
ARMENIA: BEFORE THE GOLDRUSH

-

01.02.2017

Open Democracy 31 January 2017

PETER LIAKHOV

A British mining company has struck gold in southern Armenia. Whats in it for the locals?

The small village of Gndevaz in Armenias Vayots Dzor province will soon be home to Lydian Internationals Amulsar gold mine. The reception is mixed. Photo by Peter Liakhov.

Is this what we fought a war for? Victoria exclaims, exasperated, jabbing the table with her finger.

Victoria is in her early 60s, with blonde hair and a fiery gaze. For decades now, she has worked as a school teacher in the southern Armenian town of Jermuk. They will ruin this place! she bemoans. Then, more quietly, adds: What will we do with all our books when we have no choice but to leave?

They are Lydian International, a mining company based in the UK. In several months time, they will begin construction of the Amulsar Mine – a project which, when fully operational, will be the single largest mining operation in Armenia. Amulsar has been promoted as important step in the countrys economic development; some in Jermuk hold high hopes for a better life. But for many others, there are deep misgivings: a fear that the mine will irreparably damage the little they do have.

Environmentalists are also up in arms against the mine. They argue that the Amulsar will not only impact Jermuk and the surrounding villages. Rather, because of the mines proximity to key water resources, all of Armenia may be at risk. In a country rife with corruption, what safeguards will there be?

Deep waters

A bucolic spa-town nestled in the hills of Vayots Dzor province, Jermuk was renowned not only across Armenia, but all over the former eastern bloc.

Home to unique hot springs and mineral waters, the town boasted hotels and sanatoriums which were eagerly visited by residents of all the Soviet republics as well as other socialist states. Back in those days, we were one of the jewels of the USSR, the town was always bustling! reminisces Makedon, Victorias husband. Even in the winter, the hotels and sanatoriums would be at 90% capacity.

Much like the rest of Armenia, hard times came to Jermuk following the fall of the Soviet Union. Alongside mass deindustrialisation and a collapse of state services, Armenia was embroiled in a

bloody war with Azerbaijan over Nagorno-Karabakh. Tens of thousands died, and Armenias already meagre resources flowed into the war effort. With conflicts raging in Georgia and the north Caucasus, and a blockade by Turkey and Azerbaijan, Jermuk was no longer an accessible tourist destination.

In the years since the war, the town somewhat recovered. With a population of almost 5,000, Jermuk has eight major hotels and sanatoriums. Compared to other Armenian towns, it has good infrastructure: well-paved roads, neatly tended parks and a fair amount of tourist amenities.

It is in the midst of Jermuks slow but steady recovery that Lydian International enters the scene. In 2006, the newly-founded international mining company began an exploratory process 12km away from Jermuk. Shortly thereafter, the company submitted a risk assessment and requested approval for mining; the Armenian government gave the go-ahead.

However, Lydian did not begin to dig. They reapplied several more times over the years, each time requesting permission for a larger and more intensive operation. Excluding the final risk assessment published in spring 2016, some of these earlier risk assessments were technically in violation of Armenian law, as they did not designate Jermuk or the nearby village of Gndevaz as affected communities which needed to be consulted.

Final approval was granted in 2016. Construction began last year (the groundbreaking ceremony took place in August) and the Amulsar Mine will begin operating in 2018. Each year, 10m tonnes of ore, containing 7.8 tonnes of gold would be removed from the earth. The mine is to remain operational for 11 years, closing in 2029.

Jermuk returns to the soil

Vazgen Galstyan is president of the Jermuk Development Center, a local NGO. For years, Galstyan and his colleagues have worked with businesses and local government in Vayots Dzor to promote ecologically sustainable tourism. A soft-spoken man, Galstyan's voice grows hard when he talks about Amulsar. In my view, it is quite simple, he tells me. Tourism and mining are fundamentally incompatible.

Even if the Amulsar Mine was 100% eco-friendly, something which Galstyan believes to be absurd and totally impossible, he still thinks the mine will bring grave harm to Jermuks tourism. Who wants to visit a health spa next to a mine? He adds that the mere association with Amulsar, even though the mine has not yet opened, has already reduced visitor numbers. If construction continues as planned, it will be nothing less than a disaster, Galstyan predicts.

Amulsar is being developed at a time of growing unrest in Armenia. It wouldnt be the first such project to provoke public outrage and protest

In its Social Impact Assessment, Lydian International recognises the consequences of the inflow of construction workers, and later, miners, for the social fabric of Jermuk. The company cites the four ms (men, money, mobility and mixing) as having the largest impact. That is, the influx of single men with disposable income could lead to the development of the sex trade and adjacent vice industries in Jermuk, as well as an increase in sexually-transmitted diseases and HIV.

Lydian promises programmes such as safe-sex education and condom distribution to mitigate such risks. But many involved in the tourism industry are simply not convinced. They fear what will

happen to their businesses once Jermuk becomes a mining town. One local resident who works in the tourism industry, and requested not to be identified, told me simply that there will be single men with money. We all know exactly what kind of businesses will be established to serve them and what reputation they will bring to our city.

The local governments response to these concerns is unknown. Despite my repeated approaches, Jermuk mayor Vartan Hovhannisyan was unavailable for comment.

We are our mountains

Environmentalists working with local NGOs such as Ecolur and Armecofront argue that the greatest dangers of Amulsar are more than simply economic, and that the risks extend far beyond Vayots Dzor province.

In a statement given to Civilnet in November 2016, Armen Saghatelyan, a geologist and member of the Pan-Armenian Environmental Front, said that the greatest risk of the Amulsar mine is the damage it could do to the surrounding water system including Lake Sevan, the largest freshwater lake in the Caucasus and in Armenia. Saghatelyan points out that the Amulsar mine abuts the Kechut reservoir, which feeds directly into Lake Sevan, and that the sulfidic nature of the mine risks the acidifying the water in the reservoir — and eventually Lake Sevan itself.

Sevan provides not only drinking water and a place to swim in the heat of the summer, but is a large contributor to the Armenian economy. Its a major source of irrigation for the countrys agriculture and source of 90% of the fish, and 80% of the crayfish caught in Armenia.

There are concerns about dust containing toxic heavy metals affecting nearby agriculture. The Amulsar mine and treatment facility are a stones throw from various apricot groves and chicken farms which export abroad.

Anna Shahnazarian, an environmentalist based in the Armenian capital Yerevan, adds that any contamination of agricultural products would mean an end to the livelihoods of the villagers. Their land would become useless. They would have no choice but to leave.

The prospectors perspective

Lydian and its supporters insist that all these fears are unfounded. The company has been endorsed by representatives of the UK (2013) and US embassies (2015), who gave their support for the mine and mentioned the positive impact it would have on Armenia. In a statement to me, Lydian International wrote:

Lydian is committed to the protection of human life, health and the environment. We have undertaken a number of industry-leading measures to ensure that the necessary mitigation measures are in place * We believe that the Amulsar project will be properly managed and that it will be a safe and modern mining operation similar to those that exist in countries like Canada, the US, Australia and Sweden.

In a 2015 report by IWPR, Didier Fohlen, then executive vice-president of Lydian, is quoted saying that there is no scientific foundation to the fears of environmentally damaging leaks or spills.

The heap-leach process used at Amulsar □ wherein the gold ore is crushed, collected on a heap-leach pad, and sprayed with cyanide to create a gold-cyanide solution from which the gold is later

separated – operates on a closed circuit, and will not leave toxic waste after the mines closure. Consequently, Folen said there is no chance of direct waste discharge into the environment.

On its website, Lydian claims that the ore in the mine is oxidic rather than sulfidic, and thus presents little danger to Lake Sevan (though they recognise that nearby rocks do indeed contain sulphides). The company also states that: the heap-leach facility and runoff from the barren rock storage facility and the pits will be designed, built and managed to ensure that no contaminants are leaked into the wider natural environment. Thus not only Sevan, but all surrounding natural receptors – soil, water and air will be strictly protected. Moreover, to help mitigate impacts on local flora and fauna, Lydian along with the European Bank for Reconstruction and Development (EBRD) are financing a biodiversity offset programme and water treatment facility.

Lydians response is glowingly optimistic, but it rests on little more than the companys word. As the legacy of mining in Armenia has shown, that doesnt count for much

As for the dust, Lydian claim that the dust produced during the mining process would travel a maximum of 1,000 metres – not far enough to affect agriculture or cause any health issues for nearby residents.

From Lydians perspective, the Amulsar mine is a win-win project. According to their calculations, over the 11 years that the mine operates it will contribute roughly \$488 million USD to the state budget through taxes and royalties. The total contribution to Armenias GDP each year will be around \$185m USD, or 1.4% of Armenias total GDP.

The Amulsar mine will deliver one of Armenias rarest resources: jobs. Lydian estimates it will employ roughly 1,300 people during the two years of construction (2016-2018) and 770 permanent workers while it remains operational. In their statement to openDemocracy, Lydian stressed that they do not believe the mine will harm Jermuks tourist economy, saying that there are a number of examples of major tourism destinations successfully coexisting alongside prosperous mining industries, citing Colorado Springs, USA, the Greek Island of Milos, and Sardinia as examples.

Lydians response is similar to public statements theyve made in the past. Its glowingly optimistic and fairly thorough – however, it rests on little more than the companys word. As the legacy of mining in Armenia has shown, a companys word doesnt count for much. In the context of institutional and legislative frameworks (or lack thereof) bad or dishonest behaviour by mining companies often not only goes unpunished, but is even incentivised.

All carrot and no stick

Mining is the largest industry in Armenia, and likely its most corrupt. Currently, 460 mines operate in Armenia (roughly one mine per 5,600 citizens) and in recent years, mining has provided over 50% of Armenias exports. But Armenian citizens have seen little material benefit from these activities, as mining employs only one percent of the workforce and contributes only three percent to national GDP.

Georgi Derlugian, a sociologist at NYU Abu Dhabi, argues that mining is not necessarily a bad industry. Given the right circumstances, it can help develop a national economy. However, Armenia does not have the legislative or social structures in place to ensure that it will.

Any large-scale extractive activities, such as mining, create lucrative rents which are often appropriated by elites, Derluguian tells me. They are also subject to diminishing returns as resources are inevitably exhausted. When they are, the absentee owners simply go elsewhere.

The resource curse is avoidable, adds Derluguian. But, it requires a strong state with popular commitments: strong enough to enforce the rules, make mining companies pay, and effectively redistribute those financial gains.

Sadly, Armenia is not strong state with popular commitments. A 2015 report for the European Union Action to Fight Environmental Crime (EFFACE) – a collaboration between 11 European universities and think tanks, coordinated by the Ecologic Institute – notes that environmental concerns fall by the wayside where profits are at stake.

Then theres legislation. The Armenian government charges some of the lowest fees for exploiting natural resources in the world, and after a 2012 legislative change promoted by the World Bank, doesnt even charge companies for cleaning up after mining operations cease. This means that dealing with rocks, tailings and other hazardous waste becomes a burden for Armenian taxpayers. Waste is often left untouched, polluting the environment, destroying arable land and poisoning Armenian citizens.

Large-scale extractive activities like mining create lucrative rents for elites. Avoiding this requires a strong state with popular commitments, and Armenia isnt one of them

A vivid example of the industrys toxic nature is the recently opened molybdenum and copper mine in Teghut, northern Armenia. The facility, operated by Teghout CJSC, a subsidiary of Vallex Group (controlled, in large part, by infamous oligarch Gagik Tsarukyan), was opened in 2014. This project has led to massive deforestation (attempts to reverse the damage failed), pollution of the Shnogh river and loss of land and agricultural capacity for nearby residents. Teghut mine sparked one of the largest environmental protest movements in recent Armenian history, with demonstrations staged repeatedly in Yerevan, popularised by numerous Armenian celebrities.

This sad history notwithstanding, Armenia has signed several treaties on mining with the EU, most notably the Aarhus Convention, which, theoretically speaking, prohibits the kind of criminal behaviours seen in the industry. Yet the EU has done little to ensure that Armenias government abides by the stipulations of the treaties it has signed. And why would it? Armenias lax regulations and corrupt government have been a boon for European mining companies, providing relatively easy profits with the cost often little more than the occasional bribe to the right person.

The winners and losers of mining in Armenia are easy to distinguish. With the aid of local oligarchs, international mining companies get unrestricted access to Armenias mineral wealth and contracts to the tune of billions of dollars. The roughly 10,000 miners in Armenia are also winners in their own way – a small group of everyday citizens whose wages are worth roughly twice those of the average Armenian.

Fate is less kind to those Armenians whose land has been poisoned or whose health has been damaged by pollution, or those who simply lament the slow transformation of their country into one large tailings pond. They are the victims of corrupt and neocolonial collusion.

Meet the collateral damage

Lydian International told me that they'll break the legacy of mismanagement in Armenia's mining sector, bringing a new approach to mining and setting a benchmark for sustainable investment in the country. By following the best international practices and having an industry-leading approach, they'll ensure that the people of Jermuk and the surrounding region would have nothing to lose. But there have already been losers.

The village of Gndevaz is barely a kilometre away from the site reserved for Amulsars heap-leach facility. Until Lydian bought it, the area was a large apricot grove, where, according to Tehmine Yenoqyan, a journalist, activist and documentary filmmaker who has a home in the village, ten percent of the population owned some land. Tehmine says that after Lydian purchased the grove, all who had land there received compensation; handsome sums by Armenian standards. Yet the grove was primarily owned by the three wealthiest families in the village. Most villagers received nothing.

Beyond the grove, much land in Gndevaz, once a prime location for a beautiful summer home, is now worthless. Land values have plummeted due to the nearby cyanide heap-leach pad. Besides, who'll buy vegetables or meat from a village so close to a poisonous industry? Even if the mine was safe, why would consumers take the risk?

This is one of the reasons why, in April 2015, Tehmine, along with nine other Gndevaz residents and two Yerevan-based environmental NGOs filed a lawsuit to the Armenian government requesting that, due to the environmental risks, the construction of the Amulsar mine must be stopped. Since then, the case has been rejected by the lower courts, and the plaintiffs have submitted an appeal, which is still pending.

All that glitters...

Lydian's claims to being a responsible and transparent company are key to understanding if its assurances about the mine's economic and environmental impact are made in good faith. Unfortunately, it seems that Lydian, rather than representing a break from Armenia's mining tradition, could be just another sad continuation.

As with previous mining projects, Armenian politicians at the highest levels of state have connections to Lydian. For instance, Armen Sargsyan, a former prime minister (1996-1997) and current Armenian Ambassador to the UK, served on the Lydian International board of directors in 2013. Similarly, at a local level, respondents in Jermuk report the meddling of government and business elites; they say they fear reprisals such as loss of work or revocation of a business license if they speak out publicly against the Amulsar mine. However, respondents didn't name who, at the local level, has material interests in the project.

The moment anything goes wrong, we will rise up. I know in my heart they'll never finish building this mine.

One local speculated that Ashot Arsenyan, a regional oligarch and director of the Jermuk Group, must have a stake, but offered no concrete evidence. All I know is that the powers-that-be want that mine built, he said.

The support and financial investment Lydian enjoys from the International Finance Corporation

(IFC) and the EBRD is little consolation. A recent report by the International Consortium of Investigative Journalists and the Huffington Post described the IFCs projects as high-risk, where harm is a likely outcome and that in recent years (this is) the kind of investment the World Bank Group increasingly favours: large, destructive and fraught with risk to the environment as well as to people who live [nearby].

The report also details gold mining projects that, like Amulsar, use heap-leaching technology and reveal that, contrary to the rhetoric of zero waste, they have actually caused significant environmental damage.

EBRD has also been dogged by scandal, with recent reports by Human Rights Watch and Amnesty International condemning it for insufficiently protecting the rights of communities living near their projects. In Armenia, the EBRD has supported Dundee Precious Metals mine at Shahumyan, southern Armenia, since 2005. The mine, often subject to pay disputes, suffered a further scandal in 2012 when the Geghanush Tailings Facility had a series of tailing leaks resulting from poorly constructed pipes.

Before the goldrush

Most of the workers have not yet arrived on site, but full-on construction of the Amulsar mine is expected to begin in a few months time, with operations commencing in 2018.

The mine is being developed at a time of growing unrest in Armenia. In August 2016, there were clashes with police, as thousands came out in support of Sasna Tsrer, an armed group that seized a police station and called for the release of political prisoners and the resignation of president Serzh Sargsyan. The previous year, over 10,000 people blocked Baghramyan Avenue, Yerevans main artery, to protest an increase in electricity prices.

Six years ago, there were large demonstrations against operations in Teghut. With Jermuk and Lake Sevan possibly threatened, the emergence of similar protests concerning Amulsar is likely.

Perhaps there is even the chance of cross-border cooperation between environmental activists in Armenia and Georgia. (Lydian International is attempting to open a gold mine at Kela, in the countrys west.)

Locals in Jermuk and Gndevaz regretted that no movement has yet arisen, but hope that this summer will be a flashpoint.

There have already been demonstrations against Amulsar (including a well-publicised protest during Prince Charles visit to Armenia). The activists I spoke to now plan to organise larger protests.

The economic and social disruption this mine could bring may unite both activists and local residents. But as always when building a mass movement, this will likely necessitate bridging the two groups discourses. For local residents, the environment takes a backseat to bread-and-butter issues such as employment and security. We dont lock our doors here, but when they start building and the workers move in, that will change, they fear.

As is common in Armenia, these concerns are voiced in the language of populist nationalism. Jermuk, a pride of Armenia, will be ruined, while Lydian International is compared to a colonising power. The emigration that could follow after the mine is shut down will leave undefended lands

that neighbouring Azerbaijan will be able to waltz into, some claim. Environmentalists may have to speak this language if they are to bring together less politicised opponents of the mine.

If there is any time for such a bridge to be built, its now. As one Jermuk resident put it: We may have been quiet so far, perhaps because were hoping for the best. But the moment anything goes wrong, we will rise up. I know in my heart theyll never finish building this mine.

Kaynak/Source: