



# MiningWatch Canada

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### **Canada's Subsidies to the Mining Industry Don't Stop at Aid: Political Support Betrays Government Claims of Corporate Social Responsibility**

By Jennifer Moore  
June, 2012

In recent months, Canadians have been infuriated to hear that the government is subsidizing profitable overseas mining operations by channelling international aid money into corporate social responsibility (CSR) projects of companies like Barrick Gold. But this is just the tip of the iceberg when it comes to the political and economic support that the Canadian government provides to promote Canadian corporate interests abroad.

Currently, in Honduras, the Canadian government is spending taxpayer dollars to help set up a favourable legal framework for Canadian mining operations against the will of Honduran civil society, while remaining silent about rampant targeted attacks and threats against the press and social movements. These efforts, all in the name of CSR, raise questions about Canada's conflict of interest in advising another country on its mining law and expose the Canadian government's policy for the overseas extractive sector as one of convenience – not responsibility.

#### **Honduras' version of the Shock Doctrine**

The recent history of Honduras' mining code reads like a chapter out of Naomi Klein's book "The Shock Doctrine: The Rise of Disaster Capitalism." The Shock Doctrine examines how neoliberal policies were advanced in numerous countries around the world during moments in which entire populations found themselves in a collective state of shock, such as after a natural disaster or a presidential coup.

Honduras has suffered both, and at both times its mining law has been in question. Part one follows a natural disaster: Hurricane Mitch in 1998. Within weeks of the hurricane, the Honduran Congress passed the General Mining Law with little debate,<sup>1</sup> reportedly taking advice from the United Nation's Economic Commission on Latin America and the Caribbean.<sup>2</sup>

Starting in 2002, Honduran civil society began trying to reform the code, which gave companies strong tax incentives to work anywhere in the country without adequate safeguards such as to secure water supplies for mining-affected communities.

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<sup>1</sup> Sandra Cuffe, "A Backwards, Upside-Down Kind of Development: Global Actors, Mining and Community-based Resistance in Honduras and Guatemala," February 2005.

<sup>2</sup> Development and Peace, "Mining for Justice: The struggle of Honduran civil society for responsible mining," a report on an MP's Fact-Finding Mission on Mining in Honduras, September 9-13, 2007.

A Canadian-UK parliamentary delegation visited Honduras in September 2007 and reported how efforts at mining law reform emerged out of frustration at the lack of protections within the 1998 mining code for communities facing the social and environmental impacts of Goldcorp's San Martín open pit gold mine in the Siria Valley, at that time under the ownership of Glamis Gold.<sup>3</sup>

The San Martín mine, which entered production in 2000, quickly gave rise to complaints from nearby communities about water supplies drying up and becoming contaminated, and of neighbours and livestock getting sick.

Years of civil society organizing, debate and demands followed. In 2005, the parliamentary delegation wrote how then-leader of the opposition Liberal Party, Roberto Micheletti, was the first public official to call for a ban on open-pit mining. In late 2006, the Supreme Court declared 16 articles of the 1998 mining code unconstitutional, including the provision giving mining companies unlimited access to water. Finally, when the Liberal administration of Manuel Zelaya took power in January 2006, the new President repeated the call for a ban on open-pit mining, struck a new commission to redraft the mining law,<sup>4</sup> and put a moratorium on any new mining concessions.<sup>5</sup>

The Honduran private sector railed against proposed reforms, particularly the idea of a ban on open-pit mining.<sup>6</sup> However, following interviews with top Honduran authorities, the Canadian-UK parliamentary delegation found that the Honduran government was willing to deal with a temporary shut down of mining operations in order to bring in a mining law that would better serve the people's interests.<sup>7</sup>

By May 2009, a new draft mining bill was complete. It would have imposed tax increases in the mining sector, prohibited open-pit mining and the use of toxic substances such as cyanide and mercury, and required prior community approval before mining concessions could be granted.<sup>8</sup> Debate within congress was scheduled to begin August 16, 2009.

On June 28, 2009, President Zelaya was ousted in a military-backed coup. The debate never happened.<sup>9</sup>

### **Disaster strikes twice**

The coup provided the perfect storm within which to push to reverse the mining code reforms.

It is important to note that in the immediate aftermath of the coup, Canadian authorities refused to consider sanctions against the de facto coup regime and pressured other OAS members to do the same.<sup>10</sup> Following the election of President Pepe Lobo in November 2009, an election so highly questioned that none of the usual highly trained election observers were present,<sup>11</sup> Canada provided unwavering political support and stayed silent about the targeted violence being meted out against journalists, LGBT activists, *campesino* leaders and environmental defenders.

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<sup>3</sup> Development and Peace, 2007.

<sup>4</sup> Ibid.

<sup>5</sup> Americas Policy Group, "Honduras: Democracy Denied," April 2010. Retrieved April 8, 2012: [http://www.ccic.ca/files/en/working\\_groups/apg\\_2010-04\\_honduras\\_democracy\\_denied\\_e.pdf](http://www.ccic.ca/files/en/working_groups/apg_2010-04_honduras_democracy_denied_e.pdf)

<sup>6</sup> Development and Peace, 2007.

<sup>7</sup> Ibid.

<sup>8</sup> Harvey Beltrán, Business News Americas, "Coup leaves nation without mining law - Honduras" September 25, 2009; Accessed April 8, 2012: [http://www.bnamericas.com/news/mining/Coup\\_leaves\\_nation\\_without\\_mining\\_law](http://www.bnamericas.com/news/mining/Coup_leaves_nation_without_mining_law)

<sup>9</sup> Ibid.

<sup>10</sup> Americas Policy Group, 2010.

<sup>11</sup> Anne Vigna, NACLA, "The Parody of Electoral Observation," March-April 2010.

Meanwhile, the Canadian Embassy started creating opportunities for high-level meetings between Honduran authorities and Canadian mining companies toward a new mining law.

In early 2010, shortly after Lobo's election, York University Associate Professor Todd Gordon reported that then Canadian Ambassador Neil Reeder travelled to Honduras with Daniel Arsenault from the Canadian International Development Agency, where they arranged meetings between Canadian mining executives, President Lobo and members of his cabinet. They also "discussed with a Breakwater Resources executive possible strategies to influence the development of a new mining law."<sup>12</sup>

These strategies included meetings purportedly to promote Corporate Social Responsibility (CSR), which inevitably served as opportunities for high-level exchanges between Honduran authorities and Canadian corporations.

One such event took place on June 23, 2010, organized by the Government of Canada together with the Honduran Foundation for Corporate Social Responsibility (FUNDAHRSE). A report of the event is available in an unclassified cable from the US Embassy in Tegucigalpa to the Secretary of State in Washington. On this occasion, President Lobo declared the importance of CSR to Honduras. Louis Guay, then Coordinator of CSR for Latin America in the Canadian Ministry of Foreign Affairs and International Trade, described CSR as "incorporating social and economic concerns of the people, protecting the environment, and operating in a responsible and transparent manner." In addition to being "the right thing to do," reports the cable, "there is a strong business case for practicing CSR" as corporations "become good corporate citizens and improve their brand image at the local and international levels."<sup>13</sup> Corporate executives from Breakwater Resources (now owned by Nystar) and Gildan Activewear also made presentations.

A July 2011 document from the Department of Foreign Affairs and International Trade (DFAIT) further elucidates what the Canadian government understands by CSR in this context. As part of a list of CSR events sponsored by Canadian Embassy missions abroad for 2011-2012, DFAIT describes a mission to the Prospectors and Developers Association of Canada meeting in March 2012 to include the Environment and Natural Resources Minister Rigoberto Cuellar and the Director of DEFOMIN, Honduras' mining regulatory agency, Aldo Santos. It states: "Honduras is in the process of transformation from the anti-mining Zelaya administration to the pro-sustainable mining and pro-CSR Lobo government."<sup>14</sup>

In other words, Zelaya was "anti-mining" because he sought to integrate stronger protections for mining-affected communities and the environment into his proposed mining law, while Lobo, on the other hand, is in favour of "sustainable" and "responsible" policies because, as we're seeing today, he would not seek to reign in multinational mining company practices at all.

Around this same time, in celebration of Canada Day 2011, the current Canadian Ambassador responsible for Honduras, Cameron McKay, wrote an editorial for the Honduran national newspaper *El Heraldo* in which he promoted Canadian economic interests: "The expansion of Canadian bilateral trade and investment with Honduras is a key priority for the Embassy. Canada maintains a strong trade

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<sup>12</sup> Todd Gordon, The Bullet, "Military Coups are Good for Canadian Business: the Canada-Honduras Free Trade Agreement," March 8, 2011; Accessed April 8, 2012:

[http://www.newsocialist.org/index.php?option=com\\_content&view=article&id=398:military-coups-are-good-for-canadian-business-the-canada-honduras-free-trade-agreement-&catid=51:analysis&Itemid=98](http://www.newsocialist.org/index.php?option=com_content&view=article&id=398:military-coups-are-good-for-canadian-business-the-canada-honduras-free-trade-agreement-&catid=51:analysis&Itemid=98)

<sup>13</sup> Unclassified cable from the US Embassy in Tegucigalpa to the Secretary of State in Washington, DC, "Subject: Conference Raises CSR Awareness in Honduras," July 2010.

<sup>14</sup> DFAIT, "Final CSR Initiatives 2011-2012 for Centre of Excellence Consideration," Obtained July 2011.

relationship with Honduras, with more than \$250 million in bilateral trade and more than \$600 million in Canadian direct investment, in sectors such as textiles, mining and real estate.”<sup>15</sup>

President Lobo, also present at the festivities, was quoted in the press thanking Canadian companies for their commitment to CSR: “Canada is an example to imitate and I ask our congress members to learn from their experience in mining, carried out in an environmentally friendly way, because our peoples can not continue living in poverty while they are sitting on such riches.”<sup>16</sup> He continued, “Honduras is headed in a good direction [...] we will continue along the path of democracy and corporate social responsibility.”

### **A two-faced discourse**

But efforts to develop the currently proposed mining law in Honduras have been anything but responsible. They are neither transparent, nor democratic, nor a guarantee of the rights of affected communities and civil society organizations that support them.

On January 16<sup>th</sup> of this year, the mining commission of the Honduran national congress announced that its study into a proposed new mining law was complete and that it was ready to present a draft law for approval.<sup>17</sup> A Canadian company, Mustang Alliances, issued a press release welcoming the proposed simplification of rules for companies operating in Honduras.<sup>18</sup> Honduran industry representatives emphasized to the press that new mining investment would bring new jobs, justifying the law’s rapid passage.<sup>19</sup>

Immediately, environmental, human rights and indigenous organizations sounded the alarm. A public declaration, signed by twenty-one Honduran organizations, reported that the legislative commission had indicated that it was under “*enormous pressure from investors*” to pass the law quickly, and that civil society groups were being denied real and effective input into the law.<sup>20</sup>

They criticized the proposed law for leaving the door open to open-pit mining, allowing foreign state ownership within the mining sector, prioritizing industrial use of water over community needs, streamlining processes to obtain mineral rights, limiting criteria by which mining projects could be cancelled or suspended, and failing to guarantee community consultation prior to granting of mineral rights or mining licenses, save under exceptional circumstances.<sup>21</sup>

The same week a journalist received threats on her cell phone when she was about to report on the debate over the proposed new mining law and problems related to mining in the Siria Valley.<sup>22</sup>

In response to calls for solidarity, the President of the Honduran Congress received a few dozen letters calling for real and effective civil society participation in the process. A delegation of women Nobel Laureates, press, and high profile Canadian performers also highlighted their concerns about the mining law process in conversations with government officials.

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<sup>15</sup> Cameron MacKay, El Heraldo, “Canadá y Honduras, trabajando juntos,” July 1, 2011; Accessed April 9, 2012: <http://archivo.elheraldo.hn/Ediciones/2011/07/01/Opinion/Canada-y-Honduras-trabajando-juntos>

<sup>16</sup> La Tribuna, “Lobo participa en la celebración del Día Nacional de Canadá,” June 29, 2011; Accessed February 15, 2012.

<sup>17</sup> Proceso Digital, “Listo el dictamen de la nueva Ley de Minería,” January 17, 2012

<sup>18</sup> Mustang Alliances Inc, Press Release, “Honduran Congress to Approve New Mining Law,” February 8, 2012.

<sup>19</sup> Hondudiario, “Empresarios urgen pronta aprobación de nueva ley de Minería,” February 13, 2012.

<sup>20</sup> Pronunciamiento Público, “Rechazamos el Proyecto de Ley de Minería del Congreso Nacional porque Violenta los Derechos del Pueblo Hondureño,” January 24, 2012.

<sup>21</sup> Ibid.

<sup>22</sup> Comité de Familiares de Detenidos Desaparecidos en Honduras, “Urgent Action: Journalist in danger – Repeated threats and persecution,” January 2012.

Perhaps in response to the public outcry, on February 2, 2012, Ambassador MacKay and FUNDHARSE organized another meeting of government officials, companies and NGOs entitled “Honduras and Canada moving ahead together with Corporate Social Responsibility.”<sup>23</sup> The press reported that the meeting’s objective was to examine the role of government and industry to promote CSR in the extractive and *maquila* sectors. MacKay reportedly emphasized the positive relationship between Canada and Honduras, adding that Canada’s commitment would be further strengthened by a bilateral Free Trade Agreement, whose text was completed and announced by Prime Minister Harper during a visit to Tegucigalpa in August 2011.<sup>24</sup> Although text of this agreement has not been made public, Canadian free trade agreements normally give foreign investors access to powerful investor-state arbitration in the case of disputes, without having to first exhaust national legal remedies. Such disputes can take years to resolve in international tribunals, costing states (and companies) millions of dollars, and having a chilling effect on public policy development.

Since February, and following the Embassy-backed visit of Honduran Minister Cuellar and Mining Director Santos to the annual Prospectors and Developers Association (PDAC) conference in Toronto, the Honduran press announced that Canada has reached a formal agreement to consult with Honduran authorities on their new mining law. “The Minister of Natural Resources reached an agreement with the Minister of Development to contract consultants using Canadian funds to analyze the law in order to ensure that it includes minimum international standards and such that the experiences of Canada is also reflected in the law,” reported *El Herald*.<sup>25</sup> A similar agreement has also been reached with copper giant Chile.<sup>26</sup> The same article indicated that there are some 200 outstanding requests for mining concessions that have yet to be granted in Honduras, including 104 from Canadian and Chilean companies and that are awaiting approval of the mining law.<sup>27</sup> When asked about the delay in approving the law, Cuellar said, “The political will is there, we just want to be responsible.”<sup>28</sup>

However, a poll carried out in September 2011 demonstrates that Honduran civil society is at odds with its government. The study, carried out by the Research Centre for Democracy (CESPAD), found near consensus among those surveyed expressing “strong support for the environmental movement, particularly with regard to reforms of the mining law and for more responsible and just natural resource management.” The same survey found that some 90% of Hondurans are opposed to open-pit mining.<sup>29</sup>

### **From Corporate Self-Regulation to Foreign Intervention?**

In Canada, CSR has already come to stand for “Corporate Self-Regulation” and the intransigence of the Conservative government to adopt effective mechanisms to hold corporations accountable for human rights violations and environmental degradation taking place in relation to their overseas operations. When Canada starts meddling in the development of other countries’ mining codes under the banner of CSR, it starts to lose all genuine meaning and look like simple economically-driven foreign invention.

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<sup>23</sup> La Tribuna, “Canadienses incentivan a la responsabilidad empresarial,” February 2, 2012.

<sup>24</sup> TV66 En la Mira, “FUNDHARSE y Embajada de Canadá se reúnen para promover la Responsabilidad Social Empresarial,” February 2, 2012.

<sup>25</sup> El Herald, “Declaraciones del Ministro de Recursos Naturales de Honduras, Rigoberto Cuellar,” March 12, 2012.

<sup>26</sup> La Tribuna, “En la formulación de la nueva ley, se recibe apoyo técnico de Canadá y Chile,” March 23, 2012.

<sup>27</sup> El Herald, March 12, 2012.

<sup>28</sup> Ibid.

<sup>29</sup> CESPAD, “La percepción de la ciudadanía Hondureña sobre los impactos de la minería metálica,” November 2011.