

TREPCA:
Making Sense of the Labyrinth

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TREPCA:

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I. INTRODUCTION

The enterprise known as Trepca¹ is a sprawling conglomerate of some 40 mines and factories, located mostly in Kosovo but also in other locations in Serbia and Montenegro. Its activities include chemical processing and production of goods as varied as batteries and paint. But the heart of its operations, and the source of most of its raw material, is the vast mining complex to the east of Mitrovicë/a in the north of Kosovo, famous since Roman times. This report examines the current position of the mines, together with the associated smelting complex at nearby Zvečan.

The future of Trepca cuts to the heart of the Kosovars' identity. Its great mineral wealth is the basis of the economy of Kosovo, but the complex is badly run-down as a result of under-investment and over-exploitation by governments in Belgrade. Trepca figured largely among the issues over which Albanians took to the streets in 1988/9, and the issue of control over the mines has assumed tremendous symbolic importance. Trepca, as one circumspect Kosovar observed, is Kosovo's Berlin Wall. It has long stood for Kosovar Albanians as the symbol of Serbian oppression and of their own resistance.

After 1974, when Tito's new constitution accorded the province near-republic status, with its own parliament and courts, Kosovars enjoyed a period of greatly increased control over their own resources. Finally able to manage the Trepca facilities themselves, Kosovars used their enhanced authority to build factories in Kosovo that capitalised on their mineral production, created thousands of jobs, and brought some real income into the province.

¹ Written 'Trepçë' by Albanians and 'Trepča' by Serbs. This report omits either accent, in order not to have to use both. Similarly 'Zvečan' is used to represent the Serbian 'Zvečan' and Albanian 'Zvečan'. And the term 'Kosovo' is used in deference to normal international usage, to avoid excessive use of 'Kosovo/a' or of the ugly neologism 'Kosov@'.

After Tito's death, Kosovars pressed again for more rights and greater political and economic autonomy, but with little success. Belgrade reasserted control of the mines, and in 1981-82, a sort of "Trepca-gate" scandal – in which Kosovar Albanian workers were accused of having stolen vast quantities of gold and silver – was the pretext for firing many engineers and technicians.

From 1981-89, Belgrade monopolised the export of Trepca's minerals to Russia and elsewhere, reaping the profits in hard currency and oil, while compensating the Kosovars only with electricity and other non-fungible forms of payment. This discriminatory compensation scheme was aggravated by the high inflation of the 1980s. Trepca's Kosovar management attempted to sell its products on the European market and to modernise the facilities' modes of production, only to be foiled time and again by the Serbian government, which was in the process of "integrating" Serbia's economy – that is, of tethering all economic sectors even more closely to Belgrade. By the late 1980s, with the final integration into the Serbian system of the power generating system, Kosovars had lost virtually all control over their economy, as they would over their politics and civic freedoms.²

In 1988-89 the Albanian management and workers were summarily expelled from Trepca. The mineworkers' union organised a winter march to Prishtinë/Priština in November 1988, followed by other marches of support within Kosovo. In February 1989 there was a hunger strike, many miners and directors were arrested and imprisoned for up to 14 months. These events are remembered and romanticised by young and old as Kosovo's own Solidarity movement - the earliest, sustained resistance to Serbian oppression under Slobodan Milošević.³

During the first half of the 1990s Belgrade managed to keep up only a small percentage of Trepca's production, due to lack of ongoing investment in machinery, poor maintenance and the dismissal in 1989 of experienced Albanian staff.⁴ The management attempted to replace this expertise with guest miners from Serbia and Poland.⁵ All the production plants closed. After nearly three years of economic sanctions instituted as punishment for its role in the Bosnian war, Belgrade was looking for ways to acquire large injections of cash. Exploiting Trepca seemed a likely option. In February 1995, new management was installed, and a 'program of revitalization' was undertaken. The new team claimed that by the end of 1996 all the production plants were back into operation, ore excavation had increased, modern mining equipment had been purchased from Sweden, and all the lead and zinc mines in Serbia and Montenegro had been brought under the management of the Trepca company.

² ICG interview Prishtinë/Priština, Mitrovicë/a November 1999.

³ Noel Malcolm, 'Kosovo A Short History', pg.343 and ICG interviews Prishtinë/Priština November 1999.

⁴ Vesna Peric-Zimonjic "Kosovo's Economy Myths and Poverty" Interpress Service 28 May 1998 and ICG interviews Prishtinë/Priština and Mitrovicë/a November 1999.

⁵ The Polish firm Kopeks was contracted by Trepca to mine 20,000 tonnes of lead and zinc ore monthly. www.hri.org/news/balkans/kosova/96-10-25.ksv.html and ICG interviews Prishtinë/ Priština November 1999.

Again according to Serbian official sources, in 1996 Trepca had exported \$100 million of products, making it the largest exporting company in the Federal Republic of Yugoslavia.⁶ Belgrade even planned to bring mineral concentrates from the Bosnian Serb controlled mine in Srebrenica, site of the notorious massacre by Serb forces in July 1995.⁷

The problems of Trepca are many and complex. They include its alleged liabilities, the question who really owns it and who has been profiting from it, the deteriorating condition of its antiquated machinery, its anachronistically oversized workforce, the scant field of prospective investors, the disastrous environmental impact of the Zvečan smelter, and internal Kosovo politics.

Even so, it is critical that at least some aspects of the Trepca issue be addressed immediately and not await the resolution of the entire nexus of problems. Most urgently, because of its importance to Belgrade, Trepca figures centrally in the unresolved security situation in Mitrovicë/a and in its current status as a divided city. At least some of the talk of a partition of Kosovo arises from the knowledge that control of Trepca makes a vast difference to the territory's economic prospects. Reports of Serbian police in and around Zvečan, of Serb looting, rumours even of Albanian prisoners being held there – all point to a need for immediate international action.⁸

It is also urgent that the people of Kosovo begin to see signs of progress towards some sort of economic normality. The return to work of even a few hundred Kosovar miners would represent, for all Kosovars, the reclaiming of their patrimony. A timely, if temporary, step forward on the issue of Trepca by UNMIK and KFOR would demonstrate to the Kosovars that the international community appreciates Trepca's symbolic importance and Kosovars' need and wish to get back to work and to regain some control over their lives.

⁶ Serbia Today 6 January 1997. All of these production claims are disputed by knowledgeable Kosovars who had been watching closely activity at the Trepca facilities. This is backed up by the visible deterioration of the sites themselves.

⁷ Tanjug from BBC Monitoring Service 19 December 1996. Srebrenica has long been known for the high quantity of silver in its ore concentrate.

⁸ ICG interviews Prishtinë/Priština and Mitrovicë/a November 1999, and Dejan Anastasijević, "Mostar on the Ibar", Vreme, Belgrade, FR Yugoslavia, 28 August 1999, and KFOR Cimic Sit-Reps of 22-23 October 1999.

II. THE STRUCTURE OF THE TREPÇA CONGLOMERATE

A. From Mine to Factory

As already noted, Trepça is a conglomerate which includes not only its three key components - Stari Trg⁹ mine, Zvečan smelter and the Mitrovicë/a industrial complex - but a total of 41 installations, including some outside Kosovo. Trepça encompasses four distinct processes: extraction, flotation, smelting, and downstream processing, as well as other production and marketing units. The Stari Trg mine east of Mitrovicë/a was, in 1989, responsible for 40-50% of the mining production. Other mines in Kosovo – Hajvali/Ajvalija, Novo Bërdë/Novo Brdo, Kishnicë/Kišnica, and Badoc/Badovac - accounted for roughly another 30% of Trepça's production. Two more mining facilities, at Crnac and Belo Brdo, are in the Serb-held areas north of Mitrovicë/a, while three other mines are outside of Kosovo - these five mines are estimated to account for an estimated 20% of Trepça's total mining extraction.

The minerals taken from Stari Trg are fed into the flotation facility on the Stari Trg premises, whereas the minerals extracted from Kosovo's other four mines undergo flotation at the Badoc/Badovac plant and those taken from Crnac and Belo Brdo are processed in Leposaviq/ć. The resulting lead concentrates from all these flotation facilities, in addition to that coming from the mines outside of Kosovo, used to be smelted at Zvečan.

The lead, zinc, silver, gold, cadmium and bismuth then go to such downstream facilities as the battery factories in Mitrovicë/a and Pejë/Peć, the FAMIPA factory in Prizren, and a hunting munitions factory in Skënderaj/Srbica. Hydrogen sulphide from Zvečan is processed in Mitrovicë/a's industrial chemical plant, and the zinc and cadmium, after being processed in Mitrovicë/a, are then sent to Gjilan/Gnjiljane for further industrial processing.

B. The Environmental Concerns at Zvečan

The Trepça conglomerate has had a long history of environmental problems. During the 1980s a Trepça plant that produced agricultural chemicals was blamed for producing fertilizers with such high super phosphate strength that livestock died after grazing on treated land.¹⁰ The worst pollution comes from the smelter in Zvečan, just a few kilometres northwest of Mitrovicë/a. The river Ibar runs past the smelter, before flowing through the city of Mitrovicë/a and then into the Gazivoda Lake and so into Serbia proper. Sulphur dioxide as a by-product of the metallurgical process is released into the air. With little or no investment in the plant over the last ten years the equipment has not been updated to meet

⁹ The Albanian spelling 'Stari Tërg' is simply a transcription of the Serbian words.

¹⁰ ICG interview Prishtinë/Priština November 1999.

increasingly stringent modern standards.¹¹ Some Kosovar experts also fear that current smelting practices as run by the Serbs are environmentally worse than those of ten years ago. They suspect that ore concentrates coming from as far away as Colombia contain far higher levels of mercury and arsenic than is allowed by international standards.¹² Both Kosovar and international officials stress the importance of an in-depth and technically competent environmental assessment of this outdated and run-down plant.

III. CLAIMANTS AND QUESTIONS OF OWNERSHIP

Throughout the 1990s the ownership of Trepca conglomerate was never entirely clear. In November 1997 Trepca was one of 75 companies slated for privatisation by the Belgrade government.¹³ This process stalled when a close confidant of the Miloševićs, Zoran Todorović, one of the richest men in Yugoslavia and director of Beopetrol, a state firm in the process of being privatised, was gunned down in Belgrade.¹⁴ Recently one report claimed that Jugobanka, Beobanka, and Dunav, a Belgrade insurance company, now control Trepca's ownership.¹⁵ Belgrade's general policy appears to have been to introduce maximum confusion, allowing the regime the flexibility to exploit the resources, break sanctions, disguise the money flow, and reward favoured cronies.¹⁶

UNMIK officials believe that the legal position is actually as follows: Trepca is owned 66% by the Serbia Development Fund, 27% socially, 2.5% Jugobanka, 2.5% Progress and Beobanka, and 2% by Serbian Electric Power. As a result they conclude that the complex is overall public property and therefore under UNMIK's authority in accordance with its mandate. But there do exist private-sector claims which complicate the issue.

A. **Société Commerciale de Métaux et de Minéraux (SCMM)**

In July 1999, shortly after the deployment of KFOR, with French military assigned to the Mitrovicë/a area, Mr Jean-Pierre Rozan¹⁷ appeared claiming 2.8% ownership of Trepca on behalf of the Paris-based SCMM of which he was a director. According to Rozan, SCMM had inadvertently come to be a shareholder in Trepca. This was due to an agreement with Belgrade under which SCMM took

¹¹ ICG interviews Prishtinë/Priština and Mitrovicë/a.

¹² ICG interviews Prishtinë/Priština.

¹³ Tanjug news agency, Belgrade, BBC Monitoring International Reports, as provided by BBC Worldwide Monitoring, 1 November 1997.

¹⁴ Uros Komlenović, "State and Mafia in Yugoslavia", *Eastern European Constitutional Review*, Fall 1997 and Dimitrije Boarov "Privatisation, Assassinations and Inflation" AIM Belgrade, 5 November 1997.

¹⁵ Babette Stern, "La Minuk piégée dans les mines de Trepca", *Le Monde* 1 September 1999.

¹⁶ Branka Kaljević, "Serbia and Kosovo How Much is the Province Worth?" AIM Belgrade, 24 June 1998.

¹⁷ Babette Stern, "La Minuk piégée dans les mines de Trepca", *Le Monde* 1 September 1999.

over Jugobanka's subsidiary in Kosovo as a result of Belgrade's failure to meet previous business commitments to SCMM.¹⁸ Despite these previous business dealings and Jugobanka's well-publicised claim of part ownership in Trepca, Rozan expressed surprise that his newly acquired bank branches were themselves shareholders in Trepca.

SCMM's claims have not been taken seriously and have received no backing from the French government.¹⁹ Nevertheless some Kosovar Albanians, always ready to believe in a conspiracy however unlikely, are prepared to perceive SCMM as part of a wider Franco-Serbian understanding, which incorporates French KFOR acquiescence in the partition of Mitrovicë/a, French economic interests in Trepca, and even the appointment of Dr Bernard Kouchner himself as head of UNMIK and Special Representative of the UN Secretary-General.²⁰ The recent award of a GSM telecommunications concession, regardless of the transparency of the process, to French company Alcatel, has fuelled the suspicions of such conspiracy-theorists.

To other veteran observers of the Balkans, however, the involvement of SCMM looks like a Milošević-style attempt to create a diversion (including by encouraging exactly that Balkan and Kosovar propensity for conspiracy-identification outlined above), and confuse the thinking of international officials charged with working out the problem. By putting this and other claims to due process of arbitration, and meanwhile getting on with what needs to be done, the problem can be neatly sidestepped.

The UNMIK regional office in Mitrovicë/a meanwhile occupies the Jugobanka building and continues to display Jugobanka insignia in the very meeting room to which Kosovars are invited to discuss Trepca – some report that they feel uneasy in such surroundings. Rozan, as 'owner' of Jugobanka and the building, is demanding rent,²¹ which UNMIK has refused to pay, since Jugobanka is considered a public company and therefore under UN trusteeship, like other public property in Kosovo.

¹⁸ Babette Stern, "L'homme d'affaires français inattendu", *Le Monde* 1 September 1999 and Ilda Mara, 'Aleati françez i Milosheviqit në Kosovë', *Koha Ditore*, 9 September 1999.

¹⁹ ICG interviews Prishtinë/Priština and Mitrovicë/a November 1999.

²⁰ Fehmi Rexhepi, "Kosovo: Ownership, Politics, Economy" AIM Pristina, 30 September 1999, and ICG interviews Prishtinë/Priština and Mitrovicë/a and bar talk.

²¹ SCMM also wants rent from OSCE for the use of the ex-Ljubljana Bank building in Prishtinë/Priština. See Bardhë Rugova, ' "Jugobanka" kërkon qira nga OSBE-ja per ndërtesën e ish "Lubljanska bankës"', *Koha Ditore*, 1 September 1999 and 'Punëtorët e Jugobankës sërish protestuan para UNMIK-ut', *Kosova Sot* 2 November 1999.

B. Mytilineos Holdings S.A.

This Athens-based company was established in 1990. After securing predominance early in the decade in the domestic Greek market for lead and zinc, the company began to branch out. In December 1995, in a widely publicised agreement just days after the suspension of economic sanctions on Yugoslavia, Mytilineos began to handle the marketing of Trepca minerals, particularly of lead and zinc.²² This \$50million contract was expanded in 1997 to a seven-year, \$519 million arrangement.

In December 1996, after years in the metal trading business, the chairman of the board of Mytilineos Holding, Mr. Evangelos Mytilineos, was appointed to the board of directors of OTE, the Greek telecommunications company.²³ Six months later, OTE, in conjunction with Telecom Italia paid the Belgrade regime \$1 billion for a minority holding in Serbia Telekom.²⁴ The Mytilineos company also went into business with the large copper mine at Bor in Serbia. In February 1998 they signed a seven-year agreement with the potential for \$1 billion of investment and trade.²⁵ Mr. Mytilineos's business acumen has also led him into the field of banking.²⁶ He shares with Borka Vučić, a long-time banking advisor to Slobodan Milošević, the co-presidency of the Greek-Serb Business Council established in 1998.²⁷ Through a subsidiary Metka, Mytilineos Holding has recently secured some large defence contracts to produce submarines and Patriot missiles for the Greek military.²⁸ This same subsidiary Metka is also involved with the state owned Yugoslav Power Company.²⁹

Mytilineos says it contracted with Yugoslav state firm Genex, backed by guarantees issued by state banks Jugobanka and Beobanka (run by Borka Vučić). All three companies have close links with Slobodan Milošević and his family – Milošević's brother is a sometime director of Genex. Genex's role appears to be mainly to accept part of the profits. In 1998 bankruptcy proceedings were initiated at the request of the Yugoslav Central Bank against Genex.³⁰

²² <http://greekembassy.org/press/bulletin/jan96.html>.

²³ www.ote.gr/english/ds2.htm.

²⁴ www.ote.gr and <http://www.hri.org/news/balkans/kosova/97-06-10.ksv.html>.

²⁵ www.saeamerica.org/marketview/1998/February/20.html and

<http://www.mytilineos.gr/eng/metallurgy.htm>.

²⁶ "Greek Investors May Buy Serbian Bank" Greek Economic Briefing 14 March 1998.

²⁷ Borka Vučić along with heading Beobanka currently serves as the FRY's Federal Minister of Foreign Financial Relations and retains a slot on the EU's travel ban list.

²⁸ Athens News Agency 12 February 1999 and <http://www.mytilineos.gr/eng/metka.htm>.

²⁹ www.cthesis.com/economy/0399/e_04_6.html.

³⁰ Beta news agency via BBC Worldwide Monitoring 16 April 1998. To understand this paradox of the Yugoslav government initiating proceedings against one of its own public companies, one must look for the interests of the individuals in or close to the Yugoslav government who stood to gain from privatisation and crony capitalism.

Mytilineos expressed the importance he placed on Trepca in December 1998 saying it has contributed decisively to the further development of his company.³¹ Curiously only days later in January 1999, he launched a lawsuit in Belgrade due to the failure of the Trepca deal.³² In April during the bombing campaign Mytilineos was reported to be 'furious' with the regime and was claiming compensation for Belgrade's failure to deliver on their contract.³³ Along with a leading hotel in Belgrade and other enterprises, Mytilineos Holding SA have also claimed that Trepca is theirs.³⁴

On their website Mytilineos sum up their business strategy in the Balkans region: " Through these contracts Mytilineos SA is rendered, in essence, a financier and co-manager of collaborating groups . . . Companies such as Mytilineos SA, that adopt a long-term collaboration policy with local producers, enjoy special treatment and revel in their exclusive marketing rights on company products."³⁵

The Kosovo parallel government of President Rugova (elected by Albanians who had boycotted official elections) warned foreign companies in May 1997 that these agreements were considered 'null and void.'³⁶ Kosovars state that the strategy of SCMM, Mytilineos, and the Belgrade regime is an attempt to show that Trepca is privately owned. If proven, this would demand a different approach from UNMIK.

Mytilineos is a harder problem than SCMM for UNMIK for two reasons. First, it appears to be a solid company with an international track record and many international partners. Second, it has close ties to the Greek government.³⁷ An EU member, Greece has recently demonstrated an eagerness to make significant financial investments in the Balkans.³⁸

UNMIK cannot simply ignore claims which may be genuine, and the UN legal advisers in New York have concluded that the rights of claimants like Mytilineos must go to adjudication. The question arises as to which court. So far that is left in abeyance, as is the nature of the legal proceedings themselves. If all other decisions are left to depend upon the resolution of this issue, it could be many years before Trepca starts working again.

³¹ Macedonian Press Agency 30 December 1998.

³² Financial Times 6 July 1999.

³³ Beta form BBC Worldwide Monitoring 7 April 1999.

³⁴ <http://www.capitallink.com/cgi-bin/miva/?companies/greece/myt/index.html#cactions>.

³⁵ <http://www.mytilineos.gr/business/htm> or <http://www.jeffrense.com/politics2/mytil.htm>.

³⁶ Kosova Daily Report #1137, 5 May 1997.

³⁷ <http://greekembassy.org/press/bulletin/jan96.html> and FT 6 July 1999 and from the Mytilineos Power Point presentation available from www.capitalink.com.

³⁸ Some Greeks at least appear to dispute whether Greece must adhere to the EU ban on foreign investment in Serbia and the travel ban. See Athens News Agency 12 June 1998 and 6 May 1999.

Finally it should be pointed out that the interest of the Milošević circle in exploiting the Trepca facilities might go beyond the simple operation of sharing out the profits. International financial officials have long recognized the minerals industry as being prime for money laundering. The variations in quantity of ore concentrates, the varying degrees of extraction and processing costs and the price fluctuation in the final product make for the type of confusing opportunity for obfuscations that a money-laundering scheme needs. An example in point was the mid 1990's Hamanaka case where the trade in copper was allegedly used to cover the illegal funds generated from the south-east Asia drug trade.³⁹

IV. UNMIK'S DEVELOPING POSITION

On 25 July Dr Kouchner issued Regulation #1999/1. Under the section titled State property, the regulation reads;

"UNMIK shall administer movable or immovable property, including monetary accounts, and other property of, or registered in the name of the Federal Republic of Yugoslavia or the Republic of Serbia or any of its organs, which is in the territory of Kosovo."

These few words are now being put into action. Overworked and under resourced UNMIK personnel are grappling with how to deal with such large enterprises as Trepca. Is Trepca a state-owned enterprise? Or is it worker-owned, along the lines embarked upon by the Kosovar administration between 1975 and 1989? Do any of the foreign claims have validity? What should be the role of the self-appointed provisional government of Kosovo?

Two general policies were considered, and each has been advocated by different parts of UNMIK at different times. First is the 'jigsaw puzzle' approach originally preferred by UNMIK Mitrovicë/a. Under this thinking, decisive action would be premature before all the ownership, liabilities, and environmental issues are resolved, an international donor or consortium of donors or investors is found, and ethnic balancing is taken into account in determining who is employed at the various facilities. Those advocating the 'jigsaw puzzle' approach are wary of making any moves that might set precedents, which the international community may later rue. Above all they claim that no significant moves should be made without the negotiated consent of both parties. Experience suggests that this consent, as well as the need to satisfy many lawyers on legal issues, would bring a delay of several years to the restoration of production.

³⁹ J. Orlin Crabbe, 'How to Launder Money in the Copper Market' and <http://www.futuresmag.com/library/august96/intrends.html>.

The second possible approach would put off ownership and liability issues for the present. Meanwhile, international donors must be mobilised to fund urgent repairs, and private investors must be attracted to begin longer-term revitalisation of the aged and damaged facilities. Within this approach some believe that UNMIK does have the authority to issue a concession to an investor (predicated upon an open, transparent bidding process) that could be legally binding beyond the term of UNMIK's temporary administration.⁴⁰ Some in the international community go further and believe that UNMIK also has the mandate to even privatise state owned property⁴¹ - but in the case of Trepca, with so many short-term problems to be resolved first, this question has not even appeared on the agenda.

The two alternative approaches can be summed up as; the path of negotiations or the path of unilateral action. The international community has a long history in the region of the failure of the negotiating path without first having used more aggressive measures – with the effect of having to apply more decisive measures in the end, when the negotiating path finally proved to be a dead end. A policy of consent of the parties gives one or the other a veto over the process, hence deadlock. On the other hand more forceful action by the international community in the Balkans (when properly planned and thought through) has usually led to progress of some sort. The consequences are not always exactly as predicted, but pessimistic predictions of disaster (which are never lacking) have not been justified by events.

A principal problem for any active approach is that no donor has yet come forward to express an interest in putting up the money needed to get the Trepca site producing again. Given existing damage, poor maintenance and deliberate sabotage, UNMIK estimates that at least USD 10 million will be required before the mines start to appear attractive to investors. This lack of a donor makes UNMIK reluctant to make promises it cannot yet keep, or start any train of action it does not have the resources to carry through to a conclusion.

⁴⁰ For instance a Swedish company Boliden-Contech is reportedly ready to invest up to \$32 million. See Baton Haxhiu, 'Lufta për Trepçën', Koha Ditore, 27 September 1999. Its approach using modern technology is much more automated and therefore requires far less of a work force. For this reason some Kosovars are not convinced they wish to go down this path.

⁴¹ The European Commission and the World Bank, 'Toward Stability and Prosperity: A Program for Reconstruction and Recovery in Kosovo', 3 November 1999.

V. THE KOSOVAR ALBANIAN LEADERSHIPS⁴²

There are two views within the Kosovar Albanian community as to the future management, operation, ownership, and economic direction of Trepca. The first group, led by former Trepca and Stari Trg directors Aziz Abrashi and Burhan Kavaja, respectively, believes that the complex should (following on from 1989) rightly be worker owned, and should, at least at first, be managed and operated by the veteran Kosovar miners and technical engineers who were expelled from the facilities in 1989. They claim that after a short period in which the mine is offered low-interest credit they could not only put it on a profit making basis but also pay back the loan.

The second group, led by provisional government deputy minister for Finance Safet Merovci, takes a more forward-looking, economic rationalisation approach. First, they would identify Trepca as state-owned, but while acknowledging UNMIK's influence and authority under UNSC Resolution 1244, they claim that Kosovo, rather than Serbia, is the state in question. Second, they are eager to modernise the facilities but are wary of any premature privatisation or any quick stripping of the assets that might preclude the influence of a future Kosovar state.

In fact, while the negotiating postures of the two groups may seem far apart, the two views are not that dissimilar. Both groups are eager to free from Belgrade control those parts of the Trepca conglomerate within Kosovo, and get Kosovars back to work inside the facilities, to begin assessments of repairs, investment, and manpower needed to get Stari Trg up and running. Both also agree that the complex belongs to Kosovo and Kosovo alone, that all outside claims are fraudulent or at best invalid, that the claims by Rozan and Mytilineos in particular represent no more than Belgrade's crude attempt to keep its hand in Trepca by working through more presentable foreign fronts. While the Abrashi group is eager to lead Trepca's former mineworkers back into Stari Trg, they are by no means insistent upon running the complex indefinitely. And while the Merovci-led group is interested in moving forward with investment and modernisation, Merovci himself recognises the respect the miners have for their former director Aziz Abrashi.

There do remain differences between the two groups. The Abrashi/Kavaja team (the traditionalist professionals who follow Bujar Bukoshi and the LDK) fears that calling the facility "state-owned" could somehow legitimise Milošević's claim to Trepca, whereas the younger KLA group around Merovci are concerned that the Abrashi/Kavaja team itself has compromising business ties back to Belgrade. The older, more experienced team also worries that the younger group has little

⁴² This section is based on ICG interviews in Prishtinë/Priština and Mitrovicë/a but also, Hysni Syla, 'Katër këshilla drejtues nuk mund të mirrën vesh, si duket, i pesti do të fitojë' Kosova Sot 16 September 1999 and Sedat Burrniku, 'Shkritorja e Zveçanit e mbyllur për shqiptarë derisa atje tashmë shkrihen koncentratet nga Greqia, Sërbia dhe Mali i Zi' Kosova Sot, 3 November 1999.

experience in or commitment to mining, and might therefore make ill-advised decisions or put a lot of people out of work; the more youthful team is somewhat impatient with the older group's insistence on retaining traditional techniques and a huge workforce.

A thoughtful, persistent approach by UNMIK officials could bridge these differences, in the interest of moving toward the two groups' avowed common goals: breaking the stalemate over the Trepca issue, easing the security problem in Mitrovicë/a, putting people back to work, and getting Kosovo's industrial assets into the hands of people who will use them to develop Kosovo rather than enrich themselves.

However, the two Kosovar approaches mirror the long running rivalry and split between the rival claims to be the Kosovar government; i.e. Bukoshi and Thaçi. This in itself is an obstacle to agreement between them. Should both insist upon being sole directors of Trepca, UNMIK could find itself in the unenviable position of choosing one over the other, or else focusing the blame of the failure of Trepca to re-start on internal Kosovar rivalries.

Over the next year there will likely be more and more electoral calculus applied to the issue of Trepca. The Kosovar political parties will desire to woo the mineworkers' union and through them influence the wider electorate. This is not necessarily a bad thing. If Trepca could be extracted from being viewed only as an issue between Serbs and Albanians with UNMIK in the awkward middle, then the debate over the way forward could become a natural issue in an election campaign. The decision as to size of labour force, foreign investment, modernisation versus social assistance, are all valid issues upon which rival political parties must articulate a position. These are also issues which many societies grapple with in dealing with their own future. Any issue which gives Kosovar politicians something to talk about beyond simply agitating for independence will helpfully broaden the political debate. If handled correctly, the issue of Trepca's medium and long-term future could be a constructive point for debate rather than an unresolved security issue or part of the failures of the international community in Kosovo.

VI. SERB VIEWS

The Serb approach is that the Trepca complex is privately owned. There exists a body called the Trepca Shareholders' Assembly whose chairman, Mr Branislav Milanović, has written to Dr Kouchner proposing that the existing management of the Trepca complex (that is, the management installed by Belgrade) should be allowed to take over and run all the Trepca installations, including those now in areas of Kosovar-Albanian majority control. The management under Mr Novak

Bjelić, based in its offices at Zvecan, naturally endorses the view that Trepca is a private company.

Since the shareholders in Trepca all appear to be public Yugoslav companies (see section III above) this claim is not taken seriously. Further, the Belgrade-installed management is detested so heartily by all the Kosovar Albanian parties that the scope for co-operation looks unpromising. The likeliest result of current trends, if left unchecked, is that the Serbs will, to the extent possible given damage and resource constraints, run the facilities in territory they control, while the Albanians will insist on their own control over installations in their own territory, which however will lie idle for want of repair and investment.

At a level below the political, UNMIK reports that Serb and Albanian technicians are succeeding in working together, for example at the mine at Novo Brdo. This suggests that there are at least some Serbs who simply want to live normal lives and are not following an agenda set in Belgrade. But it would be premature to conclude that mining can be a sector in which Serb and Albanian can co-operate side by side, in contrast to almost every other sector.

VII. REGIONAL IMPLICATIONS

A. Montenegro

While some analysts feel that Trepca contributed to the break earlier in the decade between then Montenegrin Prime Minister, now president Djukanović and then Serbian now Yugoslav President Milošević, there is little credible evidence to back it up. Still much of the foreign concentrates smelted at Zvecan and finished mineral products are imported and exported through the port of Bar. A short-term halt of the movement of these materials through Montenegro and hence the lack of any transit fees that Montenegro may glean from use of its territory should have only a minor impact due to the relatively small quantities being transported. Montenegro stands more to gain in the longer term as an import-export corridor should Trepca re-start in a legitimate and productive fashion.

B. Serbia

More serious repercussions could occur in Serbia. None of the opposition leaders in Serbia has ever tolerated the idea of an independent Kosovo. On the contrary Serbian politicians compete to be 'most Serb' over Kosovo. A key issue over the next few months will be not only the developments in the relationship between Montenegro and Serbia but the possibility of elections in Serbia itself. The question arises as to what effect firm UNMIK action on Trepca would do to the chances of the opposition to weaken or topple the Milošević regime.

Making no bold moves leaves the festering wound of Mitrovicë/a to be exploited by Milošević in claiming his ability to maintain a key economic foothold in Kosovo. Should UNMIK assume the administration of Trepca and take the Zvecan smelter out of Belgrade's hands all Serb politicians would have to react. Milošević would continue to foster the notion of the great US-EU conspiracy against the Serbs. Vojislav Šešelj would likely take a stronger line and issue violent threats as he has done on many occasions. Opposition leaders like Djindjić and Drašković would also likely deplore the international community's action. However they could exploit the argument that the 'loss' was due to the pariah status of Milošević himself, so that once again Serbia has lost assets due to his presence in office. So provided action were taken before any elections in Serbia it need not upset, and might contribute to, any strategy for unseating Milosevic.

VIII. CONCLUSIONS

Most of the information in this report is available from public sources, yet among locals and many international staff now working in Kosovo the subject of Trepca is regarded as dangerous and shrouded in secrecy. A principal aim of this report is to improve the transparency of the debate.

Despite the lack of available long-term donor funding for the Trepca complex, the issue is too important to be allowed to stagnate in the hands of lawyers. Under the authority invested in UNMIK and KFOR by UNSC 1244 and the Military Technical Agreement, UNMIK and KFOR should implement a rapid and categorical takeover of Trepca complex, including the immediate, total shutdown of the environmentally hazardous facilities at Zvecan.

Against an open admission that resources did not yet exist for a complete rehabilitation of the mining complex, UNMIK could nonetheless take a series of inexpensive measures to show active commitment and create a sense of progress. An initial assessment of Stari Trg has already been made: the priority now must be to produce a game-plan of measures whether easy and quick or depending on major investment of money and time, and vigorous attempts made to interest donors – Trepca featured as a separate issue neither in the World Bank's twin recent reports on Kosovo reconstruction⁴³ nor at the 17 November donors' conference in Brussels. Yet Stari Trg, one of the richest mines in Europe, must be potentially profitable again and should be a priority for donors interested in setting Kosovo on its feet.

Perhaps at this stage reliable information is needed more urgently than anything else. While the Kosovars have the expertise, they have not had access to the mine for ten years and have little information on the status of the equipment. The objective of the assessment would be to identify urgent needs, to begin at least

⁴³ *Building Peace Through Sustained Growth and Towards Stability and Prosperity*, 3 November 1999.

some mining activity, and to assess any safety hazards due to neglect of the mine over the past ten years. It would be prudent not to plan on a vigorous or ambitious production schedule. A gradual process lasting *at least* several months should be counted on.

While production at Stari Trg is starting up, the Zvecan environmental assessment team should produce its report on the status of the equipment and infrastructure and advise as to what measures must be taken.

Simply handing Trepca over to the Kosovars is ruled out by the shortage of modern skills available locally, the need for internationally-verifiable standards to avoid corruption, and the sheer scale of damage and degradation at the various installations. But the people of Kosovo must be included in the process.

An energetic approach should be taken during the assessment and start-up period in attempting to define a consensus amongst the Kosovars – meaning the Albanian parties and the Serb professional workforce, since the Albanians will not treat with the Belgrade-appointed management of the combine. This discussion should involve such points as the number of workers to re-employ, possible pensioning schemes for those not to be employed (out of the mine's assets, perhaps, rather than the state's), how quickly and with which technology the mineral resources should be exploited, whether and how Trepca or portions of it can become economically viable, and the areas in which there is a need for donor subsidy or private investment. The social impact of the reduced workforce would need to be balanced against the need for competitively based private investment. As some international economic officials have pointed out, much of the Trepca workforce has already found alternatives for their economic livelihood over the last ten years.

Should a consensus fail to materialise the Kosovar electoral campaign planned for next year will inevitably raise Trepca as an issue. Those in the international community dealing with electoral issues and political development should accept and encourage an open and clearly defined articulation of positions by political figures and parties regarding Trepca.

The workforce and management of all Trepca facilities should be selected on a merit basis only. Kosovars – living in Kosovo, regardless of ethnicity – should have preference to work at any Trepca facility.⁴⁴ But no one with ties to the Belgrade regime should be considered.

Finally, looking beyond Kosovo's boundaries, it would be better to have accomplished the first key steps of this approach before a Serbian election campaign in order that the perception of 'who lost Kosovo' falls on the rightful

⁴⁴ UNMIK may wish to reserve an exception where expertise for a specific task is not available in Kosovo.

culprit, Slobodan Milošević, and to avoid the perception that a new, with luck more progressive government, can be accused of 'losing Trepca'.

IX. RECOMMENDATIONS

- UNMIK should as a priority build up the staff capacity to assert total control over Trepca in accordance with the terms of its stewardship of Kosovo, take over the installations and announce a modest programme of action for a 'pre-donor phase' of rehabilitation.
- This programme should include detailed examinations of the measures needed before production can be started up at each of the installations within Kosovo.
- UNMIK should publish its own assessment of the facts concerning ownership and the legal status of the complex, as an aid to public understanding and to reduce the climate of conspiracy and rumour in which the issue of Trepca too easily becomes shrouded.
- A court of adjudication should be nominated for claims, in the knowledge that this court will probably act very slowly, so that the situation on the ground will either have to stagnate, or else develop independently of it.
- The above programme should begin before elections in Serbia.