

Dominican Republic Bets on Gold to Boost Economy

BEN FOX & EZEQUIEL ABIU LOPEZ, Associated Press



SANTO DOMINGO, Dominican Republic (AP) — One of the world's largest gold mining operations is about to open in the Dominican Republic, where the industry has a toxic legacy of pollution that stained rivers a searing red and failed to lift the fortunes of this largely poor country.

Abandoned 13 years ago by state-owned Rosario Dominicana, the Pueblo Viejo mine left behind an environmental mess and a cluster of depressed mountain towns.

Now, a joint venture by the world's two biggest gold companies, both of them Canadian, is launching a much larger operation at the site within weeks. Officials promise it will be radically different from the previous one, and will be managed to prevent environmental damage, in addition to underwriting the cleanup of past contamination and providing billions of dollars for the country, especially in the mining region in the forested mountains north of the capital.

But skeptics are uneasy about the cyanide used to process the ore and question whether the operators can guarantee their assurances to contain chemical runoff in a country prone to major flooding, especially during hurricanes.

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"We are not against mining in the Dominican Republic necessarily, but the industry has been its own worst enemy here," said Luis Carvajal, a biologist at the University of Santo Domingo and a prominent critic. "Without a doubt, the impact of the mine will be significant."



Pueblo Viejo Dominicana Corp. has waged an extensive campaign to defend itself, acknowledging the past problems that mining has caused in the country but otherwise dismissing what it says are largely unfounded fears.

"People have been scared, people have actually had a bad experience and now it's up to us to prove we can actually do the contrary," said Manuel Bonilla, president of the joint venture, which is 60 percent owned by the Barrick Gold Corp. of Toronto and 40 percent by Goldcorp Inc. of Vancouver.

The joint venture has said the Barrick Pueblo Viejo project will begin processing gold in the second half of this year, and that it will take 12-18 months to reach full production of about 1 million ounces annually. It also plans to process silver, copper, nickel and other metals.

Several other companies are exploring for underground metals elsewhere in the Dominican Republic as well as in neighboring Haiti, where large-scale formal mining is likely years away. The Dominican Republic has another smaller gold and copper mine, and mines that produce nickel and bauxite.

Each with a population of about 10 million, the Dominican Republic and Haiti are

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vastly different. The Dominican Republic, occupying the eastern two-thirds of the island of Hispaniola, is wealthier and more stable. It has a free trade agreement with the U.S. and Central America and is a top tourism destination in the Caribbean.



Metals mining can generate environmental problems in even developed, stable countries because of the industry's reliance on hazardous materials, said Payal Sampat, international program director for Earthworks, a U.S.-based watchdog organization.

"Even in the United States, metals mining is a sliver of the gross economic output of the country and it's still the number one toxic polluting industry," Sampat said. "So that's food for thought for countries like the Dominican Republic and Haiti that are on the cusp of embracing large-scale mining without all the regulations and historical experience."

The Dominican Republic lacks strong environmental regulations, a major reason the state-owned mining company could cause such destruction and why there was no real effort to clean up the mess, said Virginia Rodriguez, a coordinator for *SalvaTierra*, a local nongovernmental organization whose name translates as "Save the Earth."

Rodriguez said Barrick's plans to use 24 tons per day of cyanide in the mountainous center of the Dominican Republic, source of some of the country's most important rivers, makes her nervous. "There is a very high risk especially with an island like ours with a very fragile ecosystem," she said.

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Supporters of the project note say Pueblo Viejo will be a huge economic boon for the Dominican Republic. The nearly \$4 billion direct foreign investment is by far the largest in the Caribbean nation's history. Barrick will be the Dominican Republic's largest exporter and add 2 percent to the nation's GDP.



The mine itself will only produce about 2,000 jobs but the company says about 11,000 workers were involved in the construction and there will be more than 10,000 jobs indirectly created by the project, company and government officials say.

"This is a major industrial achievement for the country," said Dominican Mining Director Octavio Lopez. "Imagine what this will do for our economy aside from the exploitation of the gold, with some 10,000 jobs, 83 percent of them for Dominicans."

If gold prices hold up, mining eventually will surpass tourism as the country's largest income earner, with royalties and other revenue making up about 5 percent of the government's budget.

The company will pay a 3.2 percent per ounce royalty on net sales after production begins, income taxes and a net profit tax of nearly 29 percent after it has recovered its investment plus 10 percent. The company projects it will contribute about \$7 billion over the estimated 25-year life of the mine to the government, with 5 percent allocated for municipalities around the mine.

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The company says that the environment around the mine has been the project's most immediate beneficiary. Barrick spent \$4 million cleaning up discarded machinery, buildings constructed with asbestos and other debris left behind when Rosario shut down in 1999 after it reached a level of sulfide ore that it did not have the technology to profitably mine.



Much worse were the exposed mine pits and piles of discarded sulfide rock, which leached acid and heavy metals such as arsenic, cadmium and mercury into the watershed. Barrick's investment is paying to clean up the site, \$75 million so far, and the company says it has stopped the toxic runoff from the main site and the red tint in local rivers is fading. Bonilla estimates it will take about a decade for the environment around the mine to fully recover.

"Our target 10 years from now is to see wildlife in these streams again, to see fish and other species back into these rivers," he said.

The company says its "world class environmental management system," has planted thousands of trees to prevent erosion and will rely on an autoclave technology for ore processing that will prevent the release of acid and other chemicals.

"The next four or five years are going to be very important because people are going to see us in operation, see the results of our operations, look at the waters, test the waters ... and see that things are actually improving," Bonilla said.

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