

Gold Miner in Dispute With Chavez Government

By [The Moscow Times](#)

July 19, 2012



Rusoro is the latest gold-mining company to appeal to the World Bank tribunal over Venezuelan President Hugo Chavez's nationalization of his country's gold industry. **Denis Grishkin**

CARACAS, Venezuela — Russian miner Rusoro became the latest company to seek compensation from Venezuela through arbitration at a World Bank tribunal, saying President Hugo Chavez's takeover of the gold industry last year meant it had lost all its assets.

Chavez's government already faces about 20 cases, including multibillion-dollar claims by U.S. oil companies ExxonMobil and ConocoPhillips, before the World Bank's International Center for Settlement of Investment Disputes, or ICSID.

The socialist leader, who is seeking re-election this year, said in January that Venezuela was pulling out of the tribunal. Analysts, however, say ICSID's 140 other member countries will still view its judgments as enforceable, meaning claimants could obtain court orders to seize Venezuelan assets.

Chavez set his sights on the gold industry after quarreling with Rusoro and other foreign companies, which had complained that limits on exports were hurting their efforts to secure funds and develop projects in the South American country.

A new law came in force in September aimed at "overturning the serious impact of the capitalist mining model" by banning all exports and giving the Venezuelan state at least 55 percent of joint ventures.

It also fixed the royalty rate for most projects at 13 percent, which foreign miners said would scare away any investors who were still deciding whether to work in Venezuela.

Toronto-listed Rusoro, which is owned by Russia's Agapov family, was the biggest gold miner operating in the country and had enjoyed good relations with Chavez's government. It produced nearly 150,000 ounces in Venezuela in 2010, and about 80,000 ounces last year before the new rules took effect.

Rusoro's president and chief executive, Andre Agapov, said Wednesday that the company had spent months seeking a friendly agreement with Venezuelan authorities.

"We tried to find an amicable solution but we never heard anything from the government, so then we decided to file the arbitration," he said in a telephone interview from Moscow. "We lost it all. We don't understand the situation now. We have no operations in Venezuela."

Rusoro has not said how much it wants in compensation. Last year, a senior executive in Caracas said the company had assets in Venezuela worth more than \$1 billion.

Rusoro had said last year that if "fair compensation" could be agreed upon, it would be happy to remain in Venezuela as a 45 percent partner with the government.

Agapov declined to give more details Wednesday about how much money Rusoro was seeking.

"It is a long process. It's up to independent experts to make the estimate," he said. "We spent a lot of money in the last 10 years. And, of course, the value of the company could be very high because the price of gold went up so high in the last few years."

Chavez's administration says arbitration panels violate its sovereignty, and on Jan. 25 it said Venezuela was withdrawing from ICSID because it was incompatible with its laws.

Countries can "denounce" the tribunal via a written notice, but the move only comes into effect after six months.

Agapov said that had a bearing on the timing of his company's decision. "They're leaving [the tribunal] at the end of July. That's why we filed before they left," he said.

Rusoro had been operating Venezuela's open pit Choco 10 mine and the high-grade underground Isidora mine, which was a 50/50 joint venture with the Chavez administration.

It had also hoped to partner with the government in the Las Cristinas project, which is one of Latin America's largest gold deposits and has estimated reserves of 17 million ounces.

In February, Chavez said Venezuela would develop Las Cristinas with Chinese state investment company CITIC instead.

Venezuela is a relatively small player in the gold world, with its legal mining industry producing about 6 tons in 2010 and informal, small-scale mining thought to add a further 12 tons to the country's annual output.

But it boasts some of Latin America's biggest deposits of the precious metal — its proven reserves are more than 4,600 tons — buried below the jungles south of the Orinoco River.

Original url:

<https://www.themoscowtimes.com/2012/07/19/gold-miner-in-dispute-with-chavez-government-a16392>