

## SERBIA AND MONTENEGRO

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**S**erbia and Montenegro began 2000 facing a major effort to rebuild roads, electric power stations, steel mills, and other industrial plant and infrastructure that were heavily damaged during the Kosovo war of 1999. Additionally, bridges that had been destroyed by the NATO air campaign remained effective obstacles to normal international freight traffic on the Danube River, which included a significant amount of mineral raw materials.

Nevertheless, Serbia and Montenegro's economy rebounded last year. In 1999, the country's GDP had slumped 18% but, in 2000, GDP rose 7% and industrial production by 12%. This improvement was achieved despite the economic sanctions imposed by the international community, and the loss of effective political and economic control of Serbia's Kosovo province. The latter contains resources of lead, zinc and nickel ores and coal, production of lignite, lead and zinc, and processing facilities for ferronickel and tinplate.

The year-end results of the minerals industry generally showed improvement in performance compared with 1999. The output value levels attained in 2000 in the mineral fuels branch showed increases of 8%, 11% and 6% for coal, oil and gas, and oil derivatives, respectively. Similarly, iron and steel, nonferrous metals, and industrial (nonmetallic) minerals recorded rises in output of 152%, 7% and 38%, respectively, compared with those of 1999.

A comparison of output with pre-war mineral production levels achieved in 1998, however, illustrates that the recovery is less than full. For example, the mined production of copper-lead and zinc ores was 32% and 52% below the respective output levels achieved in 1998. The production of refined copper, lead, silver

and zinc, fell short by 52%, 95%, 78% and 42%, respectively. For nonferrous metals, only the bauxite, alumina and aluminium operations, which are in Montenegro, registered substantial gains over 1998 production levels, largely because of special, favourable treatment afforded to Montenegro's economy by the European Commission. (Aluminium, alumina and aluminium hydroxide were the only products that would be allowed entry into the European Union from Serbia and Montenegro duty free.)

To meet prospective export opportunities, Montenegro's Podgorica aluminium smelter, which has been managed by Glencore International AG of Switzerland, announced plans to decrease idle capacity at the plant, and initiatives to lower production costs. Semi-manufacturing operations, rolling mills, casting plants, and other similar facilities were to be offered for sale during the year. Exports of most nonferrous metals and nonferrous metal semi-manufactures registered increases in 2000, albeit not at the level of aluminium and its alloys. Major issues in the nonferrous metals industry remained centred on the Bor and Trepca mining, beneficiation, smelting and refining complexes for copper and lead-zinc, respectively.

Rudarsko Topionicki Bazen's (RTB) Bor mining, beneficiation and smelting complex, which accounted for all of Serbia and Montenegro's mine, smelter and refinery output of copper, was the subject of domestic and international scrutiny following the alleged smuggling of gold (recovered from copper mining) to foreign metals markets. Kosovo-based Rudarsko-Metalursko-Hemijski Kombinat za Olovo i Cink Trepca (Trepca), which only operated the lead plant fed by stockpiled concentrates since resuming

operation in July 1999, was seized by NATO forces. According to NATO spokespersons, the takeover was approved in order to bring the smelter into compliance with environmental regulations. NATO authorities, however, promised to retain the existing Trepca workforce (at current salary levels), despite an ongoing modernisation programme Trepca has also been a producer of such associated metals as antimony, bismuth, cadmium, gold and silver.

The production of pig iron, crude steel and steel semi-manufactures fell short of their 1998 production levels by 32%, 28% and 58%, respectively. In 2000, the Yugoslav Iron and Steel Federation commissioned Usinor Consultants of France to study ways to raise the competitiveness of Serbia and Montenegro's steel industry. As part of an overall rationalisation strategy, Usinor urged a rapid privatisation of Sartil AD's Smederevo integrated steel mill in Serbia, and the Zeljezra Niksic operation in Montenegro. Near-term plans for expansion at Smederevo are to include the installation of a 150,000 t/y galvanising line, a new continuous caster, as well as a pulverised coal injection system in the No. 2 blast furnace. Plans at Zeljezara Niksic include the installation of a new electric arc furnace, a new continuous casting unit and a new ladle furnace.

The situation for industrial and mineral fuels was not dissimilar to that of the metals. Most commodities in 2000 were substantially below their 1998 output levels, with the exception of gypsum, quartz sand and brown coal, which all showed increases. A negotiated lease by the UN's Interim Administration Mission in Kosovo of the Sharr cement plant (near the Macedonian border) to Holderbank

<b>Production of Mineral Commodities</b> (t except where stated)			
<b>Commodity</b>	<b>1998</b>	<b>1999</b>	<b>2000<sup>e</sup></b>
<b>Metals</b>			
Alumina, calcified	152,619	156,012	185,000
Bauxite	226,000	500,000	630,000 <sub>5</sub>
Aluminium Metal	60,090	72,505	88,151 <sup>5</sup>
Copper (Blister and Anodes)	202,925	103,782	90,000 <sup>5</sup>
Copper (Refined)	94,396	49,902	95,632
Gold, refined (kg)	2,684	1,260	1,300
Ferroalloys, ferronickel	1,215	--	--
Pig iron	825,916	134,882	563,000 <sub>5</sub>
Crude steel	948,314	226,240	682,000 <sub>5</sub>
Semi-manufactured steel	1,740,000	296,300	739,000 <sub>5</sub>
Lead (content of ore)	24,750	4,553	12,000
Lead (Smelter)	35,576	9,000 <sup>r</sup>	18,000
Lead (Refined)	23,756	3,690	1,242 <sup>5</sup>
Magnesium, metal	3,965	1,203	1,200 <sup>5</sup>
Nickel, metal, Ni content of Fe Ni	466	--	--
Selenium (kg)	40,866	20,080	20,000
Silver (kg)	34,474	7,643 <sup>r</sup>	7,645 <sup>5</sup>
Zinc (content of ore)	20,285	4,329	12,000
Zinc (Refined)	14,415	683 <sup>r</sup>	8,291
<b>Industrial Minerals</b>			
Asbestos fibre, all grades	1,452	361	563 <sup>5</sup>
Cement ('000t)	2,253	1,575	2,117 <sup>5</sup>
Kaolin (Crude)	75,092	40,321	40,000
Kaolin (Washed) <sup>e</sup>	6,000	4,000	40,000
Feldspar, crude	4,280	3,453	3,000
Gypsum, crude	27,778	33,962	30,000
Magnetite:			
Magnesite (Crude) ('000 t)	949	31	40 <sup>5</sup>
Magnesite (Caustic calcified)	7,044	2,000	3,000
Mica, all grades	247	229	230
Nitrogen, N content of ammonia	166,152	75,788	150,000
Salt, all sources	78,148	63,834	78,277 <sup>5</sup>
Sodium compounds:			
Caustic soda	63,344	13,720	7,415 <sup>5</sup>
Sodium sulphate	1,896	1,321	800
Sulphur ('000 t)	101	101	101
Coal ('000 t)	44,072	31,429	34,124
Natural gas, gross production (Mm <sup>3</sup> )	731	679 <sup>r</sup>	729 <sup>5</sup>
Petroleum:			
Crude:			
Petroleum (Crude) ('000 bbl) <sup>e</sup>	6,800	5,200	6,000 <sup>5</sup>
Petroleum (Refinery products) ('000 t)	2,549 <sup>r</sup>	1,047 <sup>r</sup>	1,100

<sup>e</sup> Estimated. <sup>r</sup> Revised. -- Zero.

<sup>5</sup> Reported figure.

Financière Glaris Ltd. was one of the salient events in the industrial minerals branch. Under the terms of the lease, Holderbank would invest DM34 million in the Sharr cement plant to modernise production, improve environmental protection, and raise health and safety standards. The full operation of the 600,000 t/y Sharr cement plant (and attendant quarries producing clay,

limestone, marl, etc) would also help to stabilise employment in the region.

At year-end, striking coal miners in Serbia helped bring about recognition of the national election results, leading to the removal in 2001 of Yugoslav President Slobodan Milosevic. Nevertheless, political and economic stability in the region appears some way off.