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Brazilian President: Plan To Swap Debt For Gold Mining Concessions Absurd

by John Neagle

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On Feb. 6, President Jose Sarney described as "absurd" a plan to swap foreign debt for gold mining concessions in the Amazon. He added, "The Amazon is national property that Brazilians cannot trade away." First secretary at the Japanese embassy in Brasilia, Hideki Takahasi, said a report on the proposal appearing in the national press was "a little exaggerated," noting that there was no official confirmation that such a plan existed. He added that "it would be very difficult to raise the \$46.5 billion needed for the (gold mining) undertaking on the Japanese financial market." On Feb. 6, Brazilian newspapers published an interview with Japanese Brazilian economist Akio Miyake, who said that Brazil's \$15 billion debt with Japanese banks "could be paid off with what the garimpeiros (gold prospectors) leave behind." Some 40,000 garimpeiros are currently working in open-pit mines dug in Roraima state, located in the northern Amazon. Their crude mining methods mean that only half of the existing gold is being extracted. Miyake represents Bishimetal Exploration Ltd., a subsidiary of Japan's Mitsubishi Metal Company. He told reporters that he spoke recently with Sarney, and that Energy Minister Vicente Fialho met last year with a Japanese delegation to discuss the plan. On Feb. 4, O Globo reported that a group of Japanese investors are preparing a plan suggested by Miyake to swap discounted debt paper for gold mine concessions. The final plan is to be presented to the new government under Fernando Collor de Mello after March 15. The gold deposits are estimated at \$260,000 million. The four-phase project would imply an initial investment of \$46,500 million. Brazil ranks as the world's fifth largest gold producer. The Brazilian Constitution prohibits foreign companies from participating in mining, and establishes a state monopoly in the exploration, exploitation, refining, import and export of petroleum and other hydrocarbons. O Globo said the debt-gold concession swap had been presented to the Sarney administration in mid-1989. Officials promised to evaluate it. (Basic data from AFP, 02/06/90; Notimex, 02/04/90)

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