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Nicaraguan Mining Boom Continues, but Who Really Benefits?

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A leading Nicaraguan environmental group is sounding the alarm at President Daniel Ortega’s cozy embrace of metals mining, an industry that has boomed in recent years and now boasts the country’s number-one export product: gold.

The sector enjoyed another banner year in 2013. Led by B2Gold, a Canadian firm, miners exported nearly US$436 million worth of gold, a new record, despite a substantial drop in the commodity’s selling price. The precious metal finished the year as Nicaragua’s leading export, surpassing both beef (US$389 million) and coffee (US$349 million), the Centro de Trámites de las Exportaciones (CETREX) reported.

Nicaragua also exported US$10.1 million worth of silver, with production (in volume) reaching an all-time high of 406,000 troy ounces, a 23% increase from 2012, according to the Ministerio de Energía y Minas (MEM). The numbers are even more dramatic when compared with volume and earnings levels seven years ago, when President Ortega—now in his second consecutive term and third overall—returned to power. Between 2007 and 2013, the amount of gold and silver produced every year in Nicaragua rose by 207% and 306% respectively. In value, the increases were steeper still: annual earnings from gold rose sixfold while revenue from silver quintupled.

And yet, for all its lustrous numbers, the resurgent industry may not be the beacon of economic hope its corporate leaders and Nicaraguan government backers claim, Managua-based Centro Humboldt argues in a Jan. 31 report titled “Estado actual del sector minero y sus impactos socioambientales en Nicaragua” (Current state of the mining sector and its socioenvironmental impacts in Nicaragua). Of the hundreds of millions of dollars being generated by La Libertad (B2Gold) and the other principal mines in Nicaragua, all but a tiny fraction leave the country, the environmental organization claims. The industry’s overall contribution to the economy, furthermore, is deceivingly small: mining employs just 2.2% of Nicaragua’s eligible work force and represents only 2.5% of GDP, the 92-page report argues.

"In what’s actually practical for Nicaragua, [mining] takes more than it gives," Centro Humboldt’s vice president Víctor Campos told reporters Feb. 1.

More trouble than it’s worth?

The environmental burden associated with metals mining is, nevertheless, Nicaragua’s alone to bear, Centro Humboldt and other industry critics lament. Water pollution is one concern. Gold and silver mining rely heavily on potent chemicals, including cyanide. B2Gold and other companies operating in Nicaragua insist measures are in place to keep those toxic materials out of the natural water supply. Accidents happen, however. Workers can be negligent. Equipment can malfunction. Tailings dams can leak. Sooner or later, critics warn, some of those toxic materials make it into the natural water supply. In tropical Central America, mining operations also tend to involve varying

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amounts of deforestation, which means habitat loss for the plethora of animal and insect species living therein.

Mining operations are notorious, furthermore, for stirring up conflict within nearby communities. Often, residents divide into opposing camps, with one side resisting the industrial incursion while the other—hoping to benefit from it—rolls out the welcome mat. Such scenarios are particularly common in poor communities, of which there are plenty in Nicaragua, one of the hemisphere’s most impoverished countries.

"The companies take advantage of the people’s misery. They promise to bring them out of poverty. Who, in those conditions, wouldn’t want to get out of poverty? But [the companies] hide the real impacts of mining," David Pereira, an activist with the Centro de Investigación sobre Inversión y Comercio (CEICOM), a Salvadoran organization, explained during an anti-mining forum held last December in Managua.

In El Salvador, such conflicts have had deadly consequences. Several anti-mining activists were murdered in recent years in the department of Cabañas, where Canadian mining firm Pacific Rim has been hoping to launch operations (NotiCen, Jan. 28, 2010). The killings helped convince Salvadoran President Mauricio Funes to maintain a mining moratorium implemented under his predecessor, President Antonio Saca (2004-2009).

**Repression in Santo Domingo**

Nicaragua had its own taste of mining-related violence last year, when a group of guiriseros (artisan miners) in the central town of Santo Domingo mobilized against B2Gold. The Canadian firm, Nicaragua’s leading gold producer, operates several mines, including La Libertad (the country’s largest) and El Limón, both in the department of León. It has several other projects in the works and—thanks to a handful of new government concessions—has recently expanded operations near Santo Domingo.

Those concessions included areas traditionally worked by guiriseros, who approached the company with compensation demands. B2Gold made a counteroffer that was accepted by some but not all the artisan miners. The holdouts took action in early 2013 by occupying Santo Domingo’s entry road and thus halting the circulation of company trucks and equipment (NotiCen, March 28, 2013). The move prompted a counterattack by riot police, who raided the roadblock early on the morning of Feb. 9, 2013, causing dozens of injuries and arresting approximately 50 people.

Most detainees were released shortly after. A core group of 12, however, were transferred to Managua’s infamous Dirección de Auxilio Judicial (DAJ) prison, more commonly known as El Chipote, where they were held for more than a month. Authorities only agreed to free the group once a deal had been struck whereby the guiriseros dropped all protests against B2Gold.

"They were all pale white—they looked intimidated and fearful," Santo Domingo Mayor Nelson Álvarez, upon welcoming the jailed miners back home, told the Nicaragua Dispatch, an English-language news site. "None of them have said anything yet, they are all at home with their families too afraid to talk about what happened."

The "dubious accord," as the Dispatch described it, was sharply criticized by the Centro Nicaragüense de Derechos Humanos (CENIDH), which accuses Nicaragua’s Policía Nacional of kowtowing more and more to the political whims of President Ortega and his powerful Frente
Sandinista de Liberación Nacional (FSLN) party (NotiCen, June 20, 2013). "The police force we have today has become completely deteriorated," CENIDH head Vilma Núñez told reporters last October. "It’s a police that is completely subject to political power and to the will of Daniel Ortega."

**Protesting El Pavón**

CENIDH has also been keeping close tabs on unfolding events in Rancho Grande, in the central department of Matagalpa, where B2Gold is hoping to open yet another major mine. The El Pavón mine, as the venture is known, has attracted growing opposition, despite the company’s efforts to ingratiate itself with community members by distributing seeds, taking locals on tours of some of its other facilities, and repainting the local school.

Last October, several hundred people took to the streets of Rancho Grande to protest El Pavón, an open-pit mine that critics fear will cause irreparable damage to the surrounding environment. "This is a wet, mountainous area where the water is almost pure ... places where the trees have for the most part not been cut down," José Antonio Rivera Torrea, a local pastor, explained in a report issued that same month by CENIDH. "We’ve seen in other places, in other countries, that desertification can happen just by removing the trees form the mountains. That’s what we’re trying to avoid."

Centro Humboldt, which issued a statement last year supporting the movement in Rancho Grande, urges the Ortega administration to exert tighter government control on B2Gold and other mining companies. If the country wants to derive greater benefits from the activity while protecting itself from the associated environmental and social costs, it needs to stop offering tax breaks and other financial incentives, establish firmer environmental laws, and be a bit more judicial when it comes to issuing concessions, the organization recommends.

In reality, the opposite appears to be occurring. Three years ago, mining concessions accounted for approximately 11% of Nicaragua’s national territory, Centro Humboldt explained in its recent report. The figure now stands at 13.7%. Not only that, but some of those concessions include areas —like the UNESCO-listed Río San Juan Biosphere Reserve—that are supposed to be off limits to industry.

"One has to keep in mind that the gold extracted in Latin America and elsewhere is only used to strengthen the capital holdings of large-scale investors who do not want to risk keeping their money in stocks during a world [economic] crisis," the Centro Humboldt report reads. "Gold serves no purpose for research or health. It’s not even needed by the electronics industry, since what gold is used to make a computer, for example, can be recycled from discarded material."

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