

## ESTONIA

*By Interfax-CNA*

**E**stonia showed a steady economic growth of 5.5% in 2001, and industrial output grew 4.7% in 2001. Estonia's foreign trade deficit narrowed by 18.5% in 2001 to EK17.25 billion. Estonia posted a budget surplus of EK926 million or 3% of revenue. International rating agency Standard & Poor's has upgraded Estonia's long-term foreign currency debt rating to A- (A minus previously) from BBB+ (BBB plus). The agency also reaffirmed the country's long-term local currency debt rating and senior unsecured debt rating at A-, and the short-term local and foreign currency ratings at A-2.

Estonia is not rich in mineral resources. It mines oil shale, peat and some industrial minerals. There are also two deposits of phosphate rock (Maardu and Toolse) but mining at the Maardu deposit was stopped because of environmental considerations while a project to develop the Toolse deposit was cancelled.

Estonia's reserves of oil shale are considered to be the largest in the world (3,800 Mt). Estonian experts estimate that the reserves are sufficient for about 50 years of development. Oil shale, mined by Eesti Plevkivi, is used as the principal fuel for regional power plants owned by Narva Elektriijaamad. The plants produce more than 90% of Estonia's electricity. Oil shale is also processed, by the Kriviter chemical plant in Kohtla-Jarve which produces more than 50 different components.

Recently environmental issues have started to be a major factor in defining the future of oil

shale mining. Privatisation of Narva Elektriijaamad could also influence the industry's growth prospects. Meanwhile, on March 22, 2002, Estonian Prime Minister Siim Kallas sent a letter to the president of NRG Energy, of the US, saying he sees no reason for revising the decision of the previous Cabinet to terminate talks with NRG on the privatisation of Narva power stations. NRG Energy has failed to meet its investment obligations. Western banks refused to grant a loan for an upgrade without guarantees from the Estonian Government in the form of assets of Eesti Plevkivi, the shale producer.

Silmet, an Estonian producer of rare metals, intends to start processing loparite concentrate produced by the Lovozersky GOK, or mining complex, from Russia's Murmansk region in 2002. Russia's Sevredmet controls the GOK. By the end of 2002, Silmet could increase processing of concentrate to 1,000 t/mth, if market conditions permit. The Murmansk regional administration, has pledged guarantees for the concentrate supplies. Sevredmet, though, is under receivership. Lovozerskaya Mining Co., which is controlled by the Murmansk regional administration, is leasing Sevredmet's assets. In time, production by Sevredmet could increase and then the supplies to Estonia could begin. The Solikamsk Magnesium Works of Russia's Perm region is Russia's only consumer of loparite concentrate. It buys about 1,000 t/mth. At the end of 1998, Sevredmet, Silmet and Solikamsk formed a partnership to produce loparite concentrate and market rare and rare-earth metals.