

Romanian Gold Project Stalled

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Foreign investment to revive old gold-mining town on hold because of political and ecological objections.

The gold-mining town of Rosia Montana, high in Romania's Apuseni mountains, is a dilapidated, depressed place where acid water pollution from the mine turns the streams red.

The gold mine is state-owned and makes huge losses, and when it closes as scheduled in the next couple of years there will be precious few jobs left.

So the prospect of a massive new investment in a bigger, more modern gold mine that would generate new jobs might be seen as welcome applauded.

Rosia Montana Gold Corporation, RMGC, owned 80 per cent by Gabriel Resources of Canada, has been buying up property in the town for three years in order to clear space for a major mining and ore-processing complex.

But it has become a source of controversy and friction, especially with Romania's neighbour, Hungary.

While the project remains on hold – awaiting a green light from the government, which is expected to make a decision in the next two years – all supporters and opponents of the scheme are mounting furious public relations offensives.

Should the project get approval, RMGC will then seek up to 600 million US dollars from international lenders to develop the mine. Mining – should it proceed – will last upwards of 17 years, producing an estimated total of 10 million ounces of gold ore.

Much of the controversy centres on plans to construct a tailing pond, a reservoir which will hold water contaminated by the cyanide that is used to extract pure gold from ore.

In 2000 a tailing pond in Baia Mare, northern Romania, breached its dam during flooding, contaminating the river Tizsa downstream in Hungary.

But according to RMGC's president and managing director Richard Hill, an Englishman with extensive experience of mining around the world, the systems used at Rosia Montana will be far safer than in Baia Mare.

"In a modern mining business where you borrow foreign capital, environmental standards are rigorously enforced," he said.

RMGC is especially keen to highlight the differences between its pond and the one at Baia Mare because of a recent Hungarian-made film about Rosia Montana, which used footage from the 2000 disaster to warn of the possible consequences of the new project.

The film, called Uj Eldorado (New El Dorado), won two prizes at the Trieste Film Festival in January this year.

Hill points out that in contrast to Baia Mare, the water used in ore processing will have the cyanide extracted before it runs off into the reservoir.

“Baia Mare uses its tailings dam as a storage facility for process water. We will not do that; we will keep it in the process plant and once we’ve finished with it, then we’ll place it in the storage facility,” he said.

RMGC says similar processes are routinely employed at mines in Spain, New Zealand, Sweden and Finland without serious problems.

Hill added, “If things do go wrong, then we must manage responses better than in 2000.”

As well as local environmentalists, the Rosia Montana scheme has met with strong opposition in neighbouring Hungary.

Viktor Orban, leader of the opposition Fidesz party, has hinted that Hungary ought to veto Romania’s application to join the European Union because of the project.

In an interview with IWPR, Fidesz foreign policy spokesman Zsolt Nemeth, who also chairs the Hungarian parliament’s foreign affairs committee, said, “Our most important objection is environmental. Hungary is directly endangered by water pollution. The pollution from Baia Mare eliminated almost all life in the river Tisza.”

Both the Tisza and the river Mures – which runs near Rosia Montana – flow from Romanian to Hungarian territory to become major tributaries of the Danube. But as well as concern at the environmental risks, interest in Rosia Montana is heightened because it lies within Transylvania, a region with a substantial Hungarian population which has remained an emotive issue for Hungary since it was given to Romania in 1919.

Nemeth had his country’s particular interest in Transylvania in mind when he criticised the buy-up of village properties to make way for the mining project, saying, “Then we have cultural concerns. I don’t think the economic relocation of villages should be encouraged.

“I’m worried that this message is not being understood in Brussels, and that Romania’s [EU accession] negotiations would not have been closed so quickly if it were understood. Perhaps there’s a lack of awareness.”

These concerns were not shared by Council of Europe rapporteur Eddie O’Hara, who investigated the project in December 2004 and found, “The RMGC project would appear to provide an economic basis for sustainable development of the whole area, with positive benefits on environmental and social as well as cultural grounds.”

Some suspect that Fidesz is using the Rosia Montana issue as a stick to beat Romania with, so as to drum up chauvinist votes in next year’s Hungarian election.

Hungarian prime minister Ferenc Gyurcsany has asked Romania not to open the mine, although the government's line is less confrontational than the opposition and the environment minister Miklos Persanyi has said that the mine would pose no real threat to Hungary compared with existing facilities like Baia Mare.

RMGC has in the past come under fire for controversy surrounding its founder and former director, Vasile Frank Timis.

Hill said, "Frank Timis, Gabriel Resources' founder, did not declare two Australian convictions for heroin trafficking when he was raising capital for the project on the Toronto Stock Exchange, and inevitably it came out."

The company, says Timis, is no longer involved with either Gabriel or RMGC. But Hill accepted that the affair "has not helped".

Nemeth also alluded to speculation that some funding for the project could have come from the former secret police of the Communist era, the Securitate. "It's hard to credit these rumours, but transparency is a problem," he said.

Hill rebuffed the Securitate allegations vigorously, "People in a position like Mr Nemeth's should not trade in rumours. Our share register is visible."

Partly as a result of the controversy, RMGC is facing a battery of oversight measures.

Since Calin Tariceanu was appointed Romanian prime minister in late December, he has hinted he might agree to requests for further studies and consultations with neighbouring countries. In early February, Romania's ombudsman opened an enquiry into the project at the request of his Hungarian counterpart.

In recent months, RMGC has been improving its public relations operation to deflect the criticism that has plagued the project.

Stephanie Roth of Alburnus Maior, a residents association leading the domestic campaign against the mine, says in exasperation, "The company has these great PowerPoint presentations. I'm worried we don't get our point across so well."

Alburnus Maior particularly objects to the company's claim that creating a new mine is the only way to guarantee jobs for this mining community, and to fund the eventual decontamination of the existing pits.

"People in the village have ideas. I have a 20-year-old who wants to open up the Roman-era mine galleries to tourists. The miners know the galleries, we can rehabilitate them, and there are EU accession funds available to help. The good news about RMGC is that it has made the people wake up and think about their future," said Roth.

Rosia Montana has provoked a feisty response from civil society groups - the kind of grassroots activity of which post-Ceausescu Romania remains largely bereft.

Yet while the mining companies, politicians, film-makers, journalists and activists tussle over the mine project, it sometimes seems as if the beleaguered village itself is a mere footnote. There, most people's concerns are naturally more practical and local in nature.

Imre Eckhardt, a 65-year-old retired miner from one of the few dozen Hungarian families living in this mostly ethnic Romanian community, said, "People are distressed because work is insecure in the existing mine, and we know that mining according to the old system can't go on.

"The new mine is the only thing that can save the village, and we need investment whether it's local or foreign. The opponents of the mine don't propose anything serious in its place."

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