SERBIA and MONTENEGRO

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Serbia and Montenegro, a focal point of armed conflict in 1999 during the Kosovo crisis, continued to report post-war stabilisation and overall economic progress during 2003. Major minerals-related government policies included a new law allowing concessions to be granted for up to 30 years, as well as firm provisions for compensation, competitive tendering and legal protection.

In 2003, the gross domestic product (GDP) was reported to have risen by 3.0% compared with that of 2002. However, industrial production as a whole declined by about 3%, owing mainly to the manufacturing sector. Mining and quarrying, and electric power generation branches, reported increases of about 1% and 3%, respectively.

In 2003, the aggregated output of the metals-mining sector registered a decline of about 33% compared with the level of output in 2002; the production of basic metal, however, rose by about 2%. Bauxite production declined by about 12%, but aluminium production remained at about the 2002 level of some 112,000 t. The latest available foreign trade data report total exports of primary aluminium and aluminium alloy in 2002 to have amounted to 116,535 t, almost 18% higher than in 2001. Available data for 2003 (January to August), however, show a steep export decline compared with the same period in 2002.

In early 2003, the Privatisation Council of Montenegro (PCM) scheduled Kombinat Aluminijuma Podgorica (KAP), Montenegro's alumina refining and aluminium smelting complex, for full denationalisation. The PCM indicated that 100% of the company's assets were to be offered for sale, including shares owned by the government (65%) and by KAP employees (35%). The sale was aimed partly at restructuring KAP's accumulated debt, which, reportedly, amounted to about US$120 million. To facilitate the privatisation, the European Bank for Reconstruction and Development (EBRD) approved a US$2.4 million loan. A number of companies indicated interest in acquiring KAP, including Glencore International AG of Switzerland, which has been the aluminium work's operational manager. Major aluminium producers in France, Norway, Russia, and the US reportedly also were interested.

Additional privatisation efforts in the aluminium sector in 2003 were in Serbia, where 70% of the shares of Valjaonica Aluminijuma Sevoijno (Seval) and Nissal Nis (Nissal) were to be offered for sale. Both facilities produced aluminium semi-manufactures as well as some aluminium fabrications.

Copper production at Serbia's RTB Bor copper mining, beneficiation, smelting, and refining complex (Bor) declined sharply to 26,400 t of copper in concentrate from 36,900 t in 2002. Total refined copper production fell by about 62% to 13,700 t. The shortfalls in output were due partly to a major restructuring that was undertaken at the complex in preparation for privatisation and foreign investment.

Exports of unwrought copper by Serbia and Montenegro declined by 20% in 2002, to about 44,000 t. In 2003, available eight-month export data show exports of unwrought copper at about 20% of the export level of unwrought copper during the same period in 2002. Exports of semi-manufactured copper remained at about the export level of 2002; partial trade returns for 2003 indicate a decline of about 8%. Serbia and Montenegro's imports of copper ore and concentrate in 2002 amounted to about 37,000 t, or about 26% less than in 2001; imports during the first eight months of 2003 amounted to about 24% of those during the same period in 2002.

Bor's management and Mytilineos Holdings SA of Greece conducted discussions during the year concerning a renewal of lease arrangements for the Bor smelter. Mytilineos's earlier arrangement for management of the Bor smelter was to expire in 2004. This agreement gave Mytilineos exclusive rights to the distribution of the major part of Bor's smelter output of copper, gold and silver. In return, Bor received capital that was sufficient to maintain its operation of mines and plants. Also, in 2003, Mytilineos continued to set the acquisition of Bor as an important part of its investment strategy.

Bor and several major foreign mining companies also held discussions during the year regarding exploration and mining concessions on Bor properties, and, in particular, the Crni Vrh copper deposit which, reportedly, also holds commercial amounts of gold, lead, silver and zinc. Rio Tinto plc of the UK, and Phelps Dodge Corp of the US were among the parties interested in working in the Bor area.

A low production level of lead-zinc ore and lead and zinc metals was mainly a reflection of the uncertain status of the Trepca lead-zinc mining, beneficiation and smelting complex in the Serbian province of Kosovo, which remained under a United Nations protectorate status. Output of lead and zinc ore during January to August 2003 amounted to 311,000 t; production of primary refined lead during the same period amounted to 192 t. Zinc production amounted to only 62 t compared with 1,478 t in 2002.

The management of the remaining mine, Veliki Madjan in western Serbia, elected to continue to operate as part of Trepca. Suva Ruda is the largest of the four mines, and has an annual capacity in excess of 200,000 t of lead-zinc ore. The ore at Lece contains gold in addition to lead and zinc. All four operations were able to produce only sporadically during the previous three years.

In 2003, the management of Zorka Obojenini Metali, Serbia's sole zinc smelter and refinery, announced plans to tender a leasing arrangement for the smelter. The smelter-refinery ceased operations earlier in the year owing to cumulative financial losses connected with civil and regional conflicts from 1991 to 1999. The Zorka zinc plant, last modernised in 1976, had a rated electrolytic zinc production capacity of 32,000 t/y. The last effective output at the plant appeared to be in 2001 when about 13,500 t of zinc were produced. Spokespersons for the enterprise indicated that an investment of more than US$750,000 would be needed to overhaul the plant. At year-end, discussions were initiated between Zorka management and the Binani Group of India toward reaching an agreement on the leasing of the zinc smelter-refinery.

Serbia and Montenegro's crude steel output rose by 21% to about 722,000 t in 2003. Steel production was based at Sartid AD in Serbia and at Zeljezara Niksic in Montengro. With all iron-ore production having been discontinued in 2000, most of the country's steel output was based on imported iron ores and concentrates. In 2003, imports of iron ore during the January September period amounted to 534,000 t, which were more than twice the total imports recorded in 2002. Exports of flat-rolled steel during the same period amounted to 960,000 t, which was a 48% increase compared with total exports of flat-rolled products in 2002.

The privatisation of Serbia and Montenegro's iron and steel sector encompassed both steel producers during the year. Despite anti-monopoly review by seven regional steel-producing countries and initial labour union-related issues, US Steel's subsidiary, US Steel Balkan doo acquired Sartid AD. The acquisition cost US Steel US$23 million, which included six Sartid subsidiaries. Additionally, US Steel announced plans to invest about US$150 million during the subsequent five-year period to repair and modernise Sartid's facilities, whose rated steelmaking capacity amounts to about 2.4 Mt/y. The Government of Serbia confirmed the Sartid sale in July 2003, in response to several international claims against the steelworks and its sale. The Government of Montenegro offered an international tender for the sale of almost 58% of the stock shares of Zeljezara Niksic, which had a value of about US$81 million. Bids were received from steel producers in Austria, Bulgaria, Switzerland and Russia. Total crude steelmaking and steel product capacities at Niksic amount to about 200,000 t/y and 600,000 t/y, respectively.

The total output (by value) of industrial minerals increased by about 6% in 2003. Initial indicators (January to August) for salt production point to about a 77% increase in physical output compared with output during the same period in 2002. Analogous indicators show production downturns for cement, crude magnesite, lime, quartz sand and sand and gravel. Data for the same period do not record any output of asbestos.

The total output (by value) of Serbia and Montenegro's fuel minerals rose by about 4% compared with that of 2002. Coal production (value) increased by 6%; natural gas and petroleum production, however, declined by about 4%.

Developments in Serbia and Montenegro's mineral fuels sector included a 15-year loan valued at €60 million from the EBRD to modernise and raise lignite production at the Tamnava West mine in Serbia. Serbia's electric power utility, Elektroprivreda Srbije, which owns and operates the mine, aims to double lignite production to 12 Mt/y.

Exploration for oil and gas offshore Montenegro was continued by Ramco Energy plc of the UK in the Ulcinj contract block. Preliminary assessments at Ulcinj point to Pleistocene and Pliocene age gas deposits and several medium to large Carboniferous petroleum deposits. These deposits were believed to be accessible at water depths in excess of 300 m. In 2003, Ramco restructured its JV agreement with Jogopetrol Kotor, Serbia's oil company, which became a subsidiary of Hellenic Petroleum of Greece in 2002. Ramco's stake amounted to 40% of the stock in the JV, formed to explore for, and develop, Serbia and Montenegro's oil and gas assets.

Serbia and Montenegro Production of Mineral Commodities [1/2/] (Mt unless otherwise specified)

Commodity [3/]	2001		2002		2003
Metals					
Aluminium:					
Gross weight:					
Alumina, calcined	200,660	r	237,396	r	225,000
Bauxite	610,000		612,000		540,000
Metal, ingot, primary and secondary	100,176		111,689		112,000
Copper:					
Mine and concentrator output:					
Ore, gross weight ('000 t)	7,123		7,968		6,000
Concentrate, gross weight	150,000	e	185,000	e	130,000
Concentrate, Cu content	31,000	r	36,900		26,400
Metal: Blister and anodes:					
Primary	24,000	r	30,000	r	9,000
Remelted	35,000	e	30,000	e	4,600
Total	89,000		84,000		13,600
Refined:					
Primary	22,465		26,897		9,100
Secondary	10,000		9,000	e	4,600
Total	**32,465**		**35,897**		**13,700**
Gold, refined (kg)	600	r	900	r	600
Iron and steel:					
Ore and concentrate, agglomerate	--		--		
Metal:					
Ferroalloys, ferronickel	--		--		--
Pig iron	461,000		485,000		730,000
Crude steel	598,000		596,000		722,000
Semi-manufactures	801,000		877,000		1,300,000
Lead:					
Mine and concentrate output:					
Ore, gross weight (Pb-Zn ore)	926,000		577,000		70,000
Pb content of ore e/	19,000		11,500	e	1,400
Concentrate, gross weight e/	27,000		11,400	e	1,400

Pb content of concentrate e/	7,500		4,600		400
Metal, refined:					
Primary	--		200	r	500
Secondary	4,800		--		--
Magnesium, metal	1,500	r	1,800	e	1,500
Nickel, metal, Ni content of Fe Ni	--		--		--
Platinum-group metals:					
Palladium (kg)	10		10	e	8
Platinum (kg)	1		1	e	1
Selenium (kg)	14,000		15,000	e	10,000
Silver (kg)	5,745		6,838		1,000
Zinc:					
Zn content of Pb-Zn ore	15,000	r/ e	9,300	e	14,000
Concentrator output, gross weight	17,500	r/ e	20,300	e	16,300
Zn content of concentrate	5,988	r	6,900		5,400
Refined	13,467		1,478		90
Industrial Minerals					
Asbestos fibre, all grades	194		372	--	
Cement (‘000 t)	2,418		2,396		2,075
Clays:					
Bentonite	75	e	75	e	75
Ceramic clay	30,000	e	30,000	e	30,000
Fire clay:					
Crude	30,000	e	30,000	e	30,000
Calcined e/	10,000	e	10,000	e	30,000
Kaolin:					
Crude	60,900	r	61,000	r	60,000
Feldspar, crude	4,451	r	4,500	e	4,500
Gypsum, crude	58,045		54,937	r	55,000
Lime (‘000 t)	467		468		370
Magnesite:					
Crude (‘000 t)	36		33		25
Caustic calcined	2,500	e	2,500	e	2,000
Mica, all grades	230	e	200	e	200
Nitrogen, N content of ammonia	65,900		115,300	r	61,600
Quartz sand (‘000 t)	301		259		250
Salt, all sources	61,646		42,243		65,000
Sand and gravel excluding glass sand (‘000 m^3)	1,967		2,074		1,500
Sodium compounds:					
Caustic soda	7,584	r	6,787		7,500
Sodium sulphate	800		800	e	800
Ornamental m^2	84,000		85,000	e	85,000
Crushed and broken (‘000 m^3)	3,000	e	3,000	e	3,000
Other, stone blocks (m^3)	1,000	e	1,000	e	1,000
Sulphur, by-product: e/					
Metallurgy (‘000 t)	100		75	e	50
Petroleum (do.)	1		1	e	1
Total	**101**		**76**	**e**	**51**
Coal:					
Bituminous (‘000 t)	70		70		40

Brown ('000 t)	376	r	423	450
Lignite ('000 t)	32,936	r	32,995	34,500
Total ('000 t)	33,382		33,488	34,990
Natural gas, gross production (million m^3)	111		107	115
Petroleum:				
Crude:				
As reported ('000 t)	746		682	670
Refinery products ('000 t)	1,793	r	2,369	2,000

e/ Estimated. r/ Revised. -- Zero.

1/Estimated data are rounded to no more than three significant digits; may not add to totals shown.
2/Table includes data available through August 2004
3/ In addition to commodities listed, common clay and diatomite also are produced, and tellurium may be recovered but available information is inadequate to make reliable estimates of output levels.