



Weekly Briefing

**Serbia Economy briefing:
Chinese Zijin has won the tender for RTB Bor
IIPE**

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Chinese Zijin has won the tender for RTB Bor

The Chinese company Zijin Mining Group Co., Ltd. has won the tender announced by the Ministry of Economy of the Republic of Serbia for selection of the strategic partner for Serbia's Mining and Smelting Combine Bor. The long-announced privatization of this large state-owned company will definitely be officially finalized early next year by Zijin taking a 63% of RTB Bor. If an arrangement with the Chinese company is realized, RTB Bor has a great perspective, especially if it also conquers new minerals around Bor, to increase production, to revive the copper processing industry to a higher degree, and to develop the whole company.

The Ministry of Economy of the Republic of Serbia, on July 18 2018, has issued a public announcement for selection of the strategic partner for Mining and Smelting Combine Bor (RTB Bor), with the deadline August 20 for submitting applications. According to the terms of the tender, a strategic partner interested in conclusion of the Agreement on Strategic Partnership with the Republic of Serbia had to meet the following criteria: 1) Its predominant business activity must be exploitation of copper and/or other non-ferrous and precious metals and/or production of copper and/or other non-ferrous and precious metals, in continuity during last 10 years; 2) It has achieved in the previous business year preceding the years the public announcement for the strategic partner is published, independently or on a consolidated level, from the predominant business activity referred to in the previous item, sales revenue of at least 500,000,000.00 dollars. Two out of three companies that applied for this tender had met the terms of the tender, Chinese Zijin Mining Group Co., Ltd. (Zijin) and Russia's UGold, whereas the Canadian company Diamond Fields had failed to meet the necessary requirements.

After 12 years spent on four unsuccessful attempts for privatization of RTB Bor (in the years 2006, 2007, 2008. and 2009.), finally from fifth attempt, by unanimous decision of the tender commission, Chinese Zijin was introduced directly into negotiations with the Government of Serbia for strategic partnership. China's company Zijin should gain a 63% stake in the RTB Bor asset in those negotiations which should be concluded by the end of the 2018, and officially become a partner on January 1, 2019. RTB Bor, will be the second large company a Chinese firm buys in Serbia. As a reminder, in 2016, China's Hesteel acquired Serbia's steel plant in the town of Smederevo. Serbia also has mining industry which is extracting from large deposits in Kolubara and Kostolac basins, and gold extraction is developed around Majdanpek.

Zijin Mining Group offered to invest a total of 1.26 billion dollars investment in RTB Bor, and another 200 million dollars to settle RTB Bor's debts and committed itself not to lay off any of 5,000 workers, according to the Serbian Energy Minister Aleksandar Antić statements. He also pointed out that the Chinese partner will pay at least 100 million dollars by the end of this year, and will become the owner of agreed 63% of RTB Bor when pay out the 350 million dollars for the required recapitalization. Miners and other employees in RTB Bor from the Chinese partner and from privatization are expecting new machinery, better working conditions and good wages. New trucks and new mining machinery mean the spread of mines, more work and higher production. This should bring the owner a profit, and for workers bigger wages, so among part of the employees there is no fear present. On the other hands there are also views that RTB Bor should remain a state company with the purchase of new machinery and better technology, which would continue to work solely for the benefit of Serbia.

According to the latest data from the Customs Administration, Ministry of Finance, Republic of Serbia (August 2018), RTB Bor ranks 10th amongst Serbia's biggest exporters in period January-July 2018, realizing 104,0 million euros worth of export. RTB Bor is a very important company that affects the

lives of all citizens in Southeastern Serbia. Mining industry currently contributes 0.9 to 1% of Serbia's GDP, and the aim of the Republic Serbia is to raise the share to 5%. RTB Bor alone contributes 0.8% to the country's GDP. In 2017, RTB Bor produced 69,200 tons of cathode copper, 1,087 kilograms of gold and 11,858 kilograms of silver in the smelter. Of this, 43.5 tons of copper, 700 kilograms of gold and five tons of silver were processed from their own mines. According to data from the end of 2014, RTB Bor owns close to two billion tons of copper ore with a copper share of 0.39 percent and 7.86 million tons of copper. Gold reserves are estimated at 297 tonnes and silver to 2,197 tonnes. The common goal would be to return RTB Bor to the level when it was one of the largest copper mines in Europe and was responsible for the development of Serbia's industrial sector before Yugoslavia breakdown.

It has already been announced that China's Zijin Mining Group Co will also buy Canadian gold and copper miner Nevsun Resources Ltd for about 1.86 billion dollars, which operates in Serbia through its subsidiary Rakita Exploration Company at the „Čukar Peki” project in Bor. Zijin obviously have a long-term development plans in this area. They are aware that a melting pot capacity of 400,000 tons of copper concentrate cannot meet the current production in RTB Bor. That is why they have directed their plans to the new deposit of „Čukar Peki”, which is extremely rich. It is now obvious that Zijin is thinking in the long run and that they have not only been preparing to become the majority owner of RTB Bor, but that they were planning about really firing a smelter in Bor and taking advantage of all the natural resources around that city. With this strategic move, the Chinese company will have a rounded vision of the development of the entire region in terms of copper exploitation. This shows the serious intention of a long-term business in Serbia.

Conclusion

The planned purchase of RTB Bor by Zijin is the second strategically important company in Serbia which will be taken over by a Chinese company. If

Chinese company is successful in reconstruction, modernization, organization and increasing production and exports in the future years, as is the case with HBIS group, it may become the key force in the development of Serbia's industrial sector.