

Azuay: a site for mining expansion in Ecuador's South

Jennifer Moore

The Province of Azuay is part of a cluster of six provinces in Ecuador's south and central south slated for major metal mining development. Based upon figures from September 2006, about 13% of the surface area or 114,056.4 hectares of the Province of Azuay is found within mineral concessions. At least thirteen transnational mining companies listed on Canadian stock exchanges are carrying out exploration activities in the province with gold, silver and other metal mining projects in various stages of development.¹ They are almost entirely junior companies.

Concessions are particularly prominent within areas of high wetlands or *páramo* which cover 26% of the surface area of the province. These areas are important sources of water for agriculture and human consumption both within the province as well as for populations living and farming in the Province of Guayas on the coast. The water flow from Azuay's highlands also generates the bulk of hydroelectric power for the country.

Along the eastern stretch of the province, mineral concessions are scattered between Paute in the north and Cochapata in the south including the traditional silver producing area of San Bartolomé in the County of Sigsig in which, for example, AndeanGold (formerly Ecuagold Resources Inc) holds mineral concessions. Near Cochapata, the company Channel Resources continues exploration on the El Mozo gold project previously owned by IAMGOLD and earlier by Newmont.

The largest concentration of mineral concessions in the province is grouped around IAMGOLD's 100% owned roughly 10,000 ha Quimsacocha Project in the Western Cordillera of the Andes, roughly 40 kilometers southwest of the capital city of Cuenca. Immediately adjacent to Quimsacocha, two Canadian junior companies, Coastport Capital Inc. and Cornerstone Capital Resources share the Shyra gold-silver project with mineral concessions of over 45,000 hectares. Original prospecting was carried out on this property by IAMGOLD. Cornerstone acquired the concessions in 2005 from which Coastport is now in the process of obtaining them. Other companies nearby include Nortec Ventures Corp and Doubloon Exploration Corp.

Another cluster, on the western flank of the Western Cordillera, borders Cajas National Park about 50 kilometers to the west of Cuenca. International Mineral Corporation's gold-silver Río Blanco Project is located here. Copper Mesa Mining (formerly Ascendant Copper Corporation) is also nearby with its 3,000 ha Chaucha project and AndeanGold (formerly Ecuagold) hopes to expand its current 3,594 ha holdings to about 48,000 hectares of mineral concessions in Molleturo.

Since the early 80s, small scale mining activities have also taken place in the far south westerly corner of the province, an area recently designated in 2001 as the County of

¹ Copper Mesa Mining (formerly Ascendant Copper Corporation), Atlas Minerals Inc., Oro Andes (formerly Avalanche Minerals Ltd.), Channel Resources, Coastport Capital Incorporated, Cornerstone Capital Resources (Joint Venture with Coastport), Dhanoa Minerals, Doubloon Exploration Corp., AndeanGold (formerly Ecuagold Resources Inc.), IAMGOLD, International Minerals, Nortec Ventures Corp., Oromonte Resources Inc., Salazar Resources

Camilo Ponce Enriquez. With a subtropical climate, nearly 70% of this small county of 21,413.8 ha in surface area is taken up by mineral concessions. The presence of small scale mining has also attracted the interest of transnational mining corporations such as Dhanoa Minerals to expand current small scale mining operations into larger scale open pit and underground production. The development of medium and large scale mining from currently existing small scale mining activities is promoted by mining law reforms made in 2000.

Currently, the two most well known projects in the province are by far IAMGOLD's Quimsacocha Project and to a lesser degree, IMC's Río Blanco Project. Now in its final stages of permitting, Río Blanco could become the first large scale metal mining project to enter production in Ecuador. Small scale mining activities in the County of Ponce Enriquez, have generally been referred to separately in official discourse, being used to justify industrial mining activities. They have also been a site of social conflict contributing to the development of a nationwide anti-mining movement.

Quimsacocha

According to the company website, Toronto-based IAMGOLD is the tenth largest gold company in the world with annual production of nearly 1 million ounces. Listed on the Toronto and New York stock exchanges it has projects in French Guyana, Botswana, Mali, Senegal, Quebec, Tanzania, Brazil, Argentina and Peru. Until Kinross announced that it was buying out Aurelian Resources in July 2008, it was the only Canadian-financed senior company carrying out mineral exploration in Ecuador.

Present in Ecuador since 1995, IAMGOLD began work on its 100% owned Quimsacocha Project in 2002 having acquired its mineral concessions in 2001. Newmont previously carried out some exploration work here.

IAMGOLD's mineral concessions are located within a Protected Forest and Vegetation area from which headwaters give rise to the Rircay watershed which flows into the Jubones River continuing in a westerly direction toward the Pacific. Its headwaters also contribute to the Rivers Tarqui and Yanuncay that flow in an easterly direction through the city of Cuenca and join the River Paute.

According to the report compiled by the Lawyer Carlos Pérez and Engineer Hernan Loyola dated August 30th, 2008, the company does not have the approval from the appropriate water management authority according to the current mining law that would be required for a project located so close to important headwaters. According to the same investigation, neither does it have a favourable report from the special environmental commission established to assess its operations within a protected natural area. It also alleges that the company has not carried out necessary community consultations within the affected area.

Río Blanco²

About 50 kilometers west of the city of Cuenca on the western flank of the Western Cordillera of the Andes, the approximately 5,800 hectare Río Blanco Project is 100% owned by International Minerals Corporation. Self-described as "an emerging

² Note to reader – this is not to be confused with the also-named Río Blanco project in Piura, Peru – one of our other studies.

precious metals producer,” IMZ is a junior mineral exploration company listed in Toronto, Zurich and Frankfurt with head offices in Scottsdale, Arizona. It has a 40% interest in one silver producing operation in Pallancata, Peru together with Hothschild. It also has several other exploration projects in Peru in joint venture with companies including Barrick Gold and IAMGOLD.

Gold and silver deposits in the Molleturo area were identified by Rio Tinto between 1994 and 1997. IMZ carried out further drilling from 1999 to 2005. IMZ also holds 55% to 100% interest in an open pit gold project to the southeast near small scale gold producing areas in Camilo Ponce Enriquez.

Additionally, through investments in the unlisted company Santa Barbara Resources, the same group of directors has extensive concession holdings in Saraguro-Loja Province and El Oro, making it one of the largest investors in mining expansion in the South of Ecuador along with other companies such as IAMGOLD, Dynasty Metals & Mining and Corriente Resources.

IMZ’s gold and silver Río Blanco project could be the first transnational metal operation to begin in Ecuador. A positive feasibility study was completed for the project in January 2006. If its environmental impact study and production permits are approved, the mine could potentially reach production by 2010 with construction beginning in 2009. With an anticipated lifetime of eight years, Río Blanco is envisioned as an underground mining operation. According to its 2006 feasibility study, it contains 605,000 ounces of gold and 4.30 million ounces of silver.

IMZ has four mineral concessions that pertain to the Río Blanco project all located within the County of Cuenca and intersecting with the Rural Parishes of Chaucha and Molleturo. They also overlap with the Molleturo-Mollepungo Protected Forest and are within the buffer zone of Cajas National Park.

A study carried out by the Society and Environment Foundation (FAS) in 2004-2005 included IMZ’s Río Blanco Project as one of their case studies. Based upon current practices of the company during advanced exploration, they suggest that IMZ could be a model for social and environmental responsibility. They note that the company has developed close relationships with two communities made up of about 400 residents out of a total local population of 5,000. Acción Ecológica reported earlier that one of these two communities left the local Union of Campesino Organizations of Molleturo following conflicts with Río Tinto in the 1990s.

FAS also observes that the company has established agreements with the Rural Parish of Molleturo, as well as with the municipal water company ETAPA; that it makes regular payments to the National Police in Molleturo and to the political representative for the province in the area; and that at the time of the study it was employing upward of 100 people from communities within its area of direct influence. The company was also participating to some degree at this time in local development planning.

Camilo Ponce Enriquez

A small scale and artisan gold-producing area, Ponce Enriquez together with Nambija in the Southern Amazon has been one of the few important metal mining areas in

Ecuador since the 70s. As a whole, the industry is estimated to employ around 60,000 people and another 25,000 in indirect labour based on figures from 2000. Sales of the top five producers in 2004 totaled 12.7 million dollars.

In Ponce Enriquez forty nine operations are currently in production of which nine are considered to be of significant size with the remainder mostly family-run. Production is low and mostly informal in nature. Some efforts were made however in the 90s to better organize miners and to improve the technology they are using. However, environmental management is considered to be notoriously poor.

In 2000, neoliberal legal reforms established that the state would promote the graduation of small scale mines to medium and large scale operations. Today, state discourse continues to favour such a transition. While referring to small scale mining as an example of how *not* to mine, the state promotes large scale mining as being more technologically advanced and thus cleaner.

Transnational corporations have already been attracted to the Ponce Enriquez area. For example, Dhanoa Minerals purchased three already operating mines that make up the Bonanza Mining Group in 2006. The Papa Grande and Gaby deposits belonging primarily to IMZ are also close by.

The Bonanza Mining Group includes 100 hectares (Guanache and Bonanza zones) within the Cooperative Bella Rica Concession (which covers a total area of 1,600 ha and consists of several mining groups and about twenty worker societies) and 60 ha within the Mollopongo Concession. The gold, silver, copper, zinc and lead deposits are being explored for potential development into large scale underground and open pit mining. They have been in production since 1983.

Mineral concessions in Ponce Enriquez also overlap with protected areas in some cases. As well, several rivers flow through this area, including the Chico, Tenguel, Siete and Gala Rivers which all run in a westward direction toward the Province of Guayas on the coast. A 2008 water study by the Environmental Department of the Municipality of Guayaquil determined that these rivers have been contaminated by small scale mining activities affecting banana and cocoa producing communities downstream. Higher than permitted quantities of mercury and arsenic were detected. It is also suspected that agricultural crops could be contaminated with cyanide.

People and Land in Azuay

While urban settlements in other areas of possible mineral expansion are relatively small (such Cotacachi in the north-west highlands and Gualaquiza in the southern Amazon), this is not the case for where the regional economy is dominated by the country's third largest city, Cuenca. With a population of over 479,614, around 70% of the province's population lives in the capital. Outside of the capital county which encompasses Cajas National Park and twenty one rural parishes, the remaining fourteen counties of Azuay are predominantly rural.

According to the Fundación José Peralta, the city of Cuenca has a higher concentration of wealth than either Quito or Guayaquil. And as the destination for the greatest proportion of migrant remittances in 2007, it has become the most expensive city in the country in which to live. Overall in Azuay, 53.3% are living in poverty and

many continue to seek economic alternatives through migration. In 2008, the rising cost of living has aggravated poverty for the average family that has not experienced a corresponding rise in wages.

Economic concentration in Cuenca is illustrated in part by the presence of monopolistic economic groups (loose entities made up of families that invest together in diversified enterprises). This is an important mechanism through which a small handful of families gain and maintain influence in Ecuador. Cuenca is home to several important groups, the most important of which is the Eljuri Economic Group. Composed of several families from the landowning class it owns 52 companies and made sales of almost \$400 million dollars in 2002. Its operations include the seventh largest bank in the country, significant participation in the ceramic industry, as well as several television stations amongst other investments.

Early in the twentieth century, wealthy families in Azuay largely dominated the countryside through haciendas and intermediary relationships in the Panama hat industry. Little industrialization had taken place up until this time. When the Panama hat market crashed in the 1950s, it sparked the first major wave of outward migration from Ecuador that has marked life in the province ever since.

The latest outflow of migrants was sparked by the debt crisis of the 80s and neoliberal policies leading to the banking crisis in 1999. Today, roughly 6 out of every 10 families in Azuay have a member living outside of the country.

Such trends have left an indelible mark on the social fabric of rural and urban communities from which predominantly young men and women continue leaving. While the first wave of migration was overwhelmingly male, current patterns show disproportionate levels of female migration. High rates of suicide currently observed in the province are considered to be just one aspect of social transformation in Azuay stemming from this more recent phenomenon.

Cuenca is also characterized by its strong catholic traditions with roots in the Spanish conquest over 450 years ago. Prior to this, the Incas briefly controlled the city that they knew as Tomebamba, and the Cañari indigenous people as Guapondeleg before them. While indigenous people and culture continues to be part of identity within Azuay, processes of mestizaje have been notably strong and explicitly indigenous organizations have a relatively weak presence compared with other parts of Ecuador.

The value of Cuenca's natural riches is evident in its full name: Saint Ann of the Four Rivers. The Tomebamba, Yanuncay, Tarqui and Santa Barbara rivers are a defining feature of the city's landscape. They connect the urban area with the most famous stretch of *páramo* in Azuay. Rising above the city to the west, the 28,808 hectare Cajas National Park is vitally important to city life. It contributes 60% of the city's drinking water and its rich hydrological resources help drive the country's largest operating hydroelectric project in Paute before continuing on to join the Santiago River Watershed in the Amazon. Additionally, its biodiversity and otherworldly landscape are regularly exploited for their recreation and tourism value.

However, the *páramo* in Azuay goes far beyond Cajas and covers 26.2% of the surface area of the province, or 228,911.7 hectares. It has a presence in all counties of

the province except for Camilo Ponce Enriquez. A large part is found within protected natural areas.

Outside of the capital county of Cuenca, the majority of the population is involved in primary sector activities, such as agriculture, animal husbandry and mining. A wide variety of agricultural products are produced throughout the province including potatoes, beans, corn, and flowers, with some banana, cacao and sugarcane production in the southwest. Small and large animal husbandry as well as dairy production are also important. Only the counties of Gualaceo, Chordeleg and Sigsig have more than 30% of their economically active population involved in secondary sectors such as manufacturing and construction.

Provincial Mining Conflicts & Expectations

Mining exploration has sparked local opposition in Azuay in various instances. These periods of opposition can be grouped by periods: the period following initial transnational led exploration during the 1990s; the period since neoliberal reforms in 2000; and the period since the inauguration of President Rafael Correa which has witnessed a resurgence of conflict as part of efforts to establish a nationwide anti-mining movement and to achieve promised changes to Ecuador's economic model and historically corrupt institutions.

First phase of transnational led exploration

Acción Ecológica documents the emergence of local opposition in the County of Sigsig, southwest of the city of Cuenca, from 1998 to 1999. At the time, IAMGOLD was exploring for gold in an area of about 10,000 hectares in mineral concessions that were found within Sigsig, as well as the Counties of Chordeleg in Azuay and Gualaquiza in Morona Santiago.

Apparently after local groups gained knowledge of the project following the first Environmental Impact Study for the exploration phase, local organizations including the church and the municipality expressed their opposition to mining. They asked county and provincial authorities to prohibit mineral concessions from being granted within their county due to the risk that mining activities could pose to local agricultural activities, water supplies, and archeological finds.

The same Quito-based organization also documents rejection of Río Tinto and its exploration work taking place in Molleturo beginning in 1995. The company had already been expelled from Podocarpus National Park in Loja, from Salinas in the Province of Bolívar and from Saraguro in Loja Province.

At this time, Río Tinto developed relations with several of the nine communities in the area in order to build the road it needed to access its work site and carry out early exploration activities. Road construction, land sales, and select donations from the company to particular communities, as Río Tinto's relationships with the second-tier Union of Campesino Organizations of Molleturo, sparked divisions. Several communities with the support of environmental organizations and the national indigenous confederation CONAIE developed a strong stance against mining. Their reasons included its presence within a protected natural area.

Local land and mining authorities did not respond to their opposition, which also faced internal divisions. Two communities, Río Blanco and Chaucha, left the second-tier organization as a result. Río Tinto eventually left Ecuador in 1997 saying that mineral finds were unviable for production. The community Río Blanco now appears to have a close working relationship with the company IMZ that has taken over Río Tinto's concessions.

Second phase since neoliberal reforms

Community members in the area of Victoria del Portete and Tarqui were first alerted in the mid 1990s to the possibility of large scale mining in the páramo from which their water supply comes. However, reconnaissance by local community members at this time determined that exploration taking place by Newmont was not in the area of their watershed. Later, around 2002, when IAMGOLD began its exploration activities, community environmental defense groups began to become activated with notable participation from members of local water boards.

In 2006, in the community of Victoria del Portete, the President of the Rural Parish was forced to resign as a result of opposition to negotiations it had had with the company. Later around the time of the 2006 Presidential elections, the President revoked his resignation and the community asked the Electoral Tribunal to recognize his earlier decision in order to have him unseated. When this did not take place, they boycotted the second round of the Presidential Elections in November.

The water board and local environmental defense committees have played important roles in ongoing opposition to large scale mining activities based upon concerns that water supplies for local agricultural and dairy production as well as for human consumption will be contaminated. However, IAMGOLD currently enjoys the support of local and national government bodies, as well as research and resource management institutions. This appears to give it an upper hand against embattled social organizations opposed to their activities.

During President Rafael Correa's "Citizen's Revolution"

That mining would become a major issue during President Rafael Correa's mandate became evident at the time of his election with the culmination of two mining conflicts at opposite ends of the country into violence and repression.

In early December 2006, campesinos in the area of Junín opposed to large scale copper mining in Intag, in northwestern Cotacachi County faced a confrontation with over 50 heavily armed private security guards. Contracted to enter the mineral concessions held by Copper Mesa Mining (then Ascendant Copper Corporation) they fired their weapons and sprayed teargas at residents including women and children who blocked their entry using a simple chain link barrier. One man was injured. The guards were eventually detained through a peaceful citizen's arrest and when authorities finally arrived, the project was suspended.

Concurrently, a mestizo and indigenous led march in opposition to large scale gold and copper mining and related hydroelectric projects in the Provinces of Morona Santiago and Zamora Chinchipe faced heavy repression from Ecuadorian military in cooperation with private security contracted by the company Ecuacorriente S.A. A report to the Inter American Commission on Human Rights states that numerous

activists faced physical and sexual aggression, freedom of the press was obstructed and one ex-congressman was tied up and taken to the Mirador worksite where he was subjected to “cruel and inhuman treatment” before obtaining habeas corpus. The project was also suspended at this time.

Then within two weeks of Correa’s inauguration, a three day congress of community representatives and activists opposed to mining took place in the provinces of Azuay and Morona Santiago leading to the establishment of the National Coordinator for the Defense of Life and Sovereignty. This launched efforts toward making mining a national issue with the aim that the government would annul all mineral concessions based upon a lack of prior fair consultation of communities as guaranteed within the 1998 political constitution.

On February 26th, a mass march of over 5,000 people took place in the centre of Cuenca winding up at the Regional Office responsible for mining. Protests arrived shortly after in the nation’s capital and the rough dimensions of the ongoing conflict began to come to light. The government promised to review mineral concessions and to reform the mining law. However, important differences within the government between the President and certain ministers highlight likely limits to any change. Alberto Acosta, Correa’s first Minister of Energy and Mines and later President of the National Constituent Assembly, would support strong restrictions to mining such as that Ecuador be free of large scale open pit metal mining. However, President Rafael Correa and the subsequent Minister of Mines and Petroleum Galo Chiriboga would demonstrate support for the nascent industrial sector under a rubric of greater economic benefits for the state within a discourse of environmental and social responsibility.

That mining became an issue of significance in national debate stage is best represented in the mining mandate approved by the National Constituent Assembly on April 18th, 2008. The mining mandate ordered the cancellation of upward of 80% of mineral concessions across the country, according to media reports at the time, for reasons such as proximity to water supplies, overlap with protected natural areas and failure to consult with communities. The announcement shortly preceded a strike planned by communities opposed to mining particularly in Azuay and several other southern provinces. As a result of the decision, anti-mining groups decided to hold public assemblies, marches and other demonstrations instead.

Although activists and community leaders throughout the country accepted the mandate as a victory for their movement at the time, six months later their attitudes toward the mandate and the government have changed significantly. Observing that partial implementation of the mining mandate has had minimal impact on large scale projects they now view the mandate as a deception and an attempt to dissuade protests in April.

Feelings of betrayal and lack of confidence in the current government’s promises of change are also aggravated by a hardened attitude of the President toward these movements and organizations. While demonstrating emphatic support for the transnational led industry, Correa calls activists “infantile” and tries to position them alongside the debilitated political right by saying that they are currently the key

impediment to his political project - a highly unfavourable position to be in to gain public sympathy. He also promises repression should they protest again.

In response, activists are trying to define their current struggle as one that is opposed to the mining law and Ecuador's economic model rather than against the government itself. Recent drafts of the law indicate that while it will reinstate royalties on mineral production or sales, it will ensure that transnational mining activities go ahead with limited environmental regulations, minimal social participation, and heightened repression for those who oppose the activity. Activist groups also want to be seen as defending gains within the new constitution such as the right to water and rights for nature.

However, while struggles continue on the national stage, the local context and strength of social organizations within it remain a crucial factor in determining whether or not particular projects go ahead, and how.