Minerals (ICMM), based in the UK, also has a 'vision'. It demands "A viable mining, minerals and metals industry that is widely recognised as essential for modern living and a key contributor to sustainable development". Anglo American, BHP Billiton, AngloGold, Rio Tinto, as well as Newmont Mining are members of the ICMM.

The PSG urges companies to participate in such initiatives and encourages DFID to ensure that initiatives have a real impact.

CASE STUDY 2 Tintaya

The Tintaya Marquiri community was left with virtually no land following government expropriation and the sale of the land to BHP Billiton. In 1999, the Peruvian NGO, Cooperación, following a request from the Espinar community, revealed how both the Tintaya Marquiri and Alto Huancané communities had not been consulted prior to the sale, a violation of the Land Law. The community was not only pressured to sell, but their approval was questionable.

Tintaya has given rise to significant problems of pollution. An environmental evaluation has shown up high levels of pollution in the water sources and soil, to the detriment of pasture and agricultural land and plant life. In spite of efforts made by the mining corporation to be socially responsible towards communities affected by their activities, little has been done for the Espinar community, which has gone from being classified as 'poor' to 'extremely poor'.

The Tintaya case was passed on to the Australian NGO, 'Community Aid Abroad'. With Cooperación, CONACAMI, and Oxfam America they decided to work together, seeking to open a dialogue roundtable among those involved. After two years of negotiations, in December 2004, representatives of the communities affected by Tintaya, signed an unprecedented agreement with BHP Billiton. The company agreed to the complaints about the land seizures and human rights violations. It decided not to proceed with further mining activities that would affect local communities. It has also agreed to a transfer of an equal amount of the land previously lost to five local communities affected (approximately 7,000 hectares). The communities will receive homes with water tanks, seeds for pasture, access roads and technical assistance for 2-3 years to help them restore their farming activities. The agreement will directly benefit 3,200 people and more than 64,400 inhabitants in the Espinar province. This example should set a precedent for future successful bargaining with mining companies.

CASE STUDY 3 - Tambogrande



The town of Tambogrande, in Piura in northern Peru, has a population of around 16,000. It is the centre for one of the major and more profitable agricultural areas of the country, producing significant crops of mangoes, lemons, rice and corn. In 1949, the World Bank, USAID and the Peruvian government began a series of irrigation programmes transforming the area into a prosperous producer. According to Christian Aid, agricultural activity in the Tambogrande region employs around 15,000 workers, producing 20% of Peru's lemons and 38% of its mangoes. These generate some US\$20 million a year in export earnings.

Manhattan Minerals, a Canadian mining company, discovered significant amounts of gold, copper and zinc beneath the town of Tambogrande. The mining project they proposed would have operated adjacent to homes for at least 20 to 30 years, and would require the relocation of some 8,000 people. This is an arid region, and the mine and its operational activities would have consumed high levels of water exacerbating shortages. The people of Tambogrande were not consulted prior to the company beginning exploration of the area. The community objected on the basis that the project would damage the environment and hit agricultural production. For its part, Manhattan believed that both agriculture and mining could coexist.

The Peruvian government, which held 25% of the shares in the project, allowed the Canadian company to pursue its work in spite of community opposition. Peruvian legislation, adopted in 1998, under Fujimori, forbids mineral exploitation in urban areas such as Tambogrande. Moreover, prior to 1999, foreign companies were not allowed to operate in border zones like Tambogrande. However, president Fujimori awarded the concession to Manhattan declaring mining investment in the area to be a "national necessity"

Manhattan did not release any environmental impact study; instead starting a publicity campaign to gain approval from the community. In February 2001, a peaceful protest turned violent when company offices were set on fire. A month later Godofredo Garcia Baca, the president of the local association of mango producers, was assassinated. The company denies having a role in his death.

With the help of Oxfam, the local community organised a referendum in June 2002 as a peaceful act of resistance. More than 27,000 people participated, 94% of them voting against the mine. The Canadian Rights and Democracy group, the International Legal Resources Centre and the Peruvian Transparencia organization supervised the referendum. In spite of the result, both the government and Manhattan Minerals continued with the development of the mining project. The day after the referendum, Manhattan shares on the Toronto stock exchange fell by 28.6%.

A month later the Peruvian government started to heed the community pressure and, although still not recognising the referendum, it took the mining concessions away from Manhattan, arguing that the company had not fulfilled technical requirements. The Environmental Impact Assessment (EIA) was subsequently deemed flawed by the National Institute of Natural Resources. A year later, Centromin, the state company that promotes private mining investment, announced that Manhattan Minerals had lost their 75% share of the project.

Francisco Ojeda, the leader of the opposition to the mine and now mayor of Tambogrande, is working with the local community on development projects based on agriculture. He wants the valley to be declared as a protected agricultural zone. The Tambogrande case highlights just how important it is to involve local people in decision making.

"We own this land, we irrigated it and worked on it every day, investing and reinvesting our time and money to produce food. We live here, we enjoy our days, and we will continue to do so because all of this is ours and nobody will make us leave", said a community leader.



Campaign poster: Ceviche (a popular Peruvian fish dish where lemon is the vital ingredient) in danger! Mining company threatens our lemons! Tambogrande, Primary Producer of Peruvian lemons. WITHOUT LEMONS THERE'S NO CEVICHE!

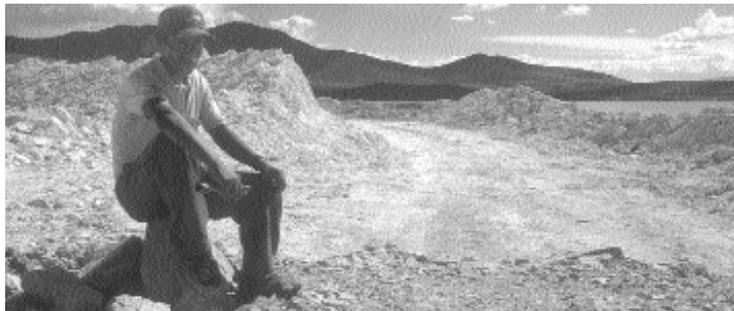
Christian Aid Report: Unearthing the Truth

As multinational mining companies BHP Billiton and Anglo American meet with campaigners to discuss the negative impact of mining in the developing world, Christian Aid's new report argues that the economic benefits of increased mining in Peru cannot justify the suffering it inflicts on poor local communities. Local people, it argues, should reap the benefits of living on land rich in natural resources. But in Peru they are suffering because of their proximity to such resources. The report argues the need to:

- σ Develop binding international regulation that ensures poor communities benefit from industrial development where it takes place and mandates sanctions if breached

Source: Christian Aid.

A community leader who has campaigned against the imposition of a mine on his community



- σ Reverse the trend towards deregulation to attract foreign direct investment, and encourage countries to apply sensible conditions to foreign investment in a climate of transparency and stability.

The report also calls for the Peruvian government to:

- σ Enact national regulation guaranteeing the involvement of local communities in decisions about mining in their area

- σ Set up a monitoring body to ensure that such involvement takes place.

Local people, the report argues, should benefit from the resources on their land - not lose out because of them.

The report is available on line at www.christian-aid.org/indepth/ or you can order a copy from Christian Aid. The author of the report is Jonathan Glennie.

CASE STUDY 4 - Las Bambas

Las Bambas is the biggest mining project initiated by the Toledo government (2001-6). It lies between the provinces of Cotabambas and Grau, in the south-eastern part of Apurímac department. It will be a massive mining operation covering 32,000 hectares. Although originally discovered as long ago as 1911, its gold and copper deposits are only now beginning to be exploited.

On 1st January 2004 the Swiss company Xstrata won the mining concession, paying US\$121 million to mine the area. The mine will start operating within the next four years. It will make Peru the world's fourth largest copper producer. Las Bambas is also said to be committed to investing the highest amount ever in social programmes in surrounding areas. Xstrata will pay an unprecedented US\$45 million towards the development in Apurímac. If everything goes as planned, the lives of the inhabitants of the district will change dramatically. Apurímac is one of Peru's poorest departments with 63% of the population living in poverty.

Proinversión, the Peruvian agency responsible for foreign investment, claims that Las Bambas will lead to the creation of 10,000 jobs, directly or indirectly, and that it will bring about sustainable development in the area. The project includes a literacy campaign "Alfabetización por la vida" in the districts of Challhuahuacho and Progreso, which will benefit 420 people. It also includes programmes to train local communities in sustainable development, agricultural and livestock production.

Still, scepticism remains, especially among local communities that look at past and present mining activities in the country and find it hard to believe that in their case things will be so very different. Fear of contamination, loss of land and livelihoods prevail. Proinversión plans to 'educate' local communities on the benefits of the mine. Only time will tell whether foreign companies and the Peruvian government have learnt from previous experiences, but Las Bambas could be the first mining investment to benefit local communities. The proof will be in the pudding.

The future of El Dorado: Recommendations and Conclusions



In recent years, some significant advances have been made to improve working conditions and minimise long-term environmental impacts of mining. But much remains to be done. The case studies presented here suggest that environmental and social impacts of mining outweigh the economic benefits for those most affected, although the case of Las Bambas may offer an encouraging shift. For many communities, Peru's reliance on mining as an engine of economic growth has come at a very high price. Given the economic importance of mining and mining investment, this is one of the greatest priorities facing any government.

How then to translate its mineral wealth into social development? How to ensure the equitable distribution of benefits and the adoption of environmental standards? How to minimise conflict and land disputes? And how to prevent corruption and the distortion of political and social institutions by the poor application of mining revenues?

There is a consensus about the need for change and for improvements in the way mining companies perform. Invariably choices and trade-offs will have to be made, but respecting different viewpoints is an essential part of any debate on mining. The PSG would like to outline some of its overall conclusions and its contribution to this debate:

σ Companies operating in Peru must operate to the highest possible standards of best practice that have emerged from industry activities around the world. They should also consistently strive to improve their performance during all stages of the mining cycle.

σ Existing regulation needs to be strengthened to protect the rights and interests of communities. It must provide the means to resolve conflicts when they arise, supported by international and national mechanisms. It is unsatisfactory that the MEM should be an agency involved with attracting foreign investment and regulating it at the same time.

σ The Peruvian government should enshrine the right of community consultation and participation in the decision-making process before a mining concession is issued. This does not mean that local concerns should take priority over national interests, but there should be enhanced transparency and accountability on crucial issues of governance in assessing the potential impacts of mining.

σ The Peruvian government should strive to clarify land rights issues and establish clear rules for access to and use of land. Where communities are the owners of surface land rights, they should be able to defend those rights fully in the judicial system.

σ Existing legislation already provides for the distribution of mining revenues at the local level. However, this rarely happens. The Peruvian government should ensure that regions and communities benefit from an equitable distribution of mining proceeds by publishing payments and revenues received from mining concessions. In turn, mining companies should also disclose the payments they make. Mining companies also have a critical role to play in ensuring the provision of infrastructure and services for their workforce and the rest of the local population.

σ Collaborative efforts should be made to apply existing ILO initiatives to end child labour in mining. This requires tackling poverty in those communities where this takes place. The government should also undertake to monitor small-scale mining activities to protect the health and safety of workers and implement social programmes.

σ The international community has a critical role to play in monitoring how multinationals apply corporate social responsibility in the countries where they operate. Eradicating corruption is vital to everyone's interests - companies benefit from communicating a positive image to their shareholders, governments are more accountable to their citizens and less beholden to private interests. Respect for human rights, ILO Conventions and environmental standards should also be supported and regulated by the international community. The British Government has played a vital role in establishing the EITI and should build on this momentum to transform the extractive industry.

In recent years, multilateral funding institutions like the World Bank have made positive advances in their extractive industry work. Through their lending practices, they should impress on governments that poverty reduction is an essential goal of mining. At the same time, they should make independent environmental and social impact assessments a necessary condition of large-scale operations from planning through to mine closure.

“The case studies presented here suggest that the environmental and social impacts of mining have outweighed its economic benefits for those most affected”

“poverty reduction should be an essential goal of mining.”

Sources and useful websites

- www.bhpbilliton.com** - The official website of BHP Billiton
- www.conacami.org.pe** - Peruvian NGO working to defend and protect the rights of communities affected by mining activities.
- www.eireview.info** - Information on the impacts of World Bank investment and the extractive industries on people and the environment, and the alternatives proposed by people around the world.
- www.eireview.org** - The Extractive Industries Review was launched by the World Bank Group to discuss its future role in the extractive industries
- www.eitransparency.org** - The Extractive Industries Transparency Initiative
- www.guarango.org** - Guarango is an independent producer and distributor of Peruvian film and video. It is a registered non-profit organization which has produced the award winning "Choropampa: the price of gold" and a video documentary about Tambogrande that is still on production.
- www.icmm.com** - The International Council of Mining and Minerals
- www.minem.gob.pe** - Peruvian Ministry of Energy and Mines **www.mining-watch.ca** - MiningWatch Canada is a pan-Canadian initiative that addresses the need for a co-ordinated public interest in response to the threats to health, environment and community interests posed by irresponsible mineral policies and practices in Canada and around the world.
- www.nodirtygold.org** - Oxfam and Earth Works Action campaign fighting against conflict diamonds and dirty gold production. Very useful to anyone wanting to know more about the dirty business of mining in Third World countries.
- www.oxfamamerica.org** - Oxfam America website contains useful articles and reports related to mining issues in Peru
- www.perusupportgroup.org** - In the 'key issues' section you can find more information about extractive industries in Peru
- http://pwyp.gn.apc.org** - The Publish What You Pay campaign aims to help citizens of resource-rich developing countries hold their governments accountable for the management of revenues from the oil, gas and mining industries
- http://www.globalwitness.org** - Global witness work to highlight the link between natural resource exploitation and human rights abuses.

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