

Mine Unrest Worries Foreigners

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Kyrgyz women waiting for a bus in Talas, where a mine protest descended into a rampage of looting and arson. **Dalton Bennett**

BISHKEK, Kyrgyzstan — What started out as a protest quickly descended into a rampage of looting and arson by marauders on horseback.

The victim of the attack was a South African-run gold exploration concession in the economically depressed Talas region in western Kyrgyzstan. A mob of young men threatened workers and raided offices, smashing furniture and throwing equipment out of windows before setting a medical clinic alight.

This former Soviet nation, which hosts U.S. and Russian military air bases, has been struggling to put its economy back on track since last year's violent overthrow of widely reviled President Kurmanbek Bakiyev and a spate of ethnic killings in the south. But further such incidents paired with the country's rocky recent history could scare off more foreign investment.

Unlike Central Asian neighbors Kazakhstan and Uzbekistan, Kyrgyzstan has little oil or gas. It does have an estimated 2,500 tons of gold, however. It is reliant on foreign investment

and expertise to tap that potential.

Seasoned mining workers grumble privately that tensions with local people are a common feature of doing business in Kyrgyzstan, but they are wary of airing their grievances for fear of souring ties with the communities among which they work.

Askar Shabdanov, an assistant to the Talas governor, confirmed the attack this month on the exploration site and said it was only official intervention that stopped the violence from spreading to other sites in the region.

"We had information that destructive elements had plans to carry out similar actions at other mines," Shabdanov said.

On March 10, about 200 demonstrators turned up at miner Talas Copper Gold's premises near the village of Aral demanding a change in what they say are unfair hiring practices, employees recalled, speaking on condition of anonymity because of company policy.

The ill-tempered gathering soon turned violent as a mob of young men, some of them drunk and on horseback, charged through the miners' main gates, smashing offices and torching the medical clinic, witnesses said.

Workers said looting only stopped momentarily when the mob took a break to eat hot food left behind by cooks who had fled the violence.

A female employee returned to the onsite living quarters in the hope of saving her belongings only to find a young man rooting through her underwear, workers said.

Several hours later, local government officials arrived in the hope of restoring calm, but to no avail.

No one was seriously injured, but a Talas Copper Gold employee calculated total damage to equipment and other material at about \$1 million. City legislature deputies estimate a lower figure of \$150,000 at most.

The Talas Copper Gold site employs about 40 people, around half of them from Aral. The company's policy of hiring locally has still not appeased everybody. Kinship and tribal ties are highly important in Kyrgyz society and community leaders seek to maintain their influence by securing jobs for relatives and acquaintances — a cultural subtlety that foreign companies often fail to acknowledge.

While condemning the attack on Talas Copper Gold, Shabdanov said the miner's recruitment policies had divided the community.

"They divided the town into two camps," he said.

The company, a joint venture operated by South African miner Gold Fields and part-owned by London-based Orsu Metals, is now holding low-key talks with the government in the hope of securing its future in the country.

"These kind of events, specifically in the mining sector, are deteriorating the investment

climate in Kyrgyzstan, which was already not attractive after last year's events," said Aktilek Tungatarov, executive director of the International Business Council, which represents the interests of foreign companies.

Talas Copper Gold project manager Julian Woodcock said he could not comment on the situation, citing an ongoing government investigation.

A potentially larger problem may be brewing around the foreign-operated Kumtor mine, the country's largest gold field.

Residents near the mine in eastern Kyrgyzstan say they want more revenue from Kumtor, which is jointly controlled by the government and Canada-based Centerra Gold, to go to funding public amenities in the region. Critics of the mine also say it poses severe environmental risks to the surrounding area.

Fifteen mining companies are registered with the International Business Council, but Kumtor is by far the most important to the Kyrgyz economy.

Although mining companies provide much-needed employment, training and amenities to residents in frequently remote spots in the country, local authorities complain about a perceived lack of consultation.

In an effort to avoid that, the government is working on laws requiring mining companies to work more closely with local authorities. Many foreign investors believe only large-scale projects truly have a chance of surviving in Kyrgyzstan.

The motto among the international investment community here is: "Invest big, or go home."

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