

2-2-2005

## Coalition Blocks Canadian Subsidiary from Developing San Luis Potosi Mine

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

---

### Recommended Citation

LADB Staff. "Coalition Blocks Canadian Subsidiary from Developing San Luis Potosi Mine." (2005).  
<https://digitalrepository.unm.edu/sourcemex/4825>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact [amywinter@unm.edu](mailto:amywinter@unm.edu).

## **Coalition Blocks Canadian Subsidiary from Developing San Luis Potosi Mine**

*by LADB Staff*

*Category/Department: Mexico*

*Published: 2005-02-02*

A coalition of environmental and civic groups is working hard to prevent the subsidiary of a Canadian mining company from proceeding with development of an open-pit mine at Cerro San Pedro in San Luis Potosi. The company, Minera San Xavier (MSX), initiated construction of the mine in February 2004 but has most work on the mine on hold while the company appeals a couple of court decisions.

The government awarded the land-use permit to MSX, a subsidiary of Toronto-based Metallica Resources, in 1999. The permit was immediately challenged by Pro San Luis Ecologico, comprising nearly 20 organizations, which filed a lawsuit to halt the project. The coalition argued that the project could not proceed because MSX had failed to spell out how it would restore the mountaintop, dispose of massive piles of bulldozed waste, and protect the area's ecology, including the desert tortoise and the biznaga cactus.

An even more troubling concern, said the coalition, was the company's unclear plans for disposing of cyanide and other toxic wastes from chemicals used in processing gold and silver ores. A cyanide leakage would have dire consequences for the city of San Luis Potosi, located a few kilometers from the company's ore-processing plant.

Some community rights groups that are part of the coalition also pressed MSX to offer a plan to protect the 16th century structures in the nearby community of Villa San Pedro, which has been declared a national historic site.

### ***Court decisions halt project***

The courts agreed with the arguments of Pro San Luis Ecologico. In June 2004, the Supremo Tribunal de Justicia Fiscal y Administrativa canceled an environmental permit awarded to the company by the Secretaria del Medio Ambiente y Recursos Naturales (SEMARNAT). The following December, the Tribunal Unitario Agrario ruled there were sufficient irregularities to throw out the lease that MSX had signed with area collective farms.

Environmental organizations praised the courts for taking an independent stance rather than rubber-stamping a government decision, as had been the case for decades. "We're now seeing judges act independently, and this is a sign of democracy," said Alejandro Calvillo, director of Greenpeace Mexico. Some analysts said the coalition used a clever strategy, foregoing street protests and instead directing its energies to targeting SEMARNAT, the agency that originally awarded the permit to MSX.

"Until now, the judicial verdicts have been sustained and the operations of [MSX] have been suspended," said the daily newspaper La Jornada, quoting The Economist Intelligence Unit. "Legal experts suggest that this case is an encouraging sign of the independence of the Mexican courts."

The battle is reminiscent of another case in San Luis Potosi in 1997, when opposition from local authorities and environmental groups forced US-company Metalclad to shut down a hazardous-materials storage site near the community of Guadalcázar. The issue eventually came before the North American Free Trade Agreement (NAFTA), testing not environmental statutes but the rights of foreign investors.

In 2000, a special NAFTA panel forced the Mexican government to compensate Metalclad for failing to protect Metalclad's rights (see SourceMex, 2000-09-13). The award was eventually upheld by a Canadian court (see SourceMex, 2001-05-09). If the court's latest decisions prevail, Metallica Resources could bring the case to NAFTA using the same arguments as Metalclad. Conversely, the environmental groups would be less likely to take the issue before the Commission for Environmental Cooperation (CEC), the NAFTA agency that addresses environmental matters, if the court decisions are allowed to stand.

### *Company determined to proceed with mine*

The court rulings, however, do not necessarily signify the end of the MSX mine. The project, although originally approved by former President Ernesto Zedillo's administration, has found strong support in President Vicente Fox's government. "The tenacity of the mining company and the participation of authorities in promoting the project to date makes environmentalists uneasy about whether the ruling will stick," said Talli Nauman, who writes an environmental column in the Mexico City English-language newspaper The Herald.

Some analysts said the Cerro San Pedro mine is too important to Metallica Resources to simply abandon the project. "For Metallica, this is the most important project outside of Canada, although it has one other major mine in northern Chile," syndicated columnist Alberto Aguilar said in a column published in El Siglo de Durango. Aguilar said MSX had projected to extract 61.1 million metric tons of ore from the Cerro San Pedro mine, yielding 1.2 million ounces of gold and 47 million oz. of silver.

The mine is potentially lucrative for MSX and Metallica Resources because of a recent surge in the price of gold, which was trading at about US\$440 per ounce in December, a 40% increase from the price in 2002. Silver has also seen significant gains in recent years. The company is anticipating a resumption of full operations by mid-2005 if the court decisions are successfully appealed. "Even though the project has been delayed, the company is ready to proceed with its plans soon," said Aguilar.

The company resumed some test blasts in the area of the mine in late December after MSX received a permit from the Secretaria de Defensa Nacional (SEDENA) to acquire and use explosives. Some members of Congress responded angrily to the resumption of testing, accusing the Fox administration of ignoring the court rulings by awarding the explosives permits. "The authorities and institutions responsible for such decisions failed to respect the suspensions that were ordered by the courts," said a congressional resolution.

## *Congress sends mixed signals*

In mid-January, the Congress approved a resolution urging Environment Secretary Alberto Cardenas Jimenez to prepare a detailed report about the MSX project. The resolution was watered down when legislators took out language urging Cardenas to "immediately observe" the court ruling, which would mean an immediate suspension of the SEDENA explosives permit. The resolution was weakened at the urging of Deputy David Hernandez, a member of the former governing Partido Revolucionario Institucional (PRI).

Hernandez and a handful of legislators from his party and from Fox's pro-business Partido Accion Nacional (PAN) are strong supporters of the mining project. Supporters argue that the project could bring about 170 jobs to the community of Villa San Pedro and investments of more than US\$300 million to San Luis Potosi state. Citizens of the state are divided about the project because mining is one of the top industries in San Luis Potosi. "Mining is part of this town's history, it's our economic legacy," one resident told The Christian Science Monitor.

Much of the criticism regarding the MSX project has been directed at Environment Secretary Cardenas, a former governor of Jalisco state. Rene Aviles, a columnist for the online news service Todito.com, said Cardenas was once quoted as saying that "environmental costs are not important when a company creates new jobs."

The columnist said he was surprised to hear such rhetoric from an environment secretary. "I would expect to hear this kind of language from Economy Secretary Fernando Canales Clariond, Interior Secretary Santiago Creel, or Foreign Relations Secretary Ernesto Derbez, but not from the head of the agency charged with protecting the environment," said Aviles.

The Fox administration has continued the policies of preceding PRI governments to support the mining industry. The administration is negotiating an agreement with China that would allow the Asian country to invest in exploration of copper and iron in Mexico. Officials at the Secretaria de Economia (SE) said both countries would benefit from such an accord. "Under this accord, we would be able to attract Chinese investment into the Mexican mining sector and at the same time develop products that China needs," said Gerardo Traslosheros, the SE's director of trade negotiations. (Sources: The Herald-Mexico City, 11/08/04; The Christian Science Monitor, 12/14/04; Todito.com, 01/05/05; El Siglo de Durango, 01/07/05; El Universal, 01/27/05; La Jornada, 08/29/04, 11/24/04, 12/16/04, 12/19/05, 01/12/05, 01/17/05, 01/23/05, 02/01/05)

-- End --