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FOREIGN DESK

Tangled Strands in Fight Over Peru Gold Mine

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SAN CERILLO, Peru - The Rev. Marco Arana drove his beige pickup over the curves of a dirt road 13,000 feet high in the Andes. Spread out below lay the Yanacocha gold mine, an American-run operation of mammoth open pits and towering heaps of cyanide-laced ore. Ahead loomed the pristine green of untouched hills.

Then, an unmistakable sign that this land, too, may soon be devoured: Policemen with black masks and automatic rifles guarding workers exploring ground that the mine's owner, Newmont Mining Corporation, has deemed the next best hope.

"This is the Roman peace the company has with the people: They put in an army and say we have peace," said Father Arana as he surveyed the land where gold lies beneath the surface like tiny beads on a string.

Yanacocha is Newmont's prize possession, the most productive gold mine in the world. But if history holds one lesson, it is that where there is gold, there is conflict, and the more gold, the more conflict.

Newmont, which has pulled more than 19 million ounces of gold from these gently sloping Peruvian hills -- over \$7 billion worth -- believes that they hold several million ounces more. But where Newmont sees a new reserve of wealth -- to keep Yanacocha profitable and to stay ahead of its competitors -- the local farmers and cattle grazers see sacred mountains, cradles of the water that sustains their highland lives.

The armed guards are here because of what happened in the fall of 2004 at a nearby mountain called Cerro Quilish. For two weeks, fearing that the company's plans to expand Yanacocha would mean Quilish's desecration and destruction, thousands of local people laid siege to the mine. Women and children were arrested, tear gas was thrown, the wounded hospitalized after clashes with the police.

In the end, the world's No.1 gold-mining company backed down. Father Arana, who runs a local group formed to challenge the mine, helped negotiate the terms of surrender. Newmont withdrew its drilling equipment from Quilish -- and the promised reserves from its books. Now, in large part because of the loss of Quilish, the company says production at Yanacocha may fall 35 percent or more in two years.

The forced retreat, a culmination of years of distrust between the peasants and the mine, was a chastening blow for an industry in the midst of a boom. It underscored the environmental and social costs of the technologies needed to extract the ever-more-valuable ore from modern mines. And it showed how a rising global backlash against those costs was forcing mining companies to negotiate what has come to be known as "social license" if that boom was to go on.

But the history of Yanacocha, pieced together in a six-month examination by The New York Times and the PBS television program "FrontlineWorld," is also an excursion into the moral ambiguities that often attend when a first-world company does business in a third-world land.

Gold miners say they have no choice but to go where the ore is; they cannot choose the governments they deal with. Yanacocha shows how one company maneuvered in a country, Peru, dominated by a secret web of power under a corrupt autocracy.

Newmont gained undisputed control of Yanacocha in 2000 after years of back-room legal wrangling. Behind the scenes,

Newmont and its adversaries -- a French company and its Australian ally -- reached into the upper levels of the American, French and Peruvian governments, employing a cast of former and active intelligence officials, including Peru's ruthless secret police chief, Vladimiro Montesinos.

Much of that arm-twisting has been dragged into the light, in secret recordings by the spy chief. The tapes, apparently intended to blackmail and manipulate Peru's powerbrokers, surfaced in 2000 and led to the downfall of Mr. Montesinos and the president he served, Alberto K. Fujimori.

The tapes captured everything from plotting to fix elections to shopping bags of money being unloaded for payoffs in Mr. Montesinos's office at the Peruvian National Intelligence Agency.

They captured Newmont's maneuverings, too. In one audio recording, the No.3 Newmont executive at the time, Lawrence T. Kurlander, is heard offering to do a favor for Mr. Montesinos.

"Now you have a friend for life," Mr. Kurlander tells the spy chief.

"You have a friend for life also," Mr. Montesinos replies.

Last year, a Justice Department investigation into whether Newmont's victory resulted from bribing foreign officials was dropped after the Peruvian government failed to cooperate fully and the statute of limitations expired, according to law enforcement officials familiar with the case. The Peruvian government investigated the Yanacocha affair without bringing charges.

Mr. Kurlander has agreed to speak out publicly about his meeting for the first time. He says he regrets seeking out Mr. Montesinos, now in jail charged with everything from corruption to gun running and drug trafficking. But Mr. Kurlander and Newmont are adamant that no bribes were paid, nothing illicit done, at least not by them or their allies.

"Everybody involved on the American side, in the American government, that went to see him or spoke to him, asked for a level playing field," said Mr. Kurlander, who retired in 2002. "Not a single person asked for him to influence the outcome of the case."

Newmont's senior executives declined repeated requests for interviews for this article, though they did allow Times reporters to make an extensive visit to the Yanacocha mine. But in a written statement, Newmont said of its legal battle for the mine, "We are satisfied that the company complied in all respects with applicable laws."

Whatever the past environmental problems, Newmont says Yanacocha now meets all Peruvian and international standards. And the company says it is committed to gaining and maintaining the approval of the community.

Still, to many of the local people, the continuing struggle for Yanacocha evokes a tale of treachery nearly any Peruvian school child can recite.

In 1532, the Spanish conquistador Francisco Pizarro captured the last Inca emperor, Atahualpa, in Cajamarca, the provincial capital 28 miles from Yanacocha. The young Inca, a god to his people, was held for months while he scrambled to amass a ransom: enough gold to fill a room as high as his arm could reach.

He turned over his gold, expecting to be freed. But Pizarro killed him anyway.

Living on Water

At first, people here saw possibility in the mine. Yanacocha -- "black lake" in the indigenous Quechua tongue -- sits in one of the poorest agricultural regions of Peru.

"When Yanacocha began its operations, we would only hear about how everyone was happy," Father Arana said. "The mine was going to bring jobs, improve roads." No one thought much, he said, about the inevitable collisions.

The collisions began almost immediately.

In the Andean peasants' universe, water is the heart of the land. The people depend on it -- for their animals, for drinking, for bathing. Community life is organized around it.

But the mine lives on water, too. The bits of gold here, so small they are called "invisible gold," can be mined profitably only

by blasting mountains, then culling the gold with vast quantities of cyanide diluted with similarly vast quantities of water.

It was not long before the peasants began to complain. Streams and canals were drying up, they said. They were filled with murky sediment. The water smelled foul.

But on the ledger books, Yanacocha was a fast success.

The mine had started with 1.3 million ounces of reserves in the ground. Within a year, it claimed over 3 million. It was the biggest foreign investment in Peru.

"Everywhere we drilled and looked, there was gold," said Len Harris, Yanacocha's first general manager.

Dueling Companies

Celebration soon gave way to strife.

A year before, a partnership had been formed to develop the mine: Newmont; a Peruvian partner, Buenaventura; and a French government-owned company, Bureau de Recherches Géologiques et Minières (BRGM). No partner had a controlling interest. The World Bank's investment arm, the International Finance Corporation, later took a 5 percent stake, hoping to promote development in a country plagued by economic chaos and roiled by a Maoist insurgent group, Shining Path.

With the mine expanding and the guerrilla leader captured, BRGM announced plans to sell a large part of its increasingly valuable stake to an Australia-based company, Normandy Poseidon. Newmont, considering the involvement of another major mining company unacceptable, sued, arguing that the partnership agreement gave it and Buenaventura first right of refusal on any sale.

Twice, Peruvian courts agreed. Then, in September of 1997, the Peruvian Supreme Court issued a startling ruling, agreeing to review a case Newmont thought it had definitively won. Stunned and suspicious, the company called in Mr. Kurlander.

Mr. Kurlander, then 56, had spent most of his life in government, as a prosecutor and as chief criminal-justice adviser to Gov. Mario M. Cuomo in New York. He later moved to corporate work and was recruited by Newmont in 1994. He had no experience in mining, but in an industry known for its rough edges, he became a top Newmont executive, valued for his political contacts and easy ability to walk between the halls of government and the corporate suite.

On his arrival in Peru, Mr. Kurlander says, he was told by Newmont's lawyers and security chief that the French were "behaving inappropriately in the litigation."

"The mere fact that they were doing this," he said in an interview, "was unseemly at best and corrupt at worst."

Newmont, he said, was at a distinct disadvantage: the Foreign Corrupt Practices Act forbids American companies to pay anything of value to a foreign official in exchange for a "result." By contrast, in 1997, most European countries, France included, did not prohibit paying bribes.

The French ambassador to Peru at the time, Antoine Blanca, said in an interview that no one connected to the embassy had ever offered bribes or otherwise acted improperly.

Still, what emerges from documents and interviews with participants is a picture of three years of increasing pressure and intimidated threats by Normandy and the government of France.

In the Peruvian press, the French ambassador insinuated corruption of the judiciary; French government emissaries suggested to Peruvian officials that there would be consequences if Newmont was awarded the disputed shares.

Normandy recruited Patrick Maugein, a well-connected French businessman. By phone, fax and letter, Mr. Maugein placed Newmont and Buenaventura on notice that the dispute had become a "matter of state"; the French, he warned, "had every intention of fighting it to the bitter end." Mr. Maugein had ties to the French president, Jacques Chirac, and soon Mr. Chirac wrote to President Fujimori, urging a Supreme Court review and his personal intervention.

Mr. Maugein declined to be interviewed for this article, but in a letter wrote that any allegations of illicit activity "come from people who have been paid to make them."

From Lima, in the days after the Supreme Court agreed to take the case, Mr. Kurlander headed to Washington to enlist help on

the American side. By the end of October 1997, Stuart E. Eizenstat, under secretary of state for economic affairs, wrote Peru's prime minister to press for "a fair and impartial hearing," according to documents released under the Freedom of Information Act.

"A politically tainted decision would adversely affect U.S. investment in Peru," he wrote

On Jan. 5, 1998, Peru's Supreme Court came back with a preliminary decision; 3 to 2 for the French, one vote shy of victory.

As the Peruvians prepared to assign two more judges to the case, Mr. Kurlander says, he and Buenaventura's chief, Alberto Benavides, appealed to Mr. Fujimori.

Soon after, Mr. Kurlander said, the president's office sent word about the man to see.

Spy Chief's Favor Bank

Vladimiro Montesinos's titles never matched his stature. Officially, he was "counselor" to Mr. Fujimori and de facto head of the National Intelligence Service. In reality, he was the second-most-powerful man in Peru -- "Rasputin, Darth Vader, Torquemada and Cardinal Richelieu" rolled into one, according to an American Army intelligence report.

The National Intelligence Service was also on the payroll of the C.I.A., which gave Mr. Montesinos a million dollars a year for his supposed help in combating the narcotics trade, according to former C.I.A. officials who approved the payments.

This was the man Mr. Kurlander headed to see alone on Feb. 26, 1998. While he says he knew that Mr. Montesinos was "an extremely bad man," he maintains that the extent of the government's corruption and human rights abuses were not well known at the time. There was, however, one case he was aware of.

Not long before, the Fujimori government had seized the television station of a Peruvian-Israeli businessman, Baruch Ivcher, after it began broadcasting reports tying the intelligence chief to drug trafficking and corruption. Mr. Kurlander knew that publicity about the case was threatening to become a headache for Peru's government.

As the secret tape rolls, Mr. Montesinos says he is aware of Mr. Kurlander's problems and is "very glad to do whatever I can for you."

Mr. Kurlander describes his own links to the intelligence community and how he has enlisted "friends" -- two former C.I.A. officials -- to assist him, because the French side "has been acting quite strangely."

Their conversation is interpreted by Grace Riggs, a lawyer and former lover of the spy chief who had a child with him.

Soon Mr. Kurlander raises the Ivcher case. Mr. Montesinos assures him that the pursuit of Mr. Ivcher is not an anti-Semitic "persecution," and Mr. Kurlander offers to help by lobbying his fellow Jews in the United States and abroad.

"Tell him I going to help him with the voting," Mr. Montesinos directs his translator. He is well aware of the "tricky practices of the French government," he says, making a joke about "The French Connection."

The reference, in English, gets the men laughing. Soon spy chief and executive are pledging friendship for life.

The spy chief then proceeds to discuss with another man, who has never been identified, the lawyers and judges who may need to be influenced. The conversation is in Spanish, which Ms. Riggs does not translate.

Finally, she tells Mr. Kurlander that because he helps Mr. Montesinos "without expecting anything in return," the spy chief "wants to do the same thing for you."

"I appreciate that," Mr. Kurlander replies.

"Amor con amor se paga," Mr. Montesinos exclaims.

Love is repaid with love. Still, Mr. Kurlander says, he had doubts. In the following weeks, "nothing happened," he said. "I was very worried that we were lost." In fact, the channel between Mr. Montesinos and the Americans was open and bustling.

Peter Romero, then assistant secretary of state for Western Hemisphere affairs, acknowledged in an interview that he had twice called Mr. Montesinos to show that the case was being "monitored" in Washington.

"He seemed to be a nice enough fellow," he recalled.

The "compelling reason" to get involved, he said, came from Peruvian and American Embassy officials who confirmed the direct involvement of President Chirac and others at the top of the French government.

"We wanted to ensure that that was neutralized," Mr. Romero said.

Two and a half years later, Mr. Romero left government and was hired by Mr. Kurlander as a consultant on Peru for Newmont, where he remained for 18 months.

On April 14, six weeks after the Montesinos-Kurlander meeting, the video cameras were rolling for a visit from the C.I.A. station chief, Don Arabian.

As the meeting nears its end, Mr. Montesinos says he has been collecting information on the French attempt to influence the case and will not let them use "extortion, blackmail and other gangster" methods.

"I'm not working with the telephones, but we will if necessary," Mr. Montesinos says, an apparent reference to wiretapping. "We'll sort out the technical support." The men laugh.

Mr. Arabian, who recently retired, declined a request for an interview.

On May 8, the sixth Supreme Court justice voted in favor of Newmont and Buenaventura. With the vote deadlocked, 3-3, the court administrator appointed a final judge, Jaime Beltrán Quiroga. He was summoned the next day by Mr. Montesinos.

A videotape shows the justice settled on the couch as Mr. Montesinos talks about how, as a lawyer he, too, would normally "keep a distance" from events. But "in these cases," he says, "one has to intervene directly."

Mr. Montesinos avoids direct pressure -- "as if we are imposing on you" -- but reminds the judge that the case is a matter of national interest: the United States is a key guarantor of coming deliberations over Peru's border conflict with Ecuador.

There is no discussion of payoffs, but the spy chief does question the judge about his professional ambitions. The men reminisce.

"Well, doctor, you have a friend here," Judge Beltrán says.

"My dear, Jaime, then, a pleasure to see you, brother," Mr. Montesinos replies, assuring his guest that he will soon be transferred to Peru's Constitutional Court.

Judge Beltrán's vote was announced two weeks later: Newmont and Buenaventura were awarded BRGM's share -- at the purchase price set in 1993: \$109.7 million.

When the final transfer was negotiated a year later, the stake was valued at more than five times that.

Today Mr. Kurlander says that whatever his reservations at the time about meeting Mr. Montesinos, he went ahead because nearly everyone told him, "If the French were to be stopped, he was the only one in Peru who would dare to do it."

The transcript is "terribly unfair," Mr. Kurlander says, and leaves out a number of his statements that all he wanted was a "level playing field."

Mr. Kurlander's name has been attached to the meeting and his reputation harmed, he says, though he insists the meeting was no secret. He says his Newmont superiors and his partners in the Benavides family were thoroughly briefed.

"It was my government who recommended -- strongly -- that we speak with him," Mr. Kurlander said at his home outside Denver. "Tell me what my option is at that point. Do I lay down and just fold, fold up and go home? Or do I fight for what I think is right and fair and just?"

In an interview at his Lima offices, Mr. Benavides, now Buenaventura's chief executive, insisted, "We didn't know what Mr. Kurlander was doing," and added that he did not learn about the Montesinos meeting until the tape was made public several years later.

The Mercury Spill

At Yanacocha, year after year, the mine's geologists had kept striking gold. And with every ton of earth sifted, it became ever clearer that the mine had not just ripped up the landscape; it had remade the social architecture, too.

There were growing class divisions, between the many campesinos who had received well-paying jobs -- Yanacocha would eventually employ as many as 2,200 people, two-thirds locals, full time, and up to 6,000 on shorter-term contracts -- and the tens of thousands more who had not. People migrating to the region in pursuit of work brought overcrowding and rising crime.

In June 2000, a truck contracted to carry canisters of mercury, a byproduct of mining, spilled 330 pounds of the poisonous metal over 25 miles of road around Choropampa, 53 miles from the mine.

The villagers believed that the mercury was mixed with gold. They scooped it up. Some took it home to cook on their stoves. A World Bank report later said the mine delayed reporting the accident to the national authorities and initially played down its seriousness to the bank.

In the end, the Peruvian government fined the mine \$500,000; the company says it has paid \$18 million more. A class-action suit has been filed against Newmont in Denver, charging that more than 1,000 people were harmed, some for life.

The extent of that damage has been in dispute from the start. Even so, the spill left deep psychic scars. It became common mythology that mercury had killed newborn babies and caused cancer and other diseases, Dante Vera, a former Peruvian Interior Ministry official hired in 2004 as an adviser to Newmont, wrote in a report to company executives.

At Newmont, it was becoming increasingly clear that the social turmoil was a business problem. The spill, Mr. Kurlander said in a speech a year later, "served as a wake-up call for us."

Soon, he was headed back to Peru, to lead an environmental audit of the mine.

Newmont kept the audit's results within the company, never acknowledging them publicly -- either to its shareholders or to the local people. Mr. Kurlander found "a high level of mistrust" of the mine.

But the 44 findings of Mr. Kurlander's audit, which was given to The Times, also confirmed many of the villagers' specific complaints: that fish were disappearing and that lakes, streams and canals were being contaminated, at least one with cyanide.

One stream, Quebrada Honda, had 13 fish per kilometer in 1997, but none by 2000, the audit said. Thousand of tons of rock not processed for gold recovery were generating dangerous acidic runoffs.

In a letter after the audit, Mr. Kurlander says that as the mine expanded, "we eliminated many environmental safeguards that were in the construction and environmental management plans." In all, he wrote to Newmont's new chief executive, Wayne Murdy, the findings were so serious that they could jeopardize the mine's continued operation and leave senior executives subject to "criminal prosecution and imprisonment."

Mr. Kurlander's tough words came on the heels of another memo to Mr. Murdy about the spill: On Jan. 18, 2001, Mr. Kurlander recommended that all the top executives, including himself and his boss, take cuts in their bonuses, of 50 to 100 percent, and that the punishment be made public. Mr. Kurlander singled out the company's environmental team, saying that despite public pledges, Newmont had failed to adhere to American environmental standards.

To his disappointment, Mr. Kurlander said, some bonuses were indeed reduced, but without public notice and much more modestly than he had recommended.

In a letter to Mr. Kurlander three years later, Mr. Murdy said the company had learned from the accident and the audit. Newmont, he said, spent \$100 million to fix the environmental problems, including \$50 million for a water-treatment plant and \$20 million on two dams to prevent sediment from clogging streams and canals. Mercury is now shipped inside triple-sealed, stainless-steel containers and escorted by a convoy of cars.

To Mr. Kurlander, the spill showed the folly of a company ignoring the people, particularly the people most set against the mine. In a memo, he warned that with the mine sunk so low in the peasants' esteem, Newmont would never be able to mine Quilish.

"We have come to this because we have been in denial," he wrote. "We have not heeded the voices of those most intimate with our mine -- those who live and work nearby."

It was less than a year after the audit that he retired.

The Peasants Protest

The protests began not long after people began seeing the drilling machines up on the cone-shaped hill above Cajamarca.

Quilish had long been on Newmont's drawing boards. Last year, Newmont mined three million ounces at Yanacocha, its most profitable single source of gold. But the more it pulls from the ground, the more it must replace to remain No.1.

Back in 2000, the local government had passed an ordinance declaring Quilish and its watershed a protected natural reserve. But Newmont had persuaded a Peruvian court that it had the right to mine because it had acquired the concession years before. In August 2004, the machines moved in.

To many people, that was the final betrayal, said Mr. Vera, the former Newmont consultant. He quit this summer, saying his advice had been ignored.

On Sept. 2, deploying boulders, vehicles, anything they could find, hundreds of campesinos blockaded the narrow mountain road that runs from Cajamarca to the mine.

Several hundred armed officers, including 150 special operations police officers from Lima, were sent in to guard the mine.

The first day was the most violent; protesters were arrested, many of them women and old people, according to Father Arana's colleague, Jorge Camacho. At times during the siege, the police used tear gas. One man was shot in the leg. The company kept the gold coming out of Yanacocha, but only by helicoptering the workers in.

On Sept. 15, there was a regionwide strike, with street demonstrations in Cajamarca. The message, on one of the blizzard of placards in town, was: "Listen Yanacocha. Cajamarca is to be respected."

The protests were organized by the peasants themselves, Mr. Camacho and others say. But the 43-year-old Father Arana, son of teachers from Cajamarca, had been nurturing the movement for many years, even before he founded his group, Grufides, in the late 1990's. (These days, it receives financial assistance from Oxfam.)

The campesinos call him Father Marco, and he is a devoted adherent of liberation theology and its doctrine of social activism for the poor.

He is not the easiest of men. Last spring, he met Newmont's chief, Mr. Murdy, on the sidelines of the company's annual general meeting in Denver. As the priest recalls it, Mr. Murdy tried to be conciliatory, saying he lived by his mother's motto: "We are given one mouth but two ears to listen with." Father Marco says he rebuffed the overture, replying, "In the Bible, there is a saying about some people have eyes that don't see and ears that don't hear."

As the siege ran on at Yanacocha, the priest became a key negotiator between Newmont, the peasants and the Ministry of Mines. It was not long after the demonstrations in Cajamarca that the company surrendered. The machines came down from Quilish. At Newmont's request, the ministry withdrew its permit, too.

What remains up on the mountain is a symbolic wall of mud and straw that the campesinos built to keep the miners at bay.

Standing down at Quilish, with its 3.8 million ounces of reserves, has only intensified the need for new reserves.

"The pressure feels like you're laying track and knowing there's a locomotive right behind you," said the mine's exploration manager, Lewis Teal.

So Newmont is looking elsewhere, in the highlands near San Cerillo, where the jade-green lagoons and peaty grasses act as a store of water for the peasants below.

Many people there worry about the effects of a new mine. Which is why, after Quilish, Newmont is paying for the Peruvian police units protecting the drilling team, said the mine's manager, Brant Hinze.

Even so, Mr. Hinze said, leaving Quilish was the right thing to do. "The thing that the company did -- both Newmont and Buenaventura -- is listen to the communities, and they said this is something we want you to stay away from," he said.

Newmont's Peruvian partner, Mr. Benavides, argued that exploration of Quilish had not been abandoned, simply suspended.

"We have the concession, and we have the land," he said. He added: "I do not understand what social license means. I expect a license from the authorities, from the minister of mines. I expect a license from the regional government. I don't expect a license from the whole community."

Still, the idea of social license is at the heart of the agreement that ended the siege: If Newmont hopes ever to mine Quilish, it first must win the community's consent.

Company Social Work

So to promote Yanacocha's well-being and expansion, Mr. Hinze has become the kind of mine manager he never imagined being. He says he had asked for the job running Yanacocha because of its sheer scale -- "it's big, it's profitable," is how he puts it. Fifty years old, silver-haired and steely eyed, 6 foot 3 and 255 pounds, he is a man of scale himself. His idea of recreation, he says, is riding his Harley or swimming with hammerhead sharks.

Now, he says, he spends 70 to 80 percent of his working time on social issues. On a recent day, he ate roasted guinea pig at a lunch with a peasant group. A few days later, he attended a ceremony celebrating a gift of \$500,000 for a new road around San Cerillo.

"Modern mining can coexist with cattle, agriculture and tourism," he told one gathering. "Today we begin a new history for communities around here."

Newmont says that it paid \$180 million in taxes to Peru's government last year, and that under a new law, half was returned to the Cajamarca region. But to its frustration, the company says, the local government has largely been unable to use the money to benefit the people -- and most of the people here remain achingly poor.

So the company, albeit ambivalently, has become something of a surrogate government. It is contributing money for schools and clinics and building some small water treatment plants in the villages. In all, the company says it will spend nearly \$20 million this year on social programs.

Water remains a divisive issue: Father Arana and his allies argue that a new, every-three-weeks testing protocol is insufficiently independent. The peasants continue to complain.

But company and local officials say there have been no environmental accidents at Yanacocha in more than two years, and the mine says it manages its water to ensure there is enough for the community.

But the biggest issue is the one looming over every modern industrial gold mine: What happens when the ore that lured the miners here is gone?

Over 13 years, Newmont has moved mountains for gold -- 30 tons of rock and earth for every ounce. By the time it is through, the company will have dug up a billion tons of earth. Much of it will be laced with acids and heavy metals.

Three years ago, after Newmont acknowledged that 36,700 fish were missing from a river contaminated by the mine, the World Bank hired an American geochemist, Ann Maest, to study the streams and canals flowing from the mine.

In the short term, she concluded, the water was safe for human use. But long term, she said in an interview, the company's own tests show that all the components are in place for the huge piles of rock to leak acids that will pollute surface and groundwater.

The only preventive, she said, would be "perpetual treatment."

Mr. Hinze, who was recently appointed head of Newmont's North American operations, insists that the company's plan for closing the mine will take care of long-term treatment and cleanup.

"We plan on being here a very long time," he said.

Newmont has yet to put aside money for long-term treatment, though it says it will comply with a Peruvian government requirement due to take effect in 2007. But to pay for cleanups, the company needs to keep profits high. To keep profits high, it needs to keep finding and mining more gold. Yet increasingly, the unmovable reality is that to keep mining more gold, it has to make peace with the people who will be here long after the miners leave.

Mr. Hinze and Newmont insist that that can -- in fact, must -- be done, even if some people may never be won over. "There will always be a level of mistrust," he said. "Unfortunately, we can't please everyone."

Mr. Vera, the former Newmont consultant, is not so confident. He says he sometimes thinks that the clash between the mine and the peasants is so fundamental as to be beyond even the best intentions.

"Mining negatively affects the Andean cosmic vision of the unity of nature," he said. "The conflict cannot be settled with money. Mining generates resentments that are difficult to heal."

The Cost of Gold

Articles in this series examine gold mining around the world. Audio of Jane Perlez, more photos, video and the previous articles are at nytimes.com/world. To submit questions about this series, send an e-mail message to dispatches@nytimes.com. "The Curse of Inca Gold," a documentary produced in conjunction with this article, will be shown tonight on Frontline/World (PBS, 9 p.m., Eastern time). An expanded version will be shown on the Discovery Times Channel later this year.

Photos: María Polonia Castrejón Flores, doing her chores in Apalina, Peru, near the Yanacocha gold mine. (Photo by Ruth Fremson/The New York Times)(pg. A1); THE MINE MANAGER-- Brant Hinze, general manager of the Yanacocha mine, says he spends 70 to 80 percent of his time on social issues. (Photo by Ruth Fremson/The New York Times); THE EXECUTIVE-- Lawrence T. Kurlander, a retired top Newmont Mining official, said he regretted seeking out Peru's spy chief. (pg. A12); THE PRIEST-- The Rev. Marco Arana, speaking with a local man, said that in the beginning, no one thought about how the needs of peasants and Newmont Mining Corp.'s Yanacocha Mine would clash. (Photo by Ruth Fremson/The New York Times); Six photographs depict a panoramic view of a portion of the Yanacocha mining site in Peru. The pit seen is one of five within the sprawling Yanacocha complex, which extends several miles beyond the horizon. (pg. A13)

Map of Peru highlighting Yanacocha. (pg. A13)