

Brazil

Amazon gold rush: Brazil grapples with illegal mining in the rainforest

Swaths of forest have been razed to make way for the equipment needed to extract the metal

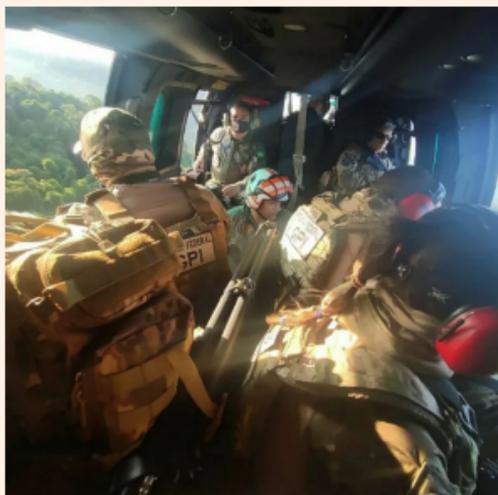
Bryan Harris in São Paulo, Sam Cowie in Santarém and **Gideon Long** in Bogotá 10 HOURS AGO

When Brazilian military helicopters swooped over the Maicuru Biological Reserve in the Amazonian state of Pará in October, they discovered an illegal mining operation that was surprising in its sophistication.

There was a system of motors to heave gold out of deep caverns where it had been found and landing strips carved out of the surrounding rainforest to take the cargo away.

“This location is only accessible via plane, there’s no other way. So to structure an operation there, first you need to build an airstrip, and then have aeroplanes,” says Gecivaldo Vasconcelos, the federal police chief of Santarém, a sweltering port town along the banks of the river. “This demands an investment, it is not small scale.”

Large swaths of supposedly protected lands are being razed to make way for modern equipment to extract the metal. An area of rainforest equivalent to the size of more than 10,000 football pitches was destroyed last year by illegal wildcat miners alone, according to Ibama, the federal environmental protection group, an increase of 23 per cent over 2018. This is part of a broader surge in deforestation in the Amazon region.



Brazilian armed forces raid an illegal gold mine... © Brazilian Federal Police



... in the Maicuru Biological Reserve in Pará last month © Brazilian Federal Police

To process the gold, the miners use mercury, which then seeps into the air and rivers, contaminating local produce and affecting local communities, some of whom complain about a spate of frightening illnesses, including an increase in women miscarrying, according to federal prosecutors.

With illegal mining also comes violence. Several indigenous tribes in the Brazilian Amazon, including the Munduruku and Yanomami, are under constant threat from miners that are often armed and sometimes working for organised crime rings. Murders are common, say the police.

Nor is the violence contained by national borders. The federal police say that the criminal groups at work in Brazil have close connections with Venezuela, where a mining region in the south of the country is dominated by organised crime and forced labour is common, according to the UN and several non-governmental agencies.

Illegal gold mining in the Amazon



Image: Bing © FT

Cartography: Steven Bern

Much of this “conflict gold” is spirited out of Venezuela via Colombia, but a lot is also smuggled into the Brazilian Amazon, where it can be easily laundered, sold and eventually exported globally from São Paulo.

“The risk from illegal gold is that the proceeds can be used to promote more illegalities, including drug and arms trafficking and even terrorism. If we don’t address this problem, we will lose this war,” says Eduardo Leão, director of the National Mining Agency.

Brazilian police have in recent weeks launched a string of operations, aimed at rooting out illegal miners, the cross-border smuggling routes and the laundering services that allow illegal gold to enter the global financial system.

The raid in the Maicuru reserve, a joint military-police operation which concluded with the police blowing up the airstrip, was one of a string by authorities in the Amazon. Days earlier, 60 federal police served 18 warrants against members of a cross-border “criminal organisation”, which the authorities allege was smuggling tens of millions of dollars in gold and cash between Venezuela, Brazil and Guyana.

But as the police battle begins to heat up, a victory for law enforcement looks far from certain. “There is an absence of law, of regulation,” says Paulo de Tarso, a federal prosecutor in Santarém. “Our work is like trying to stop ice from melting.”



The Esperanca IV informal gold mining camp, near the Menkragnoti indigenous territory, in Altamira, Pará, last year © Joao Laet/AFP/Getty



Members of the indigenous Munduruku tribe, on a trek to a mining camp, take a break in front of equipment used to illegally mine their land, in the Amazon rainforest in 2018 © Meredith Kohut/New York Times/Redux/eyevine

Part of a small team of investigators struggling to keep a lid on soaring levels of environmental crime, Mr de Tarso and his colleagues are isolated. The enforcement capabilities of the few local police are subsumed by the vast, inhospitable terrain, while Brazil's environmental protection agencies — historically a bulwark against the destruction of the world's largest rainforest — have been starved of funding and gutted of staff since Jair Bolsonaro took over as president last year.

An armed agent with Ibama, which every day plays a cat-and-mouse game with the gold miners deep in the forest, is more stark: "The destroyers of the Amazon have been empowered," he says.

“It is becoming increasingly dangerous,” he adds, “we see imminent major conflicts.”

The Covid effect on prices

Since the coronavirus pandemic sent gold prices surging, Brazil’s production and exports of the metal have increased. Between January and September this year, the country exported almost \$3.4bn of gold, roughly equivalent to its entire gold exports last year, according to the economy ministry. Exports from January to September this year are 60 per cent higher than in the same period in 2018.

Every year Brazil produces around 100 tonnes of gold, of which about 35 tonnes comes from small-scale miners, known as *garimpeiros*, who have licences to prospect in limited parts of the Amazon.

But gold mined illegally in the Amazon is often laundered and ends up in this officially sanctioned output or smuggled across the borders with Venezuela and Guyana, meaning investigators have no clear total figure for illegal gold production. However, Larissa Rodrigues from the Escolhas Institute, a non-profit group which has been investigating the issue, estimates about 15 tonnes of Brazil’s gold comes from illegal sources.



Larissa Rodrigues © Escolhas Institute

“Part of it is entering the financial system. In Brazil we have a lot of international attention on the traceability of beef linked to deforestation because we export a lot for Europe. But for gold, it just doesn’t happen at all,” she says.

The operation that uncovered and destroyed the clandestine airstrip was dubbed “Cold Gold” — a subtle riposte to the slang of miners, who “heat up” gold when they succeed in laundering it in the financial system or jewellery market.

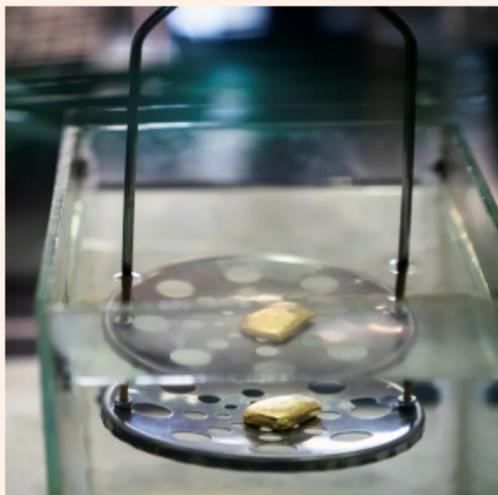
The process is a simple one. “A guy has gold in his hand but he has no documentation — because many have extracted gold from places that aren’t legal,” says Mr Vasconcelos. “When he comes to sell that gold, either he presents a false document, or the purchasing shop itself produces the document.

“In that moment the gold is bought by an official business, which declares that it came from a legitimate mine,” he adds. “Then the gold enters the system as if it is legal. It has been ‘heated up’.”

The process is often conducted entirely using pen and paper, meaning there is no digital database to track offenders or build evidence against the purchasers, which are theoretically regulated by the central bank and the CVM — Brazil's Securities and Exchange Commission.



Gold is melted to be sold off to bigger companies, at Ouro Prime, last year in Itaituba, Pará... © Jabin Botsford/The Washington Post/Getty



... Miners, legal and illegal, are paid in gold and often use small gold shops to get quick cash for their earnings © Jabin Botsford/The Washington Post/Getty

Federal prosecutors have for years been pushing the central bank and Brazil's mining agency to devise a new system, but there is little political motivation. Mr Bolsonaro regularly voices public support for the opening of the Amazon to mining and is a critic of the vast protected lands afforded to indigenous tribes. The central bank and the National Mining Agency did not respond to questions on this subject.

The CVM said it was “permanently modernising” regulations in line with their supervisory experience and “demands from market participants and society as a whole.”

Ms Rodrigues says that the government “has been completely unhelpful”. “They’ve been launching proposals to liberalise mining and talking with miners on the ground,” she says. “It acts like a signal for the illegality to continue.”

The Ibama agent sums up the situation ruefully: “Where does all the gold come from?” he asks. “If you just take legal gold mines, you will not be able to supply all the gold traded in the world today. Nobody cares about the origins of gold.”

Pro-mining lobby

In his quest for the precious metal, José Antônio Pereira dos Santos spent almost 50 years evading law enforcement, until February this year when he received an official licence from the government to dig in the Amazon.

At the forefront of the region’s new gold boom, Mr dos Santos employs a team of labourers as well as heavy equipment and maintains a dirt airstrip that he uses to transport the 5kg of legal gold he mines every month to the region’s cities.

Such businesses are increasingly the backbone of many poor Amazonian communities, where rudimentary resource extraction, including mining and logging, are often the only way to survive.



Serra Pelada Gold Mine in Pará State, Brazil, in the 1980s... © Christopher Pillitz/Getty



... where thousands of workers prospected for gold in an open pit mine which became synonymous with gold rush fever © In Pictures Ltd./Corbis/Getty

“Seventy per cent of our region’s economic activity depends on gold. Those who don’t depend on it directly, depend on it indirectly. It fuels our economy,” says Wescley Tomaz, a local council member for Itaituba, a mining municipality in Para state known as “Nugget Town.”

“Everyone talks about preserving the Amazon, but only those who live here can take care of the Amazon. Those from Brasília, from São Paulo, from Europe, they don’t know how it works here.”

Valmir Climaco, the town's mayor, believes it is a question of animal spirits: "When gold is discovered in an area, there is nothing in the world that will stop miners from extracting it."

Both men support the liberalisation of the mining industry in the Amazon and Mr Tomaz in particular is at the forefront of lobbying Mr Bolsonaro and Congress to push through legislation. In October, pro-mining groups blocked an important grain-trading highway in the region to promote their cause.

This campaign, however, has sparked opposition from local indigenous groups as well as environmentalists, who say the legalisation of more mining would further spur the destruction of the rainforest, where deforestation has soared under Mr Bolsonaro.



Yanomami indians follow agents of Brazil's environmental agency in a gold mine during an operation against illegal gold mining on indigenous land, in the Amazon rainforest, in Roraima state, in 2016 © Bruno Kelly/Reuters



An activist wearing a mask depicting Jair Bolsonaro takes part in a demonstration against the president's environmental policies last year © Mauro Pimentel/AFP/Getty

“There is a great impact when miners come into contact with indigenous populations. They bring violence and produce conflicts within the communities,” says Luiz Jardim Wanderley, a professor of geography at the Fluminense Federal University.

He adds that some indigenous people have embraced mining as a means to earn income, creating a split within the traditionally environmentalist communities. “Right now we are seeing a split in the Munduruku tribe between those who want to mine and those who don’t,” he says.

The miners' methods are also typically rough and ready and do not include proper surveying of deposits. As a result, large areas of forest are needlessly razed in the search for just few nuggets, Prof Wanderley adds.

For Mr de Tarso, the federal prosecutor, the miners — and the moneyed investors behind them — already benefit from “favourable and lenient legislation” that allows them to make “profit at society's expense.”

“We take the burden of polluted rivers, of mercury in the rivers, of local populations threatened with violence,” he says.

Venezuela's 'mining arc'

For international investigators, Brazil's gold trade has an even more controversial side: its close connections with Venezuela.

With Venezuela's economy collapsing and revenue from its chief export, oil, drying up, the government of Nicolás Maduro established a “mining arc” on the southern banks of the River Orinoco in 2016. The idea was to exploit the area's gold, diamonds and coltan.

This arc covers 12 per cent of Venezuela's territory — an area the size of Portugal — and as it is in the south, Brazil is a natural exit point for smuggled gold.

The area is notoriously violent. The UN has recorded cases of a miner beaten in public for stealing a gas cylinder; a young man shot in both hands for stealing a gramme of gold and a miner having a hand cut off for not declaring a gold nugget. Some campaigners say resources extracted from the region should be prefixed with “blood” or “conflict”.

“Much of mining in the arc is controlled by organised criminal groups or armed elements,” [according to a UN report](#) published in July. “They determine who enters and leaves the area, impose rules, inflict harsh physical punishment on those who break them, and gain economic benefit from all activity within the mining area, including through extortion in exchange for protection.”

The report details brutal punishment meted out by the gangs who run the mines, including amputations for alleged theft and death for alleged espionage. “The bodies of miners are often thrown into old mining pits used as clandestine graves,” the report said.

Cristina Burelli, an adviser at non-governmental group SOS Orinoco, says the “natural exit route for some of that gold is through Brazil. We know that *garimpeiros* are coming over from Brazil. It’s a very porous border.”



A 'garimpeiro' holds a machete at a wildcat gold mine at a deforested area... © Nacho Doce/Reuters



... of the Amazon rainforest near Crepurizao, in the municipality of Itaituba, in 2017 © Nacho Doce/Reuters

Once in the Brazilian Amazon, the gold can be washed of its origins using the same methods as the wildcat miners before seeping into the global market. The profits, meanwhile, are shuttled back across the border, typically by young recruits.

“Between 70 and 90 per cent of mined gold in Venezuela leaves the country illegally. It doesn’t even touch the central bank of Venezuela,” says Alexandra Pinna, senior programme manager for Latin America at Freedom House, who estimates that the value of gold smuggled out of the country in 2018 at \$2.7bn.

For prosecutors, police and activists, the solution to the entire equation lies in the creation of a reliable tracing system, starting with the basic digitisation of gold sales in cities such as Brazil's Itaituba. This, however, would require concerted economic, political and public pressure — none of which appears to be forthcoming.

“If we created a traceability system, we could demand that companies prove the origin of gold,” says one federal agent. “But nobody is doing that. And we consumers end up helping indirectly.”

[Copyright](#) The Financial Times Limited 2020. All rights reserved.