

Armenian Government Takes On Gold Company

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An American mining group accuses the Armenian government of trying to expropriate its assets. Armenia's environment ministry is trying to revoke the license of an American gold company in a dispute that puts investors' rights under the spotlight.

Connecticut-based Global Gold Corporation, GGC, is contracted along with the Australian company Iberian Resources to mine gold, silver and zinc in the Marjan district of southern Armenia until the end of 2007.

Now the ministry is claiming it has lost its right to do so – though GGC continues its exploratory work, saying it has the law on its side.

Some say Armenia wants to take back the mine in order to then sell it off to a Russian group. Russia is by far the biggest investor in Armenia with investments worth 400 million US dollars.

The government, however, insists GGC has lost its license because it has failed to meet its obligations.

"The ministry gave the license and it can take it away," said Grant Avetisian, who heads the department for protecting underground resources at the environment ministry. He declined to say whether the ministry was planning to go to court to enforce its claim against GGC.

"GGC carried out only five per cent of the work," added environment minister Vardan Aivazian. "They did not fulfil their duties as investors. As they cannot work legally, they should go and someone else should replace them."

But GGC's regional director Ashot Boghosian told IWPR that the company had only just begun work in the mines and there was no legal basis for stopping them continuing.

Boghosian says that by law his company's right to do exploratory work can be suspended only by a court, and that the company must be informed of the allegations levelled against it 90 days before the court hearing.

Gagik Adibekian, head of the department that deals with agreements and contracts at Armenia's trade ministry, confirmed that a court order was needed for a company to lose its license.

"We did not receive any warning, and we don't know what infringement we have committed," said Boghosian.

"If the ministry tries to deprive us of our licenses and to give them to another organisation, the best definition of this action will be expropriation," said Boghosian. "I don't think this is the situation, and I hope that GGC's investments will not be expropriated, as that is a serious responsibility."

Van Krikorian, president and chief adviser to the company, told IWPR, “The decision to strip us of our license is illegal.”

GGC has a number of projects throughout Armenia and says it will invest almost 10 million dollars in the country by the end of this year. It says it is spending 1.2 million dollars on its exploratory work in the Marjan mine, which contains an estimated 17.8 tonnes of precious metals.

Around 400 people are employed on the project. Ashot Saakian, head of administration of the nearby village of Arevis, told IWPR that locals are pinning their hopes on the mining project and on GGC restoring outdated infrastructure.

The company has won the support of economist and opposition parliamentary deputy Tatul Manaserian, who said revoking the company’s license without proper justification could hurt Armenian-American relations.

“Statements like this made against GGC will make the investment climate unpredictable in the future, and this lack of clarity is the most serious threat for business in terms of instability,” said Manaserian.

However, the ministry is not backing down. It says not only has GGC lost its license, but that it may soon announce the name of the new company contracted to work in the mines.

A source in government told IWPR on condition of anonymity that a Russian investor was interested in acquiring the Marjan mine.

Under a “debt-for-assets” deal, Russian companies now control almost the entire energy network of Armenia and have expressed an interest in acquiring the telephone network.

Some experts see this as an economic takeover that undermines Armenia’s sovereignty, although trade minister Karen Chshmaritian says there is nothing to be worried about.

“All of these processes, including the energy sector, are under our full control,” said the minister.

Critics are not convinced, seeing the travails of GGC as a symptom of a wider phenomenon.

“Today Armenia’s attitude to investors is defined by its foreign policy, which is basically focused on Russia,” said Stepan Grigorian, head of the Analytical Centre on Globalisation and Regional Cooperation in Yerevan.

“Russia thinks it is not enough to keep its influence over Armenia through the military sector alone, and is now using economics as well.”

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