ARMENIA

By Interfax-CNA

Armenia posted the highest GDP growth in Central Asia and the Caucasus during 2003, at 13.2%. The country also boosted industrial output by 14.9%. Electricity production dropped 0.2% to 5.50 billion kWh. Gross agricultural production was 4.3% higher and capital investment last year grew 41%. Foreign trade was up a substantial 30.5% to US$1,95 billion, with exports growing 34.2% to US$678.1 million and imports up 28.6% to US$1.27 billion. As a result, Armenia's trade deficit widened from US$535.4 million to US$591.3 million.

Foreign debt will grow 5.9% to US$1.11 billion in 2004, according to the Central Bank. The country will spend US$59 million this year on current debt servicing, US$11 million in interest and a replacement of US$35 million to the International Monetary Fund. The Central Bank forecasts that foreign debt will fall from 37% of GDP in 2003 to 35% in 2004, and repayments from 2.4% of GDP to 1.9%.

Foreign investments in Armenia's economy in 2003 totalled US$229.6 million, a 5.6% increase from 2002. Direct foreign investment increased 8.9% to US$153 million. In particular, investment from Russia jumped 92.2% to US$91.8 million, from the US by 9.2% to US$10.7 million and from Greece by 55.4% to US$29.3 million. German investments were up 32 fold at US$1.8 million. Armenia's communications sector attracted US$29.3 million, its food industry US$12.9 million and the iron-ore extraction business US$122 million.

The country has large mineral resources, including gold, silver, lead, zinc, copper, molybdenum and iron ore. Copper-molybdenum and polymetallic ore deposits are rich in rare and rare-earth elements such as bismuth, tellurium, selenium, gallium, indium, thallium, rhenium and germanium. Armenia also has large deposits of industrial minerals and construction materials such as salt, gypsum, zeolite, diatomaceous earth, limestone, the raw materials for cement production, granite and basalt.

There are 33 mining and metallurgical enterprises within the country, most of which are in non-ferrous metallurgy, primarily complexes that produce and process gold, copper, and copper-molybdenum ores. Ararat Gold Recovery Co (AGRC) is one of the largest enterprises in the industry along with the Zangezur Copper-Molybdenum Combine, the Armenal foil mill, the Armenian Copper Programme and the Pure Iron Plant.

The Armenian State Repository placed new prices on nonferrous, precious and rare metals produced in the republic, on which the tax on the exploitation of natural resources is based. The prices (valid as at January 1 2004) went up from US$12.46/g to US$13.11/g for refined gold, from US$22.70/g to US$25.99/g for platinum and from US$0.170/g to US$0.182/g for refined silver. Copper rose in price to US$2,201.29/t from an October 1, 2003 price of US$1,789.52/t; molybdenum oxide to US$15,928.40/t from US$13,778.89/t; lead to US$692.07/t from US$521.27/t; zinc to US$977.76/t from US$818.18/t; aluminium to US$1,555.29/t from US$1,415.89/t; cadmium to US$1,399.95/t from US$1,631.40/t; selenium to US$22,026.43/t from US$13,215.86/t; and rhenium was unchanged at around US$1,500-1,600/kg. The repository also left the price for precious stones unchanged: agate US$8.81/kg, obsidian US$17.62/kg, jasper US$6.61/kg and turquoise US$132.16/kg.

Gold

The gold resources potential in Armenia is considerable, and gold reserves are already estimated at around 230 t. The Zod and Meghradzor gold lodes are the largest gold deposits in the country. AGRC, which is owned by India's Sterlite Industries Ltd, reduced gold output 44% from 3.2 t in 2002 to 1.8 t in 2003. AGRC ran out of tailings, which it has been recycling at the Ararat gold recovery plant since 1996, and also reduced silver production, from 5.5 t to 4 t, in 2003. AGRC estimates that the Zod field contains enough gold to keep it operating for 25-30 years, however the Meghradzor lode, another AGRC property, will soon be depleted. The Ararat recovery plant is 167 km from the Zod field and it costs US$4/t to transport ore. Transport costs make up a fifth of total production costs.

Sterlite Industries pumped US$7 million into AGRC in 2003 and a further US$500,000 in January 2004. This company plans to raise a loan of US$80 million-US$100 million in 2004 to increase production of gold ore at the Zod field. The money will be used to buy equipment, prepare the opencast mine, remove overburden and develop various mining options.

AGRC plans to produce 8 t of gold from about 2.1 Mt of ore at Zod by 2007, but expects to mine just 500,000 t of ore at the Meghradzor field.

Nonferrous metals

The state owned Zangezur Copper-Molybdenum Combine (ZCMC) reported production for 2003 of US$48.4 million, down 2.8% from 2002. However, sales were up 58% and exports grew 43.3%. ZCMC is developing the Kadzharanskoye field, the biggest copper and molybdenum deposit in the former Soviet Union.

In November 2003, ZCMC called a tender to sell the concentrates it will produce in 2004. The tender is offered 5,000 t of molybdenum concentrate at 48-53% Mo, 1,500 t of molybdenum oxide with Mo content of at least 57%, and 9,000 t of Cu in copper concentrate with metal content of 26-28%.

Meanwhile, there are plans to sell the ZCMC by the end of 2004. The tender, called in March 2004, is offering a stake of 51% to 75%. The investment programme is estimated at US$400 million-US$500 million, of which US$130 million will be paid for the shares and mining rights. The investor will have to increase ore mining by 200% to 400%, to 30-40 Mt/y, and introduce new, environmentally friendly mining technologies. The buyer will also be responsible for ensuring the socio-conomic development of the Syunik region, where the combine is located. The tender has drawn interest from leading international companies such as Rio Tinto, BHP Billiton and Glencore International, and Russia's RusAl and Norilsk Nickel.

Armenian Copper Programme's (ACP) production of blister copper dropped to 6,270 t in 2003 from 8,500 t in 2002, down 26.2%. ACP, a limited company, was established in 1997 at the former Alaverdi Mining and Metals Plant, which was disbanded in 1989. Vallex FM Establishment, which is registered in Liechtenstein, owns 53.7% and Switzerland's Elecom has 46.3%.

Swiss company Deno has invested US$7.5 million in the Kapan copper mining and beneficiation combine, which is expected to double production in 2004. The money is being spent on new equipment, building repairs and exploration at the Shaumian polymetallic deposit. The Kapan combine includes the Kapan copper mine with design capacity of 340,000 t/y of ore, the Shaumian mine with capacity of 300,000 t and a beneficiation mill with capacity of 1 Mt of ore. All output is exported.

The government has decided to sell the Agarak Co-Mo mining and concentrating plant to US metals trader Comsup for US$600,000. Comsup would be required to pay off tax and other debts and invest in the mine's development and new jobs. The government named Comsup as the new owner on the strength of its many years of partnership with the mine, from which it buys molybdenum concentrate. The Agarak mine produces about 2,000 t of copper concentrate with a 27% Cu content and 50 t of molybdenum concentrate with a 51% Mo content per month. Output at the mine grew 18.3% to a value of US$6.8 million in 2003, whilst exports soared 83.5% to US$6.7 million.

Armenal, RusAl's foil plant in Armenia, increased production 210% to US$37.1 million in 2003 (production volumes had almost doubled to 10,500 t), while sales jumped 274%. The plant boosted exports 279%. Armenal was set up in May 2000 as a joint venture between RusAl and the Kanaker Aluminium Plant. RusAl acquired full ownership in January 2003.

In March 2004,specialists from Germany's Achenbach started preparations for the full modernisation of Armenal Foil Mill. The project will take 11 months and cost US$20-30 million, which RusAl will finance. The project aims to improve product quality and increase the plant's profit margin by 50%. Achenbach, which RusAl selected at a tender in December 2003, will install state-of-the-art rolling mills, and replace the high and low pressure hydraulic systems as part of the project. The upgrade is expected to boost Armenal's production to 25,000 t/y of foil, including 18,000 t of 6-9 micrometer foil by 2005. The programme will be carried out as part of RusAl's investment commitments for the Armenian Government.

There are plans to set up production of aluminium at Razdanmash, an engineering plant for the former Soviet Union's defence industry. The aluminium would be produced by processing nephelene syenite, of which there are large deposits near the city of Razdan. The waste from processing these ores can be recycled into construction materials, including cement. Razdanmash was initially built for aluminium production, but was later converted to production of radioelectronic components for the defence industry.

In July 2003, the government decided to sell its 70.35% stake in Razdanmash for AMD90 million (US$155,000) to OOO Nepheline Syenit Complex Production. Under the terms of the privatisation, the buyer will invest US$12 million in production over two years and pay off US$2 million in debts. However, analysts say processing nephele ores is harmful to the environment, so the new owner will have to invest in environmental protection measures, and it is unlikely that the announced investment programme will be sufficient to set up production of aluminium.

Other minerals

Armenia produced AMD138.3 billion worth of cut diamonds in 2003, up 31.1%. The country’s diamond-cutting companies acquired only 130,000 cts of rough diamonds from Russia last year (their quota envisaged 400,000 cts) because of the high prices. This puts into question implementation of the agreement between the Armenian and Russian governments under which Russia promised to supply Armenia with 400,000 cts of uncut natural diamonds for the jewelry industry annually in 2002-2004, and 450,000 cts in 2005-2006. The diamonds are supplied on the basis of contracts that Alrosa signs with organisations authorised by Armenia. Russian rough diamond supplies make up 50% of the Armenian market's requirement, with some rough diamonds being imported from Belgium and Israel.

In January 2004, the Cabinet approved a three-year development programme for the country's gem industry which targets cut-diamond output in particular. By 2006 exports are scheduled to rise to US$400 million and jewelry output to US$100 million, double the current levels. The industry will have 10,000 employees, compared with 7,000 at present, and the average monthly wage will double to US$200. The government intends to search for strategic country partners, Russia included, among other measures to achieve this growth.