

THE MINERAL INDUSTRY OF URUGUAY

By Pablo Velasco

Uruguay's economy remained predominantly agrarian, with 90% of utilized land being devoted to stockraising. The mining industry of Uruguay evolved from small-scale to more capital-intensive mining operations. Mineral exploitation was currently limited to the extraction of a small number of industrial minerals including clay, granite, gravel and limestone, with minor production of semiprecious stones and agates. However, in recent years some significant base metals had been discovered, and commercial gold production was expected to commence by mid-1997 from American Resources Corp.'s San Gregorio gold project. The gross domestic product (GDP) for 1995, which did not change from 1994, was \$13.8 billion,² while the rate of inflation was 35.4% by yearend, representing a decrease from that of 1994, when it was 44.1%. Mining accounts for 0.5% of GDP. Foreign debt increased by 4% to \$2.25 billion to the end of October 1995, according to the Central Bank. The gross debt increased to \$4.8 billion, unemployment reached 10.7% in 1995 compared with 1994, and the country's international reserves reached \$1.01 billion compared with that of 1994. For the first 10 months of 1995, Uruguay's total exports and imports were \$1.7 billion and \$2.3 billion, respectively.

In 1995, the Government sought to increase exports by relaxing regulations on participation of foreign investors in the mineral industry and by requiring no tariffs for imports of equipment, machinery, tools, and accessories used in prospecting, exploring, mining, and processing of mineral commodities.

On May 17, the Uruguayan Chamber of Deputies ratified the Ouro Preto Protocol, which regulates the institutional aspects of the Southern Cone Common Market, (MERCOSUR). The approval took place three and a half months after the Senate had ratified the aforementioned treaty, which will now be submitted to the executive branch for its promulgation.

The Finance Minister underlined "the importance of the MERCOSUR for the future of the Uruguayan economy," and announced that Uruguay's trade deficit with MERCOSUR fell by \$75 million in the first quarter of 1995, the reduction in the deficit being the result of a 32% increase in exports to Brazil, worth a total of \$159 million. This partially offset the deficit with Argentina, which increased by 16% to \$63 million.

Provisions in the investment policies of Uruguay did not

discriminate against foreign companies. Government policies allowed 100% foreign ownership, and there were no restrictions on the repatriation of capital and profits, on buying or selling foreign currencies, or on employment of either Uruguayans or foreigners. The current Mining Code granted titles that guaranteed investment in mining activities for up to 30 years, with an optional extension of 15 years. Uruguayan mining legislation was based on ownership of all mineral deposits, and grants titles for prospecting, exploration, and exploitation. Under Uruguayan law, an environmental impact study must be carried out before mining could begin. The study was then evaluated by the Ministry of Environment.

Mining in Uruguay was for agate, amethyst, gold and industrial minerals, such as clays, dimension stone, dolomite, feldspar, granite, gypsum, limestone, high-quality marble, pumice, quartz, sand and gravel and talc, barite, bentonite, corundum and pumice, one million ton per year of cement were produced by Administración Nacional de Combustibles, Alcohol y Portland (ANCAP) at its Minas and Paysandú plants and by other companies in Uruguay. Compañía Uruguaya de Cementos Portland decided to build a 1,100 tons per day (t/d) cement plant in Verdun some 200 kilometers (km) north of Montevideo. The Mahoma gold project, 60 km northwest of San José, came on-stream at an initial production of 1.25 t/yr. Expansion plans would double gold production in late 1997. Dolomite was mined for use in the glass and construction industries, for steel, and in refractories. Limestone was produced principally for portland cement production. Various clays were mined for producing brick, pipe, tile, and whiteware. Talc was mined for use in the paper industry and in ceramics, cosmetics, insecticides, and pharmaceuticals. Feldspar was mined for the ceramics industries and glass. (*See table 1.*)

The Government allowed duty-free importation of many of the capital goods needed in the mining industry. Investment in prospecting and mining increased as a result of favorable legislation designed to relax regulations of foreign companies in the minerals sector.

Several North American mining companies, including American Resource Corp. (ARC), Gold Standard, and Santa Fe Pacific, were exploring for minerals in Uruguay. San José Mining Co., a subsidiary of Canada's Bond International Gold Ltd. (BIG), and Steel S.A., a subsidiary of Brazil's

Mineração e Participação, invested \$40 million in precious-metal and other metal exploration. Reportedly, ARC of Greenbrae, California, the first foreign company to mine gold in Uruguay in modern times, expected to be operating its second Uruguayan gold mine, the San Gregorio mine, in early 1997 at a projected rate of 2.1 t/yr of gold (68,000 ounces of gold per year). San Gregorio had proven and probable reserves of 5.6 million tons of minable ore with about 13.1 tons of gold contained. ARC currently controlled significant land areas in both northern and southern Uruguay, which it had under an extensive exploration program. ARC developed an initial 1.25-t/yr gold mine at Mahoma, 130 kilometers from Montevideo.

During 1995, 80% of Uruguay's fuel energy requirements was refined by ANCAP at its Teja plant in Montevideo.

¹Text prepared May 1996.

²Where necessary, values have been converted from Uruguayan Pesos (\$) to U.S. dollars at the average market rate of \$7.2=US\$1.00.

Major Sources of Information

Administración Nacional de Combustibles, Alcohol y Portland
Montevideo, Uruguay
Ministerio de Industria y Energía
Montevideo, Uruguay

Major Publications

Banco Central del Uruguay, Montevideo, Uruguay: Boletín Estadístico (annual report).
Latin American Mining Institute, Washington, DC: The South American Investment and Mining Guide, annual.

TABLE 1
URUGUAY: PRODUCTION OF MINERAL COMMODITIES e/ 1/

(Metric tons unless otherwise specified)

Commodity	1991	1992	1993	1994	1995
Aluminum, secondary	42	42	42	50	45
Barite	15	15	15	15	15
Cement, hydraulic	500,000	500,000	500,000	700,000 r/ 2/	1,000,000 2/
Clays, unspecified	150,000	150,000	150,000	150,000	150,000
Coke, gashouse	8,000	8,000	8,000	8,000	8,000
Corundum	45	45	45	50	45
Feldspar	3,000	3,000	3,000	3,000	3,000
Gemstones, semiprecious:					
Agate	100	100	100	100	100
Amethyst	80	80	80	100	90
Gold kilograms	--	300	300	300	900
Gypsum	145,000	145,000	145,000	145,000	145,000
Iron and steel:					
Iron ore	5,000	5,000	5,000	5,000	5,000
Metal:					
Ferrous alloys, electric-furnace ferrosilicon crust	250	250	250	250	200
Steel, crude	41,245	55,153	35,933 r/	36,000 r/	40,000 2/
Semimanufactures	18,000	46,753 r/	35,953 r/	36,000 r/	37,000 2/
Lime	12,000	12,000	12,000	12,000	12,000
Petroleum refinery products:					
Liquefied petroleum gas thousand 42-gallon barrels	700	700	700	700	750
Gasoline do.	1,850	1,850	1,850	2,000	2,100
Jet fuel do.	200	200	200	300	300
Kerosene do.	410	410	410	500	500
Distillate fuel oil do.	2,970	2,970	2,970	3,500	3,600
Lubricants do.	60	60	60	100	100
Residual fuel oil do.	2,580	2,580	2,580	3,000	3,000
Unspecified do.	500	500	500	500	500
Refinery fuel and losses do.	30	30	30	50	150
Total do.	9,300	9,300	9,300	10,650	11,000
Sand and gravel:					
Sand, common thousand metric tons	1,500	1,500	1,500	1,500	1,500
Gravel do.	500	500	500	500	500
Stone:					
Dimension	10,000	10,000	10,000	10,000	10,000
Crushed and broken, alum schist	8,000	8,000	8,000	10,000	10,000
Dolomite	19,000	19,000	19,000	20,000	20,000
Limestone	750,000	750,000	750,000	750,000	750,000
Marble	4,000	4,000	4,000	5,000	5,000
Marl	7,000	7,000	7,000	10,000	10,000
Quartz	300	300	300	500	500
Other, including ballast thousand metric tons	2,000	2,000	2,000	2,000	2,000
Sulfur, elemental, byproduct	2,000	2,000	2,000	2,000	2,000
Talc, soapstone, pyrophyllite	1,500	1,500	1,500	1,500	1,000
Tuff, Tufa	3,500	3,500	3,500	3,500	3,500

e/ Estimated. r/ Revised.

1/ Includes data available through June 7, 1996.

2/ Reported figure.