

THE MINERAL INDUSTRIES OF ESTONIA, LATVIA, AND LITHUANIA

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ESTONIA

With a population of 1,408,000, the Estonian gross domestic product (GDP) grew by 4.4% in 2002. The per capita GDP in terms of purchasing power parity was \$10,900. Continued economic reform included privatization of state enterprises and attracted the third highest rate of foreign direct investment per capita in Central Europe and Eastern Europe. Only the port (Tallinn) and the main powerplants were still under Government control. Estonian industries used locally available oil shale as energy source. Peat and industrial minerals, such as clays, sand and gravel, and silica sand, also were mined. The country is the gateway between East and West and a transshipment center. It imported petroleum products from Russia and Western Europe (U.S. Central Intelligence Agency, 2003^{§1}).

Galvex Estonia, which was owned by International Steel Industries of the United States, began to hire staff to sell steel for its new hot-dip galvanizer in March. The 500,000-metric-ton-per-year (t/yr) mill was scheduled to start commercial production in July. The mill would produce hot-dipped galvanized sheet and coil. The plant was constructed in Tallinn to provide easy access to raw materials and customers (Metal Bulletin, 2002c).

A \$205 million continuous galvanizing line started up at Muuga in August. Galvex Capital LLC promoted the project and received technical assistance from Stelco Inc. of Canada. Cold-rolled feed came from the Far East and from Eastern Europe and Western Europe. By yearend, production would range from 75,000 to 80,000 metric tons (t) and increase to 300,000 t by 2003. Two main promoters owned 90% of Galvex Capital, and a division of Zurich Insurance Services held the remaining 10% (Metal Bulletin, 2002a).

ECOMETAL Estonia planned to build a secondary lead production plant with a capacity of 6,000 t/yr of lead ingot at Sillamae. The plant would treat 9,000 t/yr of scrap batteries. Engitec Technologies S.p.A. of Italy (part owner of ECOMETAL) won the tender to build the plant, which would use its CX process; the plant would start operations in 2003. The Government approved the construction of the plant as part of its environmental strategy (Metal Bulletin, 2002b).

Treibacher Industrie AG of Austria acquired a 25% stake in columbium (niobium) and tantalum producer AS Simet with an option to increase its stake to 50%. The company intended to build strategic cooperation with AS Silmet. Treibacher produced noble alloys, recycled residues, rare earths, and ceramic materials. Simet produced columbium (niobium) and tantalum oxides and high-purity columbium (niobium) metals and employed 700 workers (Metal Bulletin, 2002d).

The Government deferred the pending sale of a partial interest (49%) in Estonia's energy system for \$71 million to NRG Energy, Inc. of the United States. NRG and the state holding company Eesti Energia failed to secure the \$238 million loan needed to bring the powerplants up to the European Union's environmental standards. The sale would provide NRG with a strategic entry into the Baltic energy markets (Financial Times, 2002).

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LATVIA

The transition from centrally planned to free market economy in Latvia has progressed well through the process of privatization. The GDP growth rate was 4.5% with a low inflation of 2% in 2002. With the exception of state utilities, the state-owned small- and medium-sized enterprises had been privatized. Two-thirds of employment and 60% of GDP were in the private sector. The Government planned to sell its majority interest in Latvian Shipping Co. and its remaining shares in Ventspils Nafta, which was the largest oil terminal and port in the Baltic States, and Latvijas Gaze, which was the gas utility company. Ventspils Nafta acquired 31%

¹References that include a section mark (§) are found in the Internet References Cited sections.

of Latvian Shipping Co. Latvia's major mineral resources included dolomite, gypsum, limestone, and peat (U.S. Central Intelligence Agency, 2003§).

Thermal Technology Consultancy Ltd. of the United Kingdom sold an aluminum smelting plant to Balt Metals in Riga. The plant was in the later stages of installation and was due for completion in May (Metal Bulletin, 2002b).

About 50% of Liepajas Metalurgs' rebar was sold to the United States. It was subjected to a 17% antidumping duty. The 201 tariff exemption ruling provided the company with more profitable opportunities to sell in the United States. The company produced 580,000 t of rebar in 2002. Its rebar received certification from the Netherlands, Spain, and Switzerland (Metal Bulletin, 2002a).

Norilsk Nickel of Russia changed its plans to build a precious metals processing plant at Valmiera. A preliminary agreement was reached in late 2000, and the proximity of the fiberglass plant AS Valmieras Stikla Skiedra was a key determining factor for its earlier decision. In the process of the company's restructuring, management decided not to continue with the project (Metal Bulletin, 2002c).

Latvia and Kazakhstan discussed the construction of an oil pipeline from Kazakhstan to the Port of Ventspils. The pipeline, which would run through Russia and Belarus, would bring additional Kazakh and Russian oil to Latvia. The port terminal had the capacity to transfer 50 to 55 million metric tons per year (Mt/yr) of oil. A feasibility study was being carried out on the pipeline, the position of interested parties, possible financing, and operational costs (Interfax Informational Service, 2002).

Ventspils planned to build a \$20 million terminal to handle the transshipment of 5 Mt/yr of bituminous coal, most of which was Russian coal for export. The port was working on designs and conducting market research for its viability in conjunction with Thyssen Krupp AG of Germany and other foreign companies. The port handled more than 1 million metric tons of coal in the first 7 months of 2002 (Interfax International Ltd., 2002).

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LITHUANIA

Lithuania had a GDP growth rate of 6.7% in 2002 in contrast to the slower growth rates in the neighboring countries. Private consumption and exports were the driving force of its economic growth. Activities in construction, processing, and light industries were increasing. The Government's fiscal deficit for 2002 was 1.2% of the GDP. The private sector controlled 75% of the economy and 70% of employment. The privatization of the national gas and energy companies was underway. Foreign direct investment in Lithuania reached \$3.9 billion in 2002; this was an increase of 24% compared with that of 2001. The country's mineral industry was limited to extracting peat and such industrial minerals as clays, limestone, and sand and gravel (U.S. Department of State, 2003§).

Shtern Tsement of Russia increased cement exports to Lithuania. The company announced its first contract of 15,000 t to supply cement to Lithuania after the Government abolished the import duty on Russian cement on October 1. Lithuanian consumers would receive 25,000 t of cement from Shtern by yearend (Building Bulletin, 2002).

Yukos Oil Co., which was Russia's second largest oil company, was set to take a stake in Mazeikiu Nafta's 263,000-barrel-per-day oil refinery in Lithuania from Williams International of the United States. Yukos would acquire a 26.85% share by financing \$75 million for modernization and delivering 4.8 Mt/yr of crude oil to the refinery for 10 years. Williams International would retain its 26.85% stake and management control. The Government would hold a 40.66% equity interest. In October, Williams International agreed to sell its 26.85% for \$85 million, and Yukos would take over management rights (Financial Times, 2002).

The Government approved the sale of 34% equity in Lietuvos Dujos to the German consortium of Ruhrgas AG and E.On Energie in the first stage of the privatization of the company. Preliminary bids for another 34% were to be submitted by September, and final bids, by November. Completion of partial privatization was expected by yearend. The Government would retain a 24.36% interest (Petroleum Economist, 2002).

Lithuania planned to shut down the first of the two units at the Ignalina nuclear powerplant by 2005 and to close the second by 2009. Ignalina produced about 70% of Lithuanian energy (EU Business, 2001§).

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TABLE 1
ESTONIA, LATVIA, AND LITHUANIA: PRODUCTION OF MINERAL COMMODITIES¹

(Metric tons unless otherwise specified)

Country and commodity	1998	1999	2000	2001	2002
ESTONIA					
Cement	321,000	357,700	329,100	404,600	466,000
Clays:					
For brick thousand cubic meters	96,600	107,100	97,200	119,800	149,200
For cement do.	33,000	38,400	37,700	25,700	19,000
Limestone	290,000	290,000	300,000	300,000	300,000
Nitrogen, N content of ammonia	175,000	145,500	127,500	150,600 ^r	38,700
Oil shale thousand tons	12,463	10,685	11,727	11,837	12,400
Peat do.	365	1,299	760	844	1,508
Sand and gravel thousand cubic meters	1,411	1,063	1,247	1,325	2,033
Silica sand, industrial do.	23,000	18,300	39,600	31,600	22,500
LATVIA					
Cement	365,629	W	W	W	W
Gypsum	119,096	W	W	W	W
Limestone	363,347	W	W	W	W
Peat	171,700	956,353	456,456	555,003	560,000
Sand and gravel	480,609	787,317	790,257	688,904	700,000
Steel:					
Crude	468,500	483,744	500,292	W	W
Products	516,400	520,000	525,000 ^e	W	W
LITHUANIA²					
Cement	788,300	666,000	569,500	529,100	605,000
Limestone	250,000 ^e	1,077,900	783,300	894,000 ^r	984,000
Nitrogen, N content of ammonia	407,300	401,300	509,900	447,000 ^r	468,000
Peat	202,000	390,100	245,500	273,000 ^r	513,000
Petroleum:					
Crude	200,000	250,000 ^e	317,900	470,000 ^r	433,000
Refinery products	6,433,900	4,506,700	4,658,200	6,543,500	6,447,700

^eEstimated; estimated data are rounded to no more than three significant digits. ^rRevised. W Withheld to avoid disclosing proprietary data.

¹Table includes available data through October 21, 2003.

²Lithuania produces other industrial minerals including clays and sand and gravel; consistent data for deriving a multiyear production series are unavailable.