

THE MINERAL INDUSTRIES OF EUROPE AND CENTRAL EURASIA

By Richard M. Levine, Harold R. Newman, and Walter G. Steblez

In 1996, Europe and Central Eurasia continued to display social, political, and economic dynamism. The formerly centrally planned economy countries of Eastern Europe and the former Soviet Union (FSU) remained committed to a process of transition to market economy systems, and the countries of Western Europe accelerated their efforts to integrate their economies into a single federated organization. Both regions remained economically asymmetrical to each other, as the transitional economy countries required further transformation and economic development to be on a par with Western Europe. The interaction of Western Europe with formerly centrally planned economy countries of Eastern Europe and the FSU in the minerals sector was based on this asymmetry. Western Europe imported mineral commodities from, toll smelted raw materials in, sold equipment and technology to, and invested in mineral enterprises and mineral-development projects in the former centrally planned economy countries of Eastern Europe and the FSU, largely without any reciprocal activities on their part.

Western Europe

After a period of low growth and recession, the rates of economic growth increased in most of the countries of Western Europe. Economic development was moving ahead. There was an increase in investment flows in 1996. Continued liberalization of investment laws allowed greater foreign participation in mineral projects. Mineral exploration was encouraged by deregulation and tax relief. In addition, various Western European countries continued to privatize state-owned mineral enterprises. During this 2- to 3-year process, more than 90% of the Western European steel industry was transferred to the private sector.

The economic growth in major European Union (EU) countries resulted in increased consumption of minerals. In addition to being a large metals producer and consumer, the EU trades heavily in nonferrous metals. It is a net importer of raw materials and a net exporter of aluminum, copper, and lead semimanufactures.

Production tends to be concentrated in refined metal, with relatively low shares of world mine output. Nonetheless, Western European countries have important mine production of bauxite (Greece), copper and tin (Portugal), lead (Spain and Ireland), nickel (Finland and Greece), and zinc (Ireland and Spain).

The focus in metallic minerals exploration was on copper, gold, lead, and zinc. Exploration for copper was mainly in

France and Portugal, and exploration for lead and zinc was mainly in Ireland and Spain. A major gold deposit was being developed in northern Spain. Continued discoveries of gold mineralization encouraged further exploration efforts, particularly in Finland, east-central Portugal, Sardinia, Scotland, and northern Spain. Diamond exploration was continuing in the Scandinavia area.

Eastern and Central Europe

The trend towards the denationalization of state-owned and state-operated industrial enterprises in Central and Eastern Europe continued in 1996. This was demonstrated by the plan of KGHM "Polska Miedz" S.A. (Poland's large copper producer) to float stock issues on the Warsaw Exchange. Foreign investment in minerals in the region remained focused on gold exploration and gold mine development, as well as on the acquisition of industrial mineral properties to produce such commodities as clays, dimension stone, limestone, perlite, and silica sand. Also, major foreign investments were made in enterprises producing cement, chemicals, and float glass. An increase in the consumption of cement, structural steel, and other construction materials was anticipated with the growing modernization and development of the infrastructure in Central Europe (Czech Republic, Hungary, Poland, and Slovakia).

Although the formerly centrally planned economy countries of Eastern and Central Europe shared a common history, those in Central Europe demonstrated the strongest determination to make rapid economic transformations to join the Western European community. In 1992, the Central European Free Trade Association (CEFTA) was established to accelerate the development of markets in member countries. The original founders of CEFTA were the Czech Republic, Hungary, Poland, and Slovakia. The countries in the Balkan region and the republics of the former Yugoslavia generally have taken a more cautious approach toward reforms, with the latter still recovering from a civil conflict during the 1992-95 period. Poland, which remained the dominant producer and processor of minerals in the Central and Eastern Europe region, possessed major world resources for mining bituminous coal, copper, salt, silver, and sulfur. Poland also had important facilities within Europe to produce lead and zinc, lime, and nitrogen. The Czech Republic continued to be an important regional producer of steel, construction materials, and industrial minerals. The Czech Republic also maintained a significant downstream heavy industry that included toolmaking, machine building, and chemicals.

Central Eurasia

In 1996, mineral-producing enterprises of the countries of the FSU appeared to be on a path, albeit often a slow and difficult one, to become market-oriented producers seeking their survival and future by attracting investment and participating in world markets. Enterprises in all mineral sectors in the FSU were engaged in various methods of transformation to become profitable producers, including joint ventures, downsizing, conglomeration, renovation, changing production profiles, issuing stocks, contracting for foreign management, and selling companies to foreign and domestic investors. While there was little interest in investment in mineral producing enterprises outside the oil and gold sectors initially following the break up of the Soviet Union, investors were now seeking to invest in quality enterprises, which produced a wide variety of mineral products. Those enterprises with the best economic bases, in terms of quality of deposits and processing facilities, were the most successful in attracting domestic and foreign investment. Control of the better endowed mineral-industry enterprises was passing into the hands of a new group of domestic and foreign

investors, who appeared to be prepared to invest in these enterprises and to reorganize their production to make them more competitive in the global market.

The fate, however, of many of the less well-endowed enterprises and those in sectors for which the world market was in a downturn remained uncertain. Some appeared through creative efforts, such as conglomeration and changes in production profiles, to be finding new niches, while others still seem to lack an economic base for survival. A large factor impeding the survival of many mineral-producing enterprises was the almost total drop in demand for their output within the FSU, with the prospects for a revival of demand still in the too distant future in terms of the survival of these enterprises.

A trend, however, was emerging over a fairly broad area of mineral production in the FSU, including metals, industrial minerals, and mineral fuels, for the creation of a reformed mineral-production industry, controlled, in large measure, by private investors, that could supply world markets for years to come from a mineral-rich base that covers one-sixth of the world's land surface.