
BOSNIA and HERZEGOVINA

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Bosnia and Herzegovina remains a federation comprising two constituent regions, the Federation of Bosnian Moslems and Croats (FBC) and Republika Sprska (RS). They account for about 51% and 49% of the Bosnia and Herzegovina territory, respectively. This division is the outcome of a series of compromises that led to peace accords between factions involved in civil war in the 1990s.

Bosnia and Herzegovina's mineral resources include bauxite, coal, industrial minerals, iron ore, and lead and zinc. These resources and their mining and processing facilities, continue to be exploited in two politically distinct regions, with distinct administrative structures but within a formal national government organisation.

According to the latest available official data, the country's real GDP in 2003 increased by about 3.5%. The FBC's share amounted to about 67% of the total GDP, showing growth of about 3.8% compared with 2002. The real GDP of the RS increased by about 2.4%. Foreign investor interest in the country's minerals sectors appeared to have increased, especially with those sectors involved with nonferrous metals and steel.

In 2003, industrial production in the FBC increased (value basis) by 4.8%, and the value of mining output represented about 2.3% of GDP. The mining sector as a whole increased the value of its output by about 4.6%. Output of coal and peat, and metal ore, increased by 6.1% and 17.2% respectively. Other mining and quarrying operations, collectively, reported losses of about 3.8%. In the field of mineral processing, the FBC reported an increase of more than 13% in the production of metals and almost 9% in the output of nonmetallic and industrial minerals. However, the production of processed mineral fuels declined by about 7%. The FBC's exploitable mineral resources include coal, bauxite, gypsum, lead and zinc, magnesite and rock salt. The FBC also operates the country's only aluminium and steel plants.

In 2003, negotiations between Debis International Trading GmbH (Debis), a subsidiary of Daimler Chrysler AG, and Elektroprivreda BiH (EPBiH), the state-owned electric power company, ended without agreement on power delivery prices. This resulted in the termination of a five-year contract between the parties. This contract had formed the basis of an agreement between Debis and Aluminij Mostar (FBC's aluminium smelter) that called for steady sales of electric power to Mostar by Debis in exchange for primary aluminium. Because EPBiH provided about two-thirds of Mostar's electricity requirements, the dissolution of the long-term power agreement between Debis and EPBiH could affect the future development of the Mostar smelter and regional bauxite mining.

Following the completion of major facility modernisation and expansion in 2002, Mostar's production of primary aluminium increased to about 110,000 t, or by almost 7% compared with that of 2002. In early 2003, Glencore International AG of Switzerland indicated interest in acquiring shares of stock in Mostar once privatisation of the enterprise becomes certain. Glencore remained the source of alumina feedstock to Mostar. Although Mostar's alumina refinery has not been operational for more than ten years, bauxite production in the FBC has continued to rise, with an eight-fold increase in 2003, to 344,000 t, equivalent to 60% of total bauxite output in Bosnia and Herzegovina.

BH-Steel-Zeljezara Ltd (B-H Steel) in the FBC is Bosnia and Herzegovina's sole producer of crude steel. In 2003, B-H Steel continued to operate as a joint venture between the Government of FBC and Kuwait Consulting & Investment Co (50% equity). During the year, the Ispat Group of India began discussions with the current B-H Steel stockholders to acquire a substantial share of the company's stock. A package acquisition of such attendant facilities as Lukavac coking plant, the Dobož limestone mine, and the Ljubija iron-ore mine also was considered. By year-end, however, Ispat was able to form a JV arrangement with the government to operate the Lukavac facility and also to acquire a 51% share in the new operation, which became formally known as Global Ispat Koksna Industrija Lukavac. Ispat reported a US\$45 million investment plan for Lukavac of which 50% would be earmarked for use as working capital, 19% to finish the installation of a new coke battery, and 16% to help pay off the enterprise's debts.

In 2002, B-H Steel produced 70,000 t of crude steel, the lowest production since 1996 when steel production was resumed. About 71% of total steel produced came from open hearth and 29% from electric arc furnaces. Plans developed in 2002 to install a new 100 t EAF, a ladle furnace, and billet caster began to be realised in 2003. The new equipment, supplied by Italian metallurgical plant and equipment manufacturer, Danieli SpA, cost some US\$25.3 million and was to be fully installed by the end of 2004.

In 2003, DD Fabrika cementa Lukavac, which received a major investment package in 2002 for modernisation, benefited from a marked increase in its stock value (up by about 23%). Full operation at the cement plant was to start in 2004. Modernisation plans that were completed at the Kakanj Cement Plant, a subsidiary of Heidelberg Cement Group of Germany, included a coal-grinding plant and the development of a new quarry.

Energy-related activities during the year included an agreement between the FBC and RS to harmonise oil prices throughout Bosnia and Herzegovina, following an agreement in November 2002 to adopt a uniform tax on fuel throughout the country. One of the main objectives of these agreements was to create a positive investment climate. Further investment in the Lukavac coke plant by Ispat could double production capacity to 1.4 Mt by 2005, through the installation of more coking batteries.

In 2003, industrial output in RS, in terms of volume, increased by 7.3% compared with that of 2002. Mining and quarrying represented about 10% of total industrial output. Industrial minerals processing, coke and refined petroleum production, and metals production respectively accounted for 4.3%, 1.9%, and 1.5% of industrial output.

In 2003, metal mining and processing in the RS reported mixed results. The production of direct shipping-grade iron ore (Fe >42%) amounted to 83,490 t, more than double the output in 2002. The production of lower grades of iron ore ceased and the production of iron-ore concentrates declined by more than 75% to 43,494 t.

In comparison with 2002, bauxite production showed significant increases, with output increasing more than three-fold to 229,317 t. After a production hiatus in 2002, alumina production in 2003 amounted to 35,011 t, about 16% more than in 2001. Production ceased at the Birac alumina refinery owing to a dispute arising between the RS Government and the majority Lithuanian stockholders, the Ukio Banko Investicine Grupe (Ukio), over terms of prior privatisation. An agreement between Ukio and the RS Government was reached, which created conditions more favourable for Ukio and allowed refining operations at Birac to restart. Ukio plans to upgrade Birac's refining capacity to 300,000 t/y of alumina. Ukio also reached an agreement with the Milici Mine to supply the Birac refinery with about 411,000 t of bauxite in 2004.

The production of lead and zinc concentrates has not resumed since they were last reported in 2001, when 3,271 t and 3,432 t, respectively, were produced.

Industrial mineral production included bentonite, ceramic and refractory clays, gypsum, kaolin, limestone, magnesite, marble and silica. In 2003, the production of bentonite and ceramic clay in RS increased to 16,500 t and 35,861 t respectively, compared with 4,340 t and 13,050 t in 2002. Dolomite production, registered a slight output increase, to 96,776 t. Overall, the mining and quarrying of industrial minerals represented about 2.1% of total industrial output.

RS produced 1.45 Mt of brown coal, an increase of about 11% compared with 2002. Production of lignite during the same period increased by about 51% to 2.14 Mt.