THE MINERAL INDUSTRY OF

URUGUAY

By Pablo Velasco

The economy of Uruguay has been based primarily on cattle ranching and agriculture, with mineral production taking a minor role. Nevertheless, the geology is such that the area is worthy of investigation and in recent years some exploration investment has taken place (Mining Annual Review, 1996). Mining accounted for less than 0.5% of its estimated gross domestic product (GDP) of nearly $14 billion[1] in 1996. The Uruguayan GDP average growth rate has been 3.6% in the last 5 years. As a result, the per capita income in Uruguay is around $5,700, one of the highest in Latin America. A 4.8% increase in GDP was estimated for 1996.

Inflation was about 28%, a significant decrease from that of 1995 (Central Bank of Uruguay-Main Economic Data, unpub.data accessed April 17,1997, on World Wide Web at URL:http://www.embassy.org/uruguay/econ/eios.htm).

In 1996, Uruguay's total exports and imports were $2.1 billion and $2.8 billion respectively. The Central Bank reported that foreign gross debt increased to $8.2 billion and unemployment reached 10.7% in 1996 compared with that of 1995.

Uruguay is a small open economy. Recently, as a part of a process facing Mercado Común del Sur or Southern Common Market (MERCOSUR), is lowering its tariffs, deregulating its economy and restructuring its industrial capital stock. (Central Bank of Uruguay, 1996). Joining the MERCOSUR together with Argentina, Brazil, and Paraguay has been one of the most important challenges Uruguay has faced in the recent years. (Central Bank of Uruguay, 1996). Located between the two South American giants, Uruguay intends to be the preferred way to access a 200-million-person market with a combined GDP of $605 billion.

In relative terms, Uruguay is the country member that trades the most with its MERCOSUR partners: 45% of its exports and 47% of its imports are done with Argentina, Brazil, and Paraguay. Tariff reductions, deregulations, and industrial restructuring are only some of the observable changes in the Uruguayan economic life. For a country such as Uruguay, this tariff reduction process, together with regional integration is but an intermediate step towards a more comprehensive openness and integration with the rest of the world. (Central Bank of Uruguay—Economic Information. Gateway to MERCOSUR, unpub. data accessed on April 18,1997, on World Wide Web,at URL) (http://www.turismo.gub.uy/bcentral/bcuecoen.htm). On June 19, 1996, MERCOSUR and Chile signed a Free Trade Agreement which was later endorsed (June 25) by the Presidents of the five countries in San Luis Province, Argentina. Key features were 1 the agreement complies with the requirements of the World Trade Organization; and the principles of the customs union are maintained (the common external tariff remains unchanged).

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 evaluated by the Ministry of Environment before mining can begin. 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.

Despite its geological setting similar to parts of Western Australia, Canada, and Southern Africa, the mineral potential of Uruguay has been somewhat ignored in recent years. (Mining Journal, 1996). Mineral exploitation in the country has been limited to a range of industrial minerals, amethysts, agates, and black granite for the dimension stone industry. However, in recent years some significant base metals had been discovered and the country's historical tradition of gold mining looks set to be revived, pioneered by California-based American Resources Corp. Inc. (ARC). Several North American mining companies, including ARC, Gold Standard, and Santa Fé Pacific were exploring for minerals in Uruguay. At the end of 1995, the total number of permits issued for exploration and exploitation of metallic minerals was 77, with a further 36 being processed, the majority of them for important international companies. (Mining Annual Review, 1996). ARC has just started construction of its San Gregorio gold project in northern Uruguay. The San Gregorio gold deposit hosts an estimated ore reserve of 5.06 million metric tons of ore at an average grade of 2.6 grams per ton (g/t) of gold (at a grade cut-off 1.0 g/t), sufficient for 5 ½ years of operation. The project according to ARC's officials was scheduled to come on-stream in March-April 1997 by open pit. A 2,500-metric ton-per-day (t/d) capacity milling and carbon in

[1]Where necessary, values have been converted from Uruguayan Pesos ($) to U.S. dollars at the rate of $8.0=US$1.00.

leach (CIL) circuit will recover about 70,000 ounces of gold 2.2 metric tons (t) annually. ARC was undertaking an extensive drilling program in Uruguay, with a budget of $1.8 million to be spent in 1996. A group of foreign companies has signed an agreement with Uruguay's Ministry of Industry, Energy, and Mining to construct a gold processing plant at the San Gregorio Mine, 400 kilometers (km) north of Montevideo. The companies, Australia's Mincorp. Engineers Ltd. and the United States's Mincorp. Engineers and Constructors, signed the contract with ARC to construct a mill and an openpit mine. The companies plan to invest more than $40 million in constructing the plant and to produce $30 million in gold and silver exports annually. International Companies to Mine Gold in Uruguay, (News@Argentina,unpub. Information accessed June 12,1996 Headlines, on the World Wide Web at URL, http://www .atamericas.com/pages/news/960612/uruguay.html).

ARC's proposed link-up with Vancouver-based Rea Gold Corp. would put the combined companies among the midtier of gold producers with good potential. Thecombined companies, with a market capitalization of approximately $240 million at current share prices, will have a working capital of around $40 million and minable gold reserves totalling some 1.7 million troy ounces (217.7 t).

Administración Nacional de Combustibles, Alcohol y Portland (ANCAP) produced 1 million ton per year of cement at its Minas and Paysandú plants and by other companies in Uruguay. Compañia Uruguaya de Cementos Portland decided to build a 1,100-ton per day t/d cement plant in Verdun some 200 km north of Montevideo.

Trade with other MERCOSUR countries during 1996 totaled $2.3 billion (representing 47% of overall trade which was $4.9 billion). Exports from Uruguay to MERCOSUR were $995 million. Uruguay imports from MERCOSUR were $1.3 billion. Exports from Uruguay to Europe were $483 million and to the United States were $113 million. (The Embassy of Uruguay, WWW services by TeleDiplomacy, Inc. Last updated January 19, 1997.

During 1996, 80% of Uruguay's fuel energy requirements was refined by ANCAP at its Teja plant in Montevideo. ANCAP exercises a legal monopoly over the importation, exportation and refining of combustibles fuels and alcohol. Along with ANCAP's own chain of service stations, private companies distribute ANCAP's gasoline and other combustible fuels.

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TABLE 1
URUGUAY: ESTIMATED PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity		1992	1993	1994	1995	1996
Aluminum, secondary		42	42	50	45	45
Barite		15	15	15	15	15
Cement, hydraulic		500,000	500,000	700,000 2/	1,000,000 2/	1,000,000
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	50	45	45
Feldspar		3,000	3,000	3,000	3,000	2,500
Gemstones, semiprecious:						
Agate		100	100	100	100	100
Amethyst		80	80	100	90	90
Gold	kilograms	300	300	300	900	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:						
Ferroalloys, electric-furnace ferrosilicon crust		250	250	250	200	200
Steel, crude		55,153	35,933	36,000	40,000 2/	40,000
Semimanufactures		46,753	35,953	36,000	37,000 2/	37,000
Lime		12,000	12,000	12,000	12,000	12,000
Petroleum refinery products:						
Liquefied petroleum gas	thousand 42-gallon barrels	700	700	700	750	750
Gasoline	do.	1,850	1,850	2,000	2,100	2,100
Jet fuel	do.	200	200	300	300	300
Kerosene	do.	410	410	500	500	500
Distillate fuel oil	do.	2,970	2,970	3,500	3,600	3,600
Lubricants	do.	60	60	100	100	100
Residual fuel oil	do.	2,580	2,580	3,000	3,000	3,000
Unspecified	do.	500	500	500	500	500
Refinery fuel and losses	do.	30	30	50	150	150
Total	do.	9,300	9,300	10,650	11,000	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	10,000	10,000	10,000
Dolomite		19,000	19,000	20,000	20,000	20,000
Limestone		750,000	750,000	750,000	750,000	750,000
Marble		4,000	4,000	5,000	5,000	5,000
Marl		7,000	7,000	10,000	10,000	10,000
Quartz		300	300	500	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	1,000	1,000
Tuff, tufa		3,500	3,500	3,500	3,500	3,500

1/ Includes data available through June 7, 1997.
2/ Reported figure.