# The interests behind Romania's Ro?ia Montana project

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After the wave of privatizations that began amid the collapse of the Stalinist regimes of eastern Europe in 1989—in which state companies were auctioned off to international capital, with devastating social consequences and leaving thousands of workers unemployed—the Romanian government is considering a second wave of large-scale privatizations of remaining state-owned enterprises.

A major example of this socially destructive process is the Ro?ia Montana gold mining project. From the moment the project's act of incorporation was signed 12 years ago, it was designed as a source of super-profits for a handful of big investors. The project—initiated by a member of the Democratic Liberal Party (PDL), Radu Berceanu—was also used by the ruling PDL as part of its electoral campaign.

The Ro?ia Montana project entails the exploitation of Europe's largest gold mine in the Apuseni Mountains (Western Romania), from which 300 tons of gold and 1600 tons of silver would be extracted. Both the media and the Romanian state—which has signed a non-disclosure agreement with the Ro?ia Montana Gold Corporation (RMGC)—support the project. It has been the focus of extensive controversy and local opposition.

The Romanian government has insisted that the state would perceive mining royalty benefits worth 2 percent of the profits (estimated at $4.4 million annually), leaving the rest in the hands of the major private investors. The government notes that this could create new jobs in an area where unemployment reaches a staggering 80 percent.

The mine privatization will ensure fantastic profits to a few well-connected hedge-fund oligarchs at the expense of thousands of workers, with the support of the ruling elite and ex-Stalinists who specialize in organizing fire sales of public assets.

The battle for the appropriation of Ro?ia Montana started back in 1999, when the state-owned *Minvest* acquired the initial concession license. A year later the license was transferred to RMGC. Its 80 percent shareholder is the company Gabriel Resources, founded in 1997 by the Romanian-Australian businessman Frank Timi?. He has ties to the Democratic Party (PD), in particular to former senator Teodor H&;uc&;, whose son owns Global Mineral Resources, a company associated with Timis' Regal Petroleum.

In 2004, Democrat Traian B&;sescu won the presidential election. The new PDL (Democratic-Liberal Party, a fusion of PD and Liberals) government gave Economy Minister Andriean Videanu the green light to announce that Ro?ia Montana would be included in the new governmental plan.

Meanwhile, Timi? acquired a 30 percent stake in Sierra Leone Diamond Company, a diamond mining company in Sierra Leone. Diamonds mined in such areas became known as "blood diamonds," often used to buy arms that fueled ongoing civil wars in West Africa.

Beny Steinmetz, an Israeli billionaire whose Steinmetz Diamond Group controls significant diamond mining concessions in West Africa, also owns a large share of Gabriel Resources.

Other major investors behind Gabriel Resources are big names in the business world, including American billionaires John Paulson and Thomas Kaplan. Paulson & Co. is a well-known hedge fund. Paulson became a billionaire in 2007, netting $3.5 billion by betting against subprime mortgages. He earned $5 billion last year betting on gold, setting a new record for the hedge fund industry. Thomas Kaplan's fortune of $1.7 billion has been accumulated by betting on gold and natural gas.

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The Romanian ruling class has been highly supportive of the RMGC. Endorsements from notable government figures like current Ministry of Culture Kelemen Hunor proved helpful in causing sharp stock spikes.

President B&;sescu himself has lobbied openly for the project. Thanks to his efforts, according to the Canadian stock exchange operator's web site tmx.com, the equity of Gabriel Resources (GBU) on the Toronto Stock Exchange has risen 83 percent since his reelection in 2009.

The main argument presented by investors and politicians for the project is that it will create jobs and would improve the living standards of people by training them in new professions. This is a lie to conceal the brutal exploitation entailed in the project, which aims to exploit precisely the appalling social conditions facing the local population.

Gabriel Resources plans to acquire all properties in the exploitation area and displace residents. Initial projections assess that nearly 2,000 people will be moved, and nearly 1,000 homes demolished. Residents are to be moved to a location without water resources and whose land is too degraded for agriculture. Moreover, the jobs created will pay a pittance and offer grossly inadequate benefits, if any. After the mine ceases to operate, 16 years from now, the area will be abandoned, with even more workers left unemployed.

Mining in Romania was a thriving industry before privatization began in 1989, employing nearly half a million people. Since then, over 100 mines have been shut. The lifting of regulations has led to a series of deadly accidents. This February five workers died in an explosion at the Uricani mine, while 13 died in November 2008 at the Petrila mine in the Jiu Valley.

Another likely consequence of the project is environmental damage and destruction of historic and archeological Roman and pre-Roman sites. The methods applied in the preparation of the Ro?ia Montana mining project violate already inadequate international standards, like the Directive on Environmental Impact Assessment. They contradict basic standards of the European Convention of Human Rights through the forced resettlement of the citizens and the Berlin Convention, which bans the use of cyanide in the mining process in the EU.

The mining technique to be used to extract gold involves treating the milled ore with sodium cyanide solution. It is a well-established fact that cyanide spills seriously endanger the environment and can have long-term effects on workers' health. Alternatives such as cyanide-to-cyanate conversion, starch and sulfur dioxide reduce risks but are opposed by corporations as a burden on profits.

Gold mines using cyanidation have had a series of devastating accidents in recent years, such as in the US (Colorado, 1993), Guyana (1995), Kirghizstan (1998) and also Romania (2000). One of the worst environmental accidents in European history—dubbed the worst disaster since Chernobyl—took place in Baia Mare, Northern Romania. The result was a spill of about 100,000 cubic meters of liquid and suspended waste containing about 50 to 100 tons of cyanide, as well as copper and other heavy metals.

The daily *Evenimentul Zilei* notes that no one was blamed for the accident; the former owners left Romania in 2005 without paying any compensation, while thousands of people in the Baia Mare region are still suffering. Opposition to the Ro?ia Montana project is partly based on this experience.

In addition, Ro?ia Montana is located in an archaeologically rich area. In the hands of private corporations, sites and monuments will be openly exposed to neglect, deterioration or even demolition.

The Ro?ia Montana project is a reactionary act of corporate looting that aims to throw workers back to pre-World War II conditions. Only a publicly-owned mining industry, democratically controlled by the working class, can ensure decent pay and environmental protections.

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