UZBEKISTAN

By Interfax-CNA

Uzbekistan saw 4.5% GDP growth in 2001. The Uzbek economy clearly followed a trend of macroeconomic stability and economic growth. Industrial output rose 8.1% and agricultural production went up 4.5%. GDP growth per capita was 3.1% and the population's real incomes went up 16.9%. Foreign trade turnover rose 3.1% and a foreign trade surplus was achieved. Also, gold and foreign currency reserves were kept at the previous year's level.

Capital investment in Uzbekistan rose 3.7%. Some 62% of investment was spent on construction, replacement of equipment and refurbishment, compared with 56% in 2000. Foreign investment rose by 7.6% to US$508 million, or 29.3% of total investment. Foreign investors channelled 17.3% of investment into the gas sector, 18.1% into light industry, 16.8% into engineering, 4.6% into the chemicals and petrochemicals sector, 3.8% into the food industry, 12.4% into transport, 2.0% into communications, and 25% into other sectors.

Uzbekistan plans to raise US$909.86 million in foreign investment this year for 111 projects, according to the investment programme approved by the government. This will include US$727.01 million in loans guaranteed by the government. The largest amount of foreign investment, US$179.84 million, will go into the fuel and energy sector. Another US$456.62 million will be invested in the electricity sector.

In March 2001 the government passed a resolution on further measures to privatise enterprises by drawing foreign investors in 2001-2002. The document marks the start of the second stage of large scale privatisation in Uzbekistan. The country will reform strategic industries - namely railroad transport, the energy sector, the oil and gas industry and the chemical industry in 2001-2002.

The list of enterprises to be sold in 2001-2002 includes 1,244 enterprises, while the list for 1999-2000 included just 167. The enterprises to be sold are broken into four groups: enterprises that will sell share packages under individual plans; enterprises that will be sold entirely; enterprises whose assets can be freely sold on the exchange and over-the-counter markets, including to foreign investors; enterprises that have been privatised but in which the state share will be sold on the exchange or over-the-counter market. The first group includes 38 of the most liquid enterprises, among them Uzbekneftegaz and seven of its divisions, several divisions of Uzbekenergo, Almalyk Metallurgical Combine, TAPOICH, Uzmetkombinat, enterprises in the chemical and cable industries, Uzbektelecom, several enterprises of Uzbekistan Temir Iullari, and cement plants in Akhangaran and Navoi. Foreign investors will be offered 39% - 70% of the enterprises. Uzbekistan has chosen BNP Paribas and Commerzbank as consultants for the privatisation of Uzbekneftegaz and Uzbektelecom, respectively.

Under a national privatisation programme for 2001-2002, a strategic investor is to receive a 49% stake in Uzbekneftegaz, 44% of shares in Uztransgaz and Uzgeoneftegazdobycha (companies coming under Uzbekneftegaz), and a 39% stake in Uzburneftegaz, Uzneftepererabotka, Uznefteprodukt, Uzneftegazmash and Uzavtogaz.

Gold

Uzbekistan produced about 86 t of gold In 2001. The country holds 4.3% of the world's gold reserves, being seventh (after Indonesia and Australia) in terms of proven reserves and sixth in terms of probable reserves behind South Africa, the US, Canada, Russia and Brazil. Uzbekistan holds nearly 2,100 t of proven gold reserves, and total reserves as of

1998 were 3,350 t. Uzbekistan has 41 gold fields, including 33 gold lode fields.

Muruntau is the country's main ore field, producing nearly 60% of Uzbekistan's gold (about 50 t/y), with an average grade of 3.5 g/t. The field still has proven reserves of about 2,000 t, and analysts estimate that its deeper structures (to 1.5 km) could hold another 1,830 t. The state concern Kyzylkumredmetzoloto, which owns the Navoi Integrated Mining and Metallurgical Plant, is developing the field. The Navoi plant produces 70% of Uzbekistan's gold, processing ores from Kokpatas and Uchkuduk mines.

Geologists from the Amantaytau Goldfields joint venture between a UK company and Uzbekistan have doubled geological reserves of gold and silver in the Amantaytau deposit in the Kyzyl Kum Desert. Oxus Mining Plc (Oxus), the UK company that owns 50% of the shares, said that geological reserves had increased from 3.437 Moz to 6.4 Moz of gold. The joint venture thinks Amantaytau could contain as much as 3.12 Moz of gold for open-cast mining and 9.59 Moz for a deep-mine operation. It is also prepared to start building a heap leach facility and has drafted a feasibility for a deep mine. So far it has been reported that the Amantaytau field contains a recoverable 3.2 Moz (99.5 t) and other reserves of just over 3 Moz (93.3 t) of gold.

The joint venture will finance the development of Amantaytau with capital provided by Oxus Mining Plc and foreign commercial banks. Other participants are the Uzbek State Committee for Geology and Mineral Resources (which owns 40%) and the Kyzylkumredmetzoloto concern (the Navoi Mining and Metals Plant), 10% of the joint venture.

In October 2001, Japan's Mitsui & Co. Ltd has pulled out of Angren Gold Co., set up to mine the Angren group of gold lodes in Uzbekistan's Tashkent region, assigning its 20% equity stake to Newmont Mining Corp. of the US. Angren Gold was set up in 1996 to mine the Kyzylalmasay and Kochbulak gold deposits in Uzbekistan's Tashkent region. The fields contain proven reserves of about 270 t of gold, with ores grades at 6-8 g/t Au.

Meanwhile, Uzbekistan will form a fifty-fifty joint venture with Australia's Multiplex Mining to develop the Zarmitan and Gudzhumsay gold lodes in the Samarkand region. The Geology Committee has said Zarmitan and the adjacent Gudzhumsay lode between them contain about 30 Mt of ore with grades of 10 g/t Au. The government in September last year named Australia's Multiplex Mining as strategic partner in the joint development of the Zarmitan group of gold lodes. The government instructed the Geology Committee and the Uzalmazzoloto company to co-found a joint venture on its behalf. Multiplex was not selected by tender. In December last year, after Australia's WMC had pulled out of the project, Multiplex Mining itself approached the government. Resolute, another Australian company, did likewise. Preference was given to the best economic proposal.

RIK International Industrial Co. of the US plans to form a joint venture with Uzbekistan's State Committee for Geology and Mineral Resources to develop small gold deposits. The joint venture's first development might be the Altynkazgan gold lode in the Navoi district. The US company proposes to use a module costing about US$2 million to process the ores. This can be moved to other deposits containing up to 5 t of gold, including tailings dumps. Project costs might be about US$6 million. The partners themselves would finance all costs. The development would get under way in 2002.

Molybdenum and Tungsten

Uzbeksky Heat-resistant and Refractory Metals Combine of Chirchik produced 580 t of molybdenum in 2001, up 66.5% from 348.3 t in 2000. It also produced 260 t of tungsten, up 35.6% from 191.7 t in 2000. The Chirchik plant was built in 1956. It used to serve the Soviet defence industry and made hard alloys, powders and rolled products from molybdenum and tungsten. The raw material for molybdenum production came from the Almalyk Mining and Metals Combine in the Tashkent region of Uzbekistan, and the raw tungsten from Russia. The Chirchik plant is running at less than a third of its capacity owing to reduced markets and a shortage of working capital. Uzbekistan's bankruptcy commission has extended until 2003 a rehabilitation programme for the Chirchik plant that started in 2001. The Uzbek Government had planned to offer shares in the plant to foreign investors, but this has been put back for two years.

Uzmetall Technology, a joint venture between Uzbekistan and Israel's Metek Metals Technology, plans to start exporting molybdenum from Uzbekistan in 2002. The joint venture might export something like 300 t of molybdenum in 2002. The potential markets include Europe, Japan and the US. Metek Metals has almost finished building a facility to produce up to 600 t/y of molybdenum trioxide at the Uzbek Refractory and Heat Resistant Metals Plant in Chirchik, Tashkent region. It is also building a factory to produce molybdenum wire, strip and plate.

Meanwhile, molybdenum capacity at the Almalyk Mining and Metals Plant of the Tashkent region is being upgraded to produce cinders from concentrate to serve as the raw material for the Chirchik plant. Any molybdenum byproduct will remain at the Almalyk plant's disposal and used to produce rare-earth metals. As of today, the Almalyk plant does not produce anything from molybdenum concentrate.

Metek Metals Technology continues to discuss the joint development of tungsten deposits in Uzbekistan with local companies. Talks are in progress with the Uzbek Heat-resistant and Refractory Metals Plant in Chirchik, which is a member of the Spetsplav special alloys association, and the Navoi Integrated Mining and Metals Plant. Spetsplav, the Chirchik plant and Metek Metals Technology had signed a protocol of intent on the use of tungsten deposits, among them the Ingichka deposit in the Tashkent region, which is a Spetsplav property. Tungsten has been mined at Ingichka since 1941. The mine was mothballed in 1996.

The Israeli specialists are looking at the possibility of recovering tungsten from tailings. It is thought the mine's tailings contain up to 100,000 t of ore. The Chirchik plant could process the tungsten concentrate. Metek Metals is also interested in the recently explored Sautbai tungsten deposit in Kyzyl Kum. This site holds 4 Mt of ore with a tungsten trioxide content of 19,900 t. Uzbek geologists are also prospecting and appraising the Sarytai tungsten deposit, which is close to Sautbai, and could be twice as big.

Copper Lead Zinc and Silver

Almalyk Mining and Metallurgical Combine combine is one of the largest copper producers in Central Asia. Almalyk mines and processes some 25 Mt/y of ore and produces annuallyabout 80,000 t of refined copper, 55 t of silver and 13 t of gold. Copper accounts for around 90% of Almalyk's metals output but the plant also produces zinc, lead concentrate, primary molybdenum, cadmium, selenium and tellurium.

Copper concentrate (16% Cu) from the plant's Kalmakyr and Sari Cheku mines cover around 90% of the Country's requirements. The rest is imported, mainly from Russia and Mongolia.

Steel

Uzbekistan's Uzbeksky Metallurgical Combine (Uzmetkombinat) produced 403,351 t of rolled steel in 2001, 8.3% more than in 2000. The figure included 299,770 t of sections and bars, up 8.2%. Raw steel production was up 6.6% at 433,571 t. The combine, in the Tashkent region, is Uzbekistan's only ferrous metals enterprise. Capacity is 750,000 t/y of raw steel. The combine used to process scrap metal from all over Central Asia. These supplies have decreased, and the combine is not fully utilised.

In November 2001, a consortium led by CAIB, a Romanian investment bank, won a tender organised by Uzbekistan's State Property Committee to hire a financial consultant to privatise the Uzbeksky Metallurgical Combine. The consortium will value the steel mill's assets, draft proposals on improving its investment potential and hold a tender to sell 33% of the shares to a foreign investor. The Uzbek Agency for Real Estate and Investments said the block might be worth between US$34.7 million and US$41.7 million.

Coal

Uzbekistan's total commercial reserves are about 3,000 Mt of coal, 1,000 Mt of hard coal. Uzbekistan has an estimated requirement for 4 Mt/y of coal. Uzbekistan produced 3.0 Mt of coal in 2001 against 2.5 Mt in 2000. All of the coal was produced by Ugol, the national coal company. Ugol mines the Angren lignite coal field, which is in the Tashkent region, and the Shargun hard coal deposit in the Surkhandarya region, and is exploring the Baisun hard coal field, also in the Surkhandarya region.

The Angren deposit holds a proven 1,900 Mt of coal, and produces 90% of Ugol's coal. It consists of an open pit, a deep mine and the Podzemgaz station, which mines coal seams by the underground gasification method to obtain fuel gas. The station's capacity is 600 million M^3/y of gas.

Natural Gas and Oil

Uzbekistan is the second largest producer of natural gas in the CIS and a major oil producer. Uzbek national holding company Uzbekneftegaz increased natural gas production 1.8% year-on-year to 57.4 billion m^3 in 2001. Production of oil and gas condensate at Uzbekneftegaz fell 3.7% year-on- year to amount to 7.256 Mt in 2001. However, the drop in production of liquid hydrocarbons noted over the past three years slowed down last year. Production in 2000 was down 7.5% from 1999. Uzbekneftegaz is a monopoly operator in the Uzbek oil and gas complex. The company was set up in 1998 and unites eight joint-stock companies.

In 2001, UzPEC, a subsidiary of the UK's Trinity Energy set up for oil and gas projects in Uzbekistan, received two licences to explore and develop oil and gas and gas condensate fields in Uzbekistan. The first licence was issued for fields in Southwest Gissar for 25 years with the option to extend for 15 years. The second licence was issued for five years to explore Central Ustyurt with the right to extend for another three years. UzPEC and Uzbekistan's Uzbekneftegaz have signed a production-sharing agreement for the central Ustyurt and Southwest Gissar blocks. The agreement lasts for 40 years and specifies investment of more than US$400 million, including US$200 million in the next five years.

Southwest Gissar, which is located in the Gissar spur of Tyan-Shan, has nine fields with total commercial reserves of 6-15 Mt of oil. The fields need additional exploration and confirmation of commercial reserves. Central Ustyurt has three fields with probably natural gas reserves of 10 billion-100 billion m^3.

UzPEC plans to invest US$31 million this year in the exploration and development of oil and gas fields under the first phase of a 40-year project. The money will be used to develop existing and explore new fields in two licence blocks - Southwest Gissar and Central Ustyurt. Financing for the US$34 million first phase will come from direct investment and loans from international financial institutions, such as the European Bank for Reconstruction and Development.

In 2001, an international consortium, headed by Swedish-Swiss ABB, completed the construction of the Shurtan Gas-Chemical Complex (Kashkadara region) at a cost of US$1 billion. The international consortium, which includes ABB Lummus Global, ABB Soimi and three Japanese companies - Mitsui & Co. Ltd, Toyo Engineering and Nisso Iwai Corp., signed a contract with Uzbekneftegaz at the start of 1999 for the turn-key production of the technological part of Shurtansky gas-chemical complex. The technological part includes a gas-cleansing unit, a polyethylene production plant with a capacity of 125,000 t, with production of associated products (propane-butane fractions) of 137,000 t/y and production of unstable condensate of 130,000 t/y. Construction of the gas-chemical complex is being carried out at the Shurtan gas condensate field, which is the largest in Uzbekistan. A total of about 15 billion m^3 of natural gas is produced at this field per annum.