



Lessons Learned and Analysis
Unit of the EU Pillar of UNMIK in Kosovo

TREPČA, 1965-2000

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This research expresses the opinion of the author, Prof. Palairet,
not those of ESI/LLA or the EU Pillar of UNMIK.

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Preface.

I initiated research on this report in July 2002, mainly using materials in the public domain in Belgrade, Yugoslavia. In particular, use was made of Trepča, the Combine's internal newspaper, for 1989-1999. This preliminary research familiarised me with the central issues regarding the business of RMHK "Trepča" in the recent past, and identified issues likely to bear on the problems of the enterprise. It provided a basis for further research carried out October-December 2002 on documents held at RMHK "Trepča"s head office at Zvečan, files at the offices of EU in Priština, and Trepča documents also held by UNMIK/EU and stored on 25 CD-Rom disks.

No claim can be made to comprehensiveness of the source data. The largest source, the CD-Rom disks, were, I understand, made by KFOR personnel at Zvečan after the takeover in August 2000. A substantial amount of material had already been removed from this site at the time of the NATO offensive of 1999, and taken for warehousing in Raška, Serbia, and, probably, to Belgrade. Some of the material was then returned to Trepča, but in an unsystematic fashion, which resulted in the loss of many documents. The CD-ROMs were scanned in a hap-hazard fashion, with no workable index, and many frames were unreadable. Most of the information on them is personnel records, but buried among these, and easy to miss, were nuggets of information vital to this study.

The archival material at Trepča's office at Zvečan is held in two suites of third floor offices. I was given fairly free access to it, but even the south archive was in serious disorder. The north suite was burnt out (I understand in 2001) and most material destroyed. The rest lay about, on tables, broken desks and on the floor, filthy and disordered, but surprisingly I found some useful documents there.

Other documents are held in the working offices at Zvečan, and various of them were passed to me by kindness of Trepča staff. Documents relating to active legal disputes are held by Trepča company lawyer, Nenad Veličković, to whom I am most grateful for his time and effort interpreting some of them to me.

Research in the field also benefited from conversations and additional information, much of it which had to be off-record, with Mirko Milisavljević, Eric Solbu, Verena Knaus, Miki Zlatković, Mr. Kelmendi, and Iain King. In particular, assistance from Tiosav Lazarević, an astonishing and unstinting fount of knowledge on the affairs of Trepča, requires special acknowledgement.

Belgrade, Zvečan, and Edinburgh, July 2002 – June 2003.

PART ONE. Trepča 1926-1994.

1. Beginnings, 1926-1964.

The Trepča mining enterprise was founded on the basis of a contract in 1926, in which Radomir Pašić, son of former Yugoslav Prime Minister Nikola Pašić, sold exclusive rights to mineral exploration at Stari trg near Mitrovica in northern Kosovo to Selection Trust Ltd. of London. On 9 September 1927 Selection Trust vested these rights into Trepča Mines Ltd, under which name the mining company operated. The company opened the Stari trg mine, built a flotation works for ore enrichment at Zvečan village several kilometres distant, and linked the two by an overhead cable system. The flotation started processing ore in September 1930. Offices, laboratories and support services were established on the Zvečan site, which became the central focus of Trepča's activities. In 1939 the company built smelting and refining capacities for lead and silver at Zvečan. These were completed in 1940. The ore was rich and the mine was well run. In 1935 it reported a £200,000 profit.¹ It accounted for 91% of Kosovo's lead-zinc ore output.² Other ore bodies at Kopaonik and at Kišnica (Janjevo), Ajvalija and Novo brdo were explored between the wars but were little exploited.³

Trepča's metallurgical works were expanded under the German occupation of Yugoslavia, and the mine continued to produce throughout the war. The work force, largely ethnic Albanian, regarded the Germans as, if anything, a liberating force. The new German manager, Ernest Kraus, did what he could to protect the miners' interests. The mine was attacked in September 1941 by Serb guerrillas, but suffered only minor damage. It was retaken in November 1944 by četnik and partisan units. After the War, Trepča, in common with all other enterprises in Yugoslavia, was nationalised.⁴

In the first three years of the first Five Year Plan era, (1947-49) the non-ferrous mining industry in Yugoslavia, of which Trepča was the most important unit, was exploited ruthlessly to maximize deliveries to the Soviet Union, even after the breach with the Cominform.⁵ The "richest veins of ore" in the mines were extracted.⁶ In 1949 and 1950 more lead smelting capacity was added at Trepča, but the project ran into difficulties. Probably on account of the short-termist extraction policy, falling lead content in the ore raised caused malfunction of the obsolescent metallurgical plant. To

¹ Tiosav Lazarević, A Brief History of Trepča, (Trepča internal document) p. 3; Miroљjub-Miki Zlatković, Naš zavičaj Stari trg. (Kosovska Mitrovica, 1997) p. 32; Branislav G. Nikolić, "Šezdeset godina metalurgije olova 'Trepča' u Zvečanu," Metalurgija, 5, (2) 1999, p. 142.

² Trepča, 29 Jan. 1990, p. 7.

³ Nikolić, "Šezdeset godina", p. 142.

⁴ Zlatković, Naš zavičaj, pp. 52-58.

⁵ Joseph T Bombelles, Economic Development of Communist Yugoslavia. (Stanford, Calif., 1968) p. 41.

⁶ Susan L Woodward, Socialist Unemployment. The Political Economy of Yugoslavia 1945-1990. (Princeton, 1995) p. 124 citing S. Vukmanović-Tempo, Revoljucija koja teče.

deal with this two roasters were added in 1950, as well as a silver refinery.⁷ Zinc smelting began on a small scale in 1951. During the 1950s, a group of new mines in Kosovo was opened under Trepča's aegis, the "Kišnica-Novo brdo" mine complex, which was never as efficient as Stari Trg, and later, four pits on Kopaonik mountain around Leposavić, in the extreme north of Kosovo.⁸

2. Trepča's performance, 1965-89.

During this period, Trepča's metallurgical factories received intensive investment. The lead smelter was reconstructed and expanded in 1965-67, and a sulphuric acid plant was also built. The project ran into difficulties, so planned smelting capacity was only achieved in 1974, while the sulphuric acid plant never went into production.⁹ A further wave of investment went into the Zvečan works in 1977-87.

In 1965¹⁰ or 1967, zinc production was established on a separate site to the south of Kosovska Mitrovica town, at which Trepča had earlier built an NPK fertilizer plant, which began producing in 1964. Zinc smelting capacity was 30,000 tons a year. Subsequently the same site accommodated an accumulator factory built in 1974. Zinc smelting was modernized and capacity expanded in 1986-1988 to 80,000 tons. At least with hindsight this was a mistake because it hugely exceeded the throughput of the works, and was always short of supplies. The accumulator factory worked well, but the fertilizer plant was notable for its inefficiency and for the lethal quality of the fertilizer it produced.¹¹ It was never modernised, and was intensive of manual labour working with shovels.¹²

Investment planning continued to be defective. In 1968, a new lead refinery was projected because of the low by-product recovery in the existing refinery, but the project was then dropped in favour of modernizing the existing one. The plan was resurrected in 1974 and construction work began in 1978. The investment cost was \$86.4 million, but work stopped in 1985 when it was still only 85% complete, so it contributed little or nothing to production. The cause of non-completion was a shortage of funds. Forced into a choice, the management gave priority to reconstruction work at the lead smelter and the completion of plant for recycling lead accumulators. By 1995 the incomplete lead refinery was written down to a present value of \$9.5 million.¹³ Even if it had been completed and functioning, its capacity, about 170,000 tons per year, was absurd in relation to the 60-82,000 tons of lead concentrate secured from all the Trepča mines in Kosovo in the period of its building, 1980-84, or the capacity of the lead smelter, under best conditions about 80,000 tons. Moreover it required demolition of the bismuth extraction plant, and the consequent

⁷ Nikolić, "Šezdeset godina", p. 143.

⁸ Nikolic, "Šezdeset godina", p. 142; Trepča, 29 Jan. 1990, p. 7.

⁹ Nikolić, "Šezdeset godina", p. 150.

¹⁰ Trepča, 18 Sept. 1989, p. 2.

¹¹ EU file: This is RMHK "Trepča". "Trepča: Making sense of the labyrinth, p. 4.

¹² T3-1046. Trepča research centre "Idejni project proizvodnje aluminijum sulfata," 22 Dec. 1999.

¹³ Nikolić, "Šezdeset godina", p. 150; Z7. Program revitalizacije, pp. 4, 9.

loss of output of this by-product.¹⁴ Other major works included building a new flotation plant at Prvi tunel closer to Stari trg in 1983 and abandonment of the existing one on the Zvečan site.

A string of factories in Kosovo was also built in the 1970s, and they were added to the Trepča group. They included a paint and varnish factory in Vučitrn, a jewellery and electro-contacts factory in Prizren opened in 1974, while a sporting ammunition plant was started at Srbica the same year. A factory for industrial batteries was built at Peć in 1979, a galvanizing plant was built in Vučitrn in 1981, and a Ni-Cad battery factory at Gnjilane in 1981.¹⁵ This list is not comprehensive. There were two reasons for these efforts at diversification. The first was that they reflected a drive to industrialise Kosovo, to buy off Albanian unrest. The second aim was to provide domestic downstream outlets for Trepča metals and by-products. This sort of investment was highly characteristic of Yugoslav planning during the world petroleum crisis of the mid 1970s, for the crisis caused Yugoslavia to turn sharply protectionist and to launch a massive investment programme mainly designed at import substitution. It was encouraged by a policy of suppressing the price of raw materials and semi-manufactures, in order to encourage investment in final manufacturing. It was financed with recycled petrodollars. In performance terms, the new processing factories were a mixed bag, and probably generated more loss than profit. As Vučić Djokić remarked of them, “equipment and technology are to world criteria but results reflect our criteria and mentality, which are 2-4 times below world criteria.”¹⁶

The Yugoslav investment drive of the 1970s and early ‘80s produced neither a strong industrial export base nor any saving of foreign exchange, and it led to national bankruptcy in the 1980s. It was subsequently admitted in 1987 by Premier Branko Mikulić that less than half the foreign debt incurred in the 1970s had been invested in worthwhile projects.¹⁷ The squandering of foreign funds on the completely unrequited (and unrequitable) investment in the lead refinery was not just the incidental product of a particularly poor piece of planning. Each of my earlier studies of “big systems” enterprises threw up analogous massive and wasteful investments during this period. At MKS Smederevo, Serbia’s flat products steel combine, equipment for a blast furnace was ordered on credit from the Soviet Union in 1975. Money ran out in 1976, so it was never assembled, and left to deteriorate in the open air. This ruinous project did not inhibit commencement in 1979 of a state of the art cold rolling mill for \$363 million. It was semi obsolete by the time it came on stream in 1985, and was of little use since it lacked the vital complementarity of a pickle line, which was belatedly tacked on, and promptly destroyed by fire.¹⁸ At Zastava, Serbia’s motor car factory at

¹⁴ Vučić Djokić, “Može li Trepča da savlada krizu? – Metalurgija: nova postrojenja – stare navice,” Trepča, 12 Feb. 1990, p. 7.

¹⁵ Lazarević, Brief History, p. 4.

¹⁶ Djokić, “Može li Trepča da savlada krizu? – Vreme procvata,” Trepča, 15 Jan 1990 p. 7.

¹⁷ B. Mikulić, ‘A Programme towards significant Changes,’ Yugoslav Information Bulletin, 7-8 (1987). p. 17.

¹⁸ Michael Palairt, “Metallurgical Kombinat Smederevo 1960-1990: A Case Study in the Economic Decline of Yugoslavia,” Europe-Asia Studies, 49 (1997) pp. 1074-77.

Kragujevac, over \$400 million was sunk in the mid 1980s in building a 1400cc saloon car (“Florida”) which never went into bulk production.¹⁹ In Macedonia, the FENI (Ferro-Nickel) project was yet one more predictable financial disaster.²⁰ Thus the incomplete and over sized Trepča lead refinery seems to be a predictable legacy of the way investment was planned during this period.

The Trepča system “as a rule” lost money under Yugoslav socialism.²¹ It is claimed to have made a much touted profit in 1983,²² though this means little, given the automatic inventory profits created by historic cost accounting under violent inflation. The following year, it sank back into loss. The combine was damaged by a large theft of silver, which led to a bout of arrests and resignations, and it had to be helped by a 1,140 million dinar (at least \$5.4 million) write-off of debt to the state.²³ Because of Trepča’s incapacity to generate funding of its own for investment, all investment funding had to be financed externally, by fund providers who did not anticipate that they would see any return on (or of) their capital. Therefore Trepča’s assets were formed from funds provided by the state directly, or indirectly through the state banks. According to a government minister, between 1974 and 1994 the state invested “over \$4 billion” in Trepča.²⁴ The major source of funds for Trepča up to the break-up of former Yugoslavia in 1991 appears to have been the Fund of the Federation for Crediting the Development of Insufficiently Developed Republics and Autonomous Regions. Though three Yugoslav Republics were also eligible for development credits from this tax-financed fund, Kosovo was the recipient in 1985-1990 of an annual average 47 percent of their value.²⁵ The “over \$4 billion” figure is consistent with another report that over the period from 1966 to 1988, Trepča received “more than \$4 billion” in dinar equivalent from the fund²⁶. A very large part of federal development funding for Kosovo was actually a subsidy paid to RMHK Trepca. Trepča’s 22,885 employees in 1988,²⁷ were only 9.9 percent of Kosovo’s 232,000 strong social sector labour force for that year.²⁸ For most purposes, therefore, the federal development funding for Kosovo was actually a subsidy paid to RMHK “Trepča”.

It is a paradox that despite the combine’s disastrous investment and profit record, Trepča, its mines, smelters and processing factories, has (or had) an iconic significance, both to the Albanians and the Serbs of Kosovo, as the one supremely valuable Kosovo asset, and the fount of provincial well-being. They look back to

¹⁹ Michael Palairt, “Mismanaging innovation: the Yugo car enterprise (1962-1992)” *Technovation*, 13, (1993) pp. 119-123.

²⁰ David A Dyker, *Yugoslavia. Socialism, Development and Debt*. (London, 1990), pp. 102-4.

²¹ Djokić, “Vreme procvata,” p. 7.

²² *Trepča*, 9 Dec. 1997; Lazarević, *Brief history*, p. 5.

²³ *Trepča*, 9 Dec. 1997, p. 5.

²⁴ *Trepča*, 30 Jan. 1995, p. 3.

²⁵ *Statistički godišnjak S.R. Jugoslavije*, [SGJ] 1991, p. 501.

²⁶ *Politika*, 7 Mar. 1989, copied in *Trepča*, 20 Mar. 1989, p. 11.

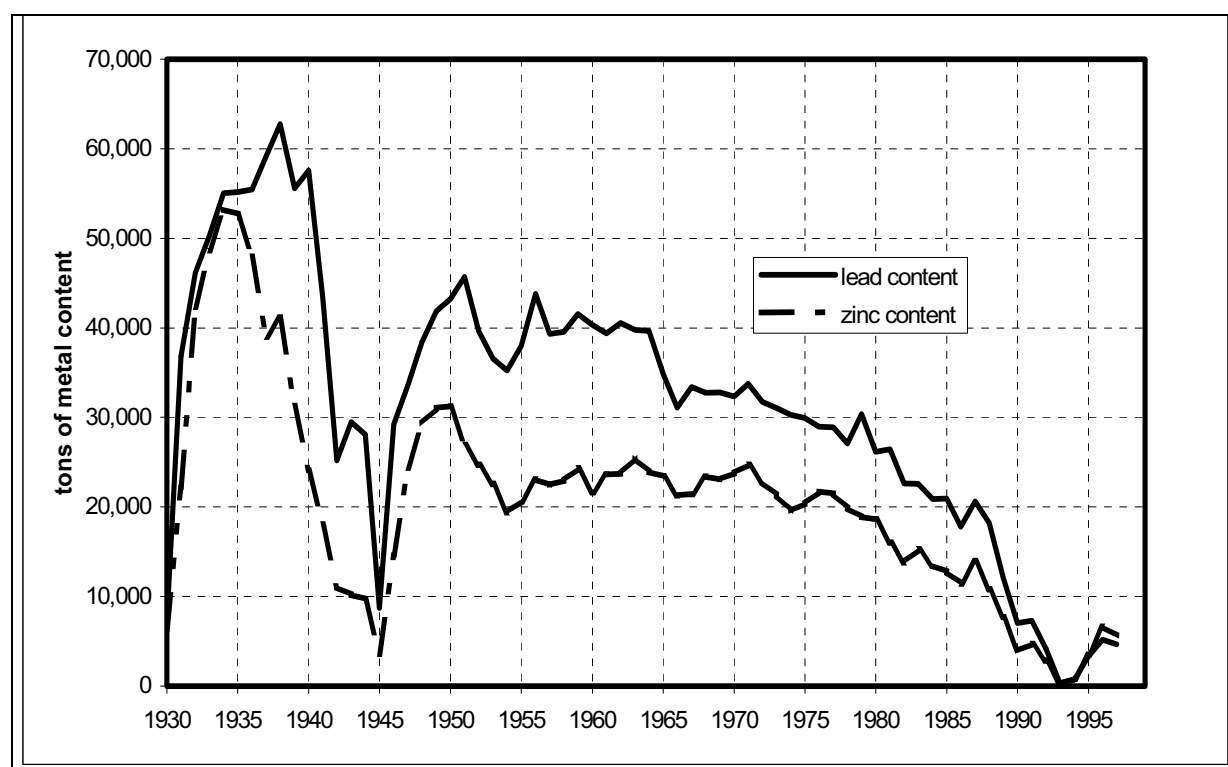
²⁷ *Trepča*, 15 May 89, p. 5. Not all of these were employed in Kosovo.

²⁸ *SGJ*, 1991, p. 466.

Trepča's supposed golden age, between 1960 and 1981.²⁹ The golden age was one in which employment, direct and indirect, expanded massively and the combine paid (by local standards) a decent wage. Yet the "golden age" was a mythological era, when Trepča depended on the principle of non-accountability, in which investment and current deficits were funded externally. So long as the funding kept rolling in, the incapacity of Trepča to support itself was nobody's problem. Easy funding came to an end in the 1980s, and with it Trepča's "golden age". Trepča's subsequent woes were not the product of subsequent political events, harmful as these were, rather the results of management according to the old prescription, without the open ended external subsidy that had formerly sustained the prosperity of the enterprise.

The physical productive aggregates for Trepča in Kosovo are shown as Appendix Tables A1 and A2. The Appendix Table 1 data were drawn from the Republic of Serbia's official industrial statistics, which are considered to be reliable. Table A2, tracking production by the individual mines in Kosovo was compiled internally at Trepča. As the data in Table A2 shows, ore output expansion in Trepča's Kosovo mining properties after World War 2 was achieved extensively, by expanding the number of lead-zinc mines in production. At the flag-ship Stari trg mine (the only mine reported as consistently profitable) peak ore production achieved in 1939 was never subsequently exceeded, and as the ore grade fell consistently over time, throughout the entire period from 1951 onwards, Stari trg, as a producer, dwindled in the 1980s to insignificance.

Figure (i) Stari trg mine. Mineral output, 1930-1997.



²⁹ Z2. Služba za informisanje Trepča, "Slovo o Trepči," 15 Nov. 1995.

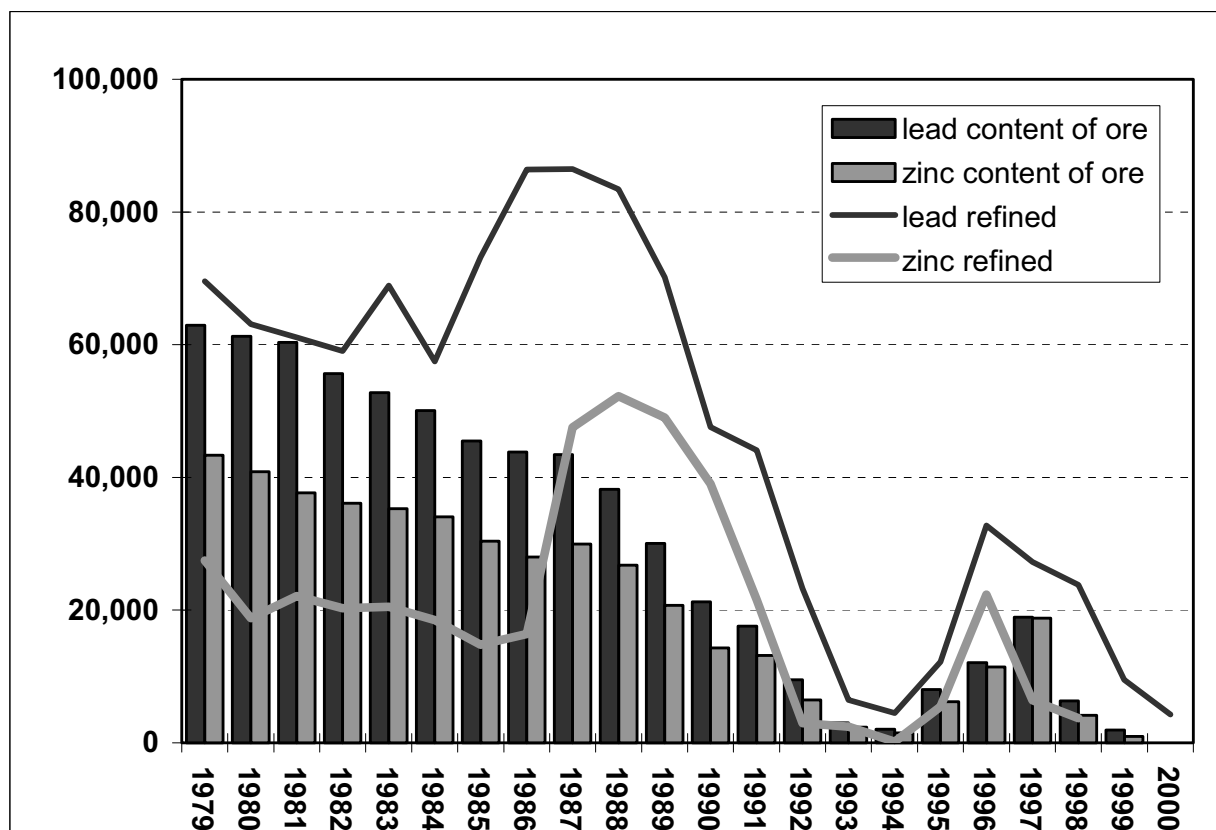
Year	Metal contents			Metal contents	
	Pb (t)	Zn (t)		Pb (t)	Zn (t)
1930	7,290	6,349	1970	32,351	23,805
1931	36,827	22,213	1971	33,743	24,705
1932	46,176	42,328	1972	31,759	22,771
1933	50,314	48,618	1973	31,072	21,324
1934	55,068	53,191	1974	30,293	19,564
1935	55,188	52,736	1975	29,936	20,382
1936	55,440	47,965	1976	28,971	21,728
1937	59,149	38,999	1977	28,885	21,496
1938	62,784	41,158	1978	27,081	19,859
1939	55,593	31,311	1979	30,366	18,894
1940	57,567	24,098	1980	26,160	18,587
1941	43,391	18,080	1981	26,459	16,015
1942	25,212	11,052	1982	22,616	13,821
1943	29,495	10,225	1983	22,588	15,280
1944	28,069	9,731	1984	20,903	13,473
1945	8,720	3,583	1985	20,917	12,793
1946	29,265	14,633	1986	17,795	11,453
1947	33,578	24,332	1987	20,623	13,924
1948	38,417	29,346	1988	18,189	10,827
1949	41,861	31,079	1989	12,052	7,733
1950	43,238	31,264	1990	7,041	3,940
1951	45,682	26,908	1991	7,323	4,698
1952	39,663	24,718	1992	4,176	2,846
1953	36,554	22,577	1993	288	225
1954	35,227	19,400	1994	740	834
1955	37,984	20,668	1995	3,344	3,490
1956	43,793	23,049	1996	5,203	6,636
1957	39,321	22,469	1997	4,661	5,634
1958	39,547	22,926			
1959	41,537	24,329			
1960	40,345	21,678			
1961	39,363	23,618			
1962	40,555	23,709			
1963	39,796	25,494			
1964	39,658	23,921			
1965	34,877	23,442			
1966	31,106	21,283			
1967	33,382	21,459			
1968	32,741	23,387			
1969	32,786	23,072			

Source data from Lazarević, *Brief History*, pp. 1-3.

It was easier to raise the capacity of the smelters than that of the mines. As Figure (ii) shows, lead smelting output more or less equalled the throughput of Trepča's Kosovo mines in 1979-82, but thereafter the lead smelter became massively dependent on supplies brought in from outside. With zinc, the smelter built in 1967 did not handle more than about half of the throughput of the mines till 1987, when the new capacity came on stream. After this zinc making became highly dependent on external

supplies. At most times, the lead smelter did indeed receive such supplies, which were to come from mines in Serbia, later annexed into the Trepča system, but at least in the period from 1996 to 1999, concentrates also had to be imported. The zinc smelter seems to have suffered more seriously from shortages of concentrate than the lead smelter. This may be because the lead-zinc mines in Serbia had an alternative outlet for zinc concentrate, the Zorka factory at Šabac.

Figure (ii) Lead and zinc, ore output in Kosovo and refining, 1979 - 2000



Source: appendix tables A1 and A2.

Though Trepča was by no means exceptional among Yugoslav heavy industry firms in respect of its disastrous business performance, it is worth asking why Trepča should have performed so poorly. Unlike most heavy industry, which lay in the comparative disadvantage sector, Trepča had good mining assets and low cost access to energy, so on the face of things there were no structural reasons for its inability to trade profitably.

The causes underlying Trepča's bad performance between 1965 and 1990 are analysed in a series of articles by Vučić Djokić which were published in 1990 in *Trepča*, the combine's works newspaper. First of all, the metal content of the ore mined by Trepča was in continual decline. According to his statistics, in 1965 the ore extracted yielded 12.7% lead and zinc concentrate, in 1970, 10.3%, in 1975, 8.6%, in 1980, 7.2%, and in 1988, 6.2%. Gradual ore depletion is normal in mining and the consequent pressure on mining costs is normally offset by improved technology. However, Djokić argues that the policy pursued up to about 1974, of trying to ensure that reserves grew more rapidly than extraction, was abandoned in favour of maximizing short-term output. In practice reserves were already diminishing between

1970 and 1974, but the geological function was then decentralised to the individual mining subsidiaries and to external interests. So “Trepča’s geology was entrusted to everybody and nobody” and this led to the ruination of Trepča mining.³⁰ Efficiency gains were not made to offset this trend. Rather, labour was taken on in continually increasing quantity, and its productivity sank continually.

Ore depletion could be offered as a reason for declining extractive productivity, but no such excuse was available to explain productivity decline in smelting and refining. The lead smelter and refinery similarly engorged its labour force, despite more or less static production between 1965 and 1990, so labour productivity in these operations declined from 91.8 tons per worker in 1965, to 67.4. It was a similar story at the zinc smelter. Only the opening of a new electrolysis plant in about 1987 caused a revival of productivity, but even then it failed to match the productivity achieved by the original smelter in the late 1960s. Table 1 tracks Trepča’s productivity performance both in mining and metallurgy.

Table 1. Labour force and productivity at Trepča mining and metallurgy, 1965-1990.

Year	Labour force			Productivity, tons per worker		
	Mining & flotation	Lead smelting & refining	Zinc electrolysis	Mining & flotation	Lead smelting & refining	Zinc electrolysis (tons per worker)
1965	5500	998		28.1	91.8	65.4
1970	6650	1075	472	25.6	71.3	55.0
1975	8544	1323	565	21.7	67.4	50.1
1980	9471	1373	746	16.6	47.2	21.7
1985	10190	1668	907	11.9	43.9	14.8
1988	11220	n.a.	1151	11.2		42.2
1990	n.a.	1745	n.a.	n.a.	47.8	n.a.

Source: Vučić Djokić, “Može li Trepča da savlada krizu?” Trepča, 15 Jan. 1990, p. 7; 12 Feb. 1990, p. 7; 26 Feb. 1990, p. 7. For 1965 zinc productivity, see Trepča, 18 Sept. 1989, p. 2.

This dismal performance record, in which more and more labour and capital were poured into an enterprise whose core activities, mining and smelting, were diminishing steadily in productivity, makes it easy to understand why Trepča ran persistent financial deficits and needed continual infusions of new funds. In the 1970s and 1980s, it could after a fashion cover its needs from bank loans at deeply negative real interest rates, as did most other major enterprises. But even in the inflationary 1980s, the authorities tried to restrict the rate of new money emissions which the banks channelled into this and similar enterprises, if only to avoid outright financial collapse. So the funds forthcoming were never enough to maintain the Combine’s liquidity. The various subsidiaries traded in an environment of endemic crisis, running up debts to suppliers, and consequently struggling to obtain input materials,

³⁰ Djokić, “Zlatni period geologije i rudarstva,” Trepča, 29 Jan. 1990, p. 7.

infrastructure services and spare parts. Therefore their production was subject to continual erratic constraints caused by lack of inventory and the inability to maintain equipment. These further depressed productivity. This created a vicious circle, by adding to the deficits, which in turn tightened the bottlenecks on current production. Moreover, funds that ought to have been spent on capital investment seem to have been diverted to meet current spending needs, with the result that by the 1980s, the capital stock was already ageing.

3. Trepča in crisis, 1989-1994.

Trepča's business collapsed in the period 1988-1994, as is evident from Table 2 below. This was a period during which Yugoslavia's industrial social product declined by a disastrous 63 percent, but the collapse of Trepča's smelter output was all but total. The volume of metal produced, at 1995 relative prices, shrank to 2.6% of 1988.

Table 2. Estimated metal volume produced in Trepča's lead and zinc smelters in \$ million, 1995 prices.

1988	144.85
1989	129.34
1990	90.17
1991	63.71
1992	24.04
1993	9.21
1994	3.71

Source: Lazarević, Brief history, (.xl file) with product prices taken from Z10. RMHK "Trepča" (Bjelić) – Jugobanka Beograd (D. Djurović), p. 8. (For cadmium and bismuth, no price data).

Throughout Yugoslavia, heavy industry suffered more than light industry, because of the collapse in investment demand and the diminution of the external market of the Soviet bloc, which was formerly willing to import Yugoslav investment goods. Yet as the Trepča smelters were producing standardised internationally traded commodities, Trepča's output should not have collapsed. This section of the report looks at the causes and consequences of Trepča's collapse during this period. We have already shown that the Trepča system was inherently unstable and unsustainable because of its structural shortcomings, and that it was therefore entirely dependent on inward funding, so it is easy to show from the reporting of this period that the main source of collapse was the dearth of external funds to support it. Other negative factors also came into play, however, including the nationality struggle which racked Kosovo in general and Trepča in particular during the years of Milošević's "anti-bureaucratic" revolution, the dissolution of Yugoslavia, and the imposition of UN mandatory sanctions on Yugoslavia from May 1992 to the end of 1995.

3.1 Labour and the nationality struggle.

Until the mid 1960s, Kosovo was run as a fief of Aleksandar Ranković's Serb dominated secret police. The Albanians were mostly peasants, while in 1953, Serbs held 68 percent of "administrative and leading positions", though they accounted for

only 28 percent of the population.³¹ The fall of Ranković in 1966 ushered in a period of catching-up, when the Tito regime reached out to the national minorities as a counter-weight to Serb political preponderance in the Federation. So Albanians were able to win easier access to higher education and to employment in large-scale industry. The Albanians organised to advance their own communal interests, and the process led, not to integration, but to rising inter-ethnic tensions, which the authorities tried to deal with by the classic combination of concession and repression. When explaining the deterioration in Trepča's performance from the 1980s onwards, Yugoslav sources tend to attribute it to the Serb-Albanian struggle for mastery in Kosovo. In 1989 Albanians made up 67.9% of the workforce in Trepča's mines and Zvečan-Mitrovica sites, (see Table 3 below) and were even more dominant in Trepča's other Kosovo factories. They were under-represented in the white-collar labour force, which was still largely Serb, but they won appointments to many of the top posts. Increasing Albanian control of the local authority system provided the levers for high level appointments in industry, because of the huge influence Yugoslav local authorities had in enterprise appointments. Inevitably, this caused Serb political resistance to what Serbs perceived as political encroachment on their prerogatives. This is why Milošević's agitation in Kosovo so readily mobilized Serb sentiment in Kosovo in his favour.

The Albanian preponderance at Trepča was especially marked in mining. Table 3, compiled by Tiosav Lazarević, tracks nationality changes in employment in Trepča's mines, flotations, metallurgies, and two factories in Kosovska Mitrovica, though Trepča factories elsewhere in Kosovo and Trepča operations outside Kosovo are excluded. This table shows that in 1989 the mines (with local flotation plants) employed 5,121 Albanians, to 2,544 Serbs and 252 others, probably Muslims and gypsies. Serbs only preponderated at the Leposavić mine complex in the extreme north of Kosovo, while at Stari trg and the Kišnica-Novo brdo mines near Priština, Albanians comprised 77.5% of the labour force. Following Milošević's "anti-bureaucratic revolution" whose spearhead was the measures taken to re-subordinate the Kosovo Albanians to Serb control, it was inevitable that Albanians would organise industrially to resist the encroachments by the Serbs on the rights they had won. So the period 1988-90 was convulsed by Albanian strikes, (not just at Trepča) which the Serbs treated as demonstrations of political disloyalty.

A major strike broke out at the key Stari trg (Stan tërg) mine in May 1988.³² After mass protests by Albanian demonstrators in November, matters came to a head in February 1989, with an eight day sit-down strike by about 1,300 Albanian workers, 600 metres underground at Stari trg. This was followed by a mineworkers march on Priština. Stari trg remained idle for about a month.³³ However, while ethnic tension was probably the main driving force behind industrial unrest, it was entangled with disputes over pay. For March 1988, the Stari trg miners had been paid 230,000 dinars, but at the end of May, April's wage had still not been paid out, and it was announced that it would be cut back to 160,000 dinars to comply with government pay policy. So

³¹ Noel Malcolm, Kosovo. A Short History. (London: Macmillan, 1998) p. 323.

³² Jedinstvo (Belgrade) 27 May 1988.

³³ Trepča, 30 Jan. 1989.

the refusal of 800 miners to go down the pit was perhaps not altogether surprising.³⁴ Again as a background to the February 1989 strike, pay for December was again late, and was probably still unpaid at the time of the strike. Aziz Abrashi, president of the Trepča business committee, while trying to distance himself from the turmoil convulsing the combine, wanted the political authorities to face up to the social problems of the combine.³⁵ At the Kišnica and Novo brdo mines, which were badly run down and in danger of closure, the workers also struck, demanding better pay.³⁶ The management responded by sacking at least some of those who participated. Birhan Kavaja, Albanian manager of the Stari trg mine, was arrested and gaoled for 14 months for his role in the protests.³⁷ Abrashi was also arrested, expelled from the Party, and replaced by another Albanian top manager, Qazim Shala. But Shala was also purged and imprisoned, and his job went to a Serb, Ljubomir Radović.³⁸

The February 1989 strike was only one of a series. There was another strike at Stari trg in May, and five work stoppages occurred there between June and 26 September. On the latter date, 190 miners refused to go down the pit, and the strike spread the following day. This strike was claimed to have been because wages from August had still not been paid. Bad conditions below ground, including poor ventilation, were also mentioned.³⁹ Again on 27th October, 60 Stari trg miners barricaded themselves in the pit for three days.⁴⁰ In late January 1990, there was a renewed strike wave at Stari trg, and a further refusal to go down the pit in early February.⁴¹ At the Kišnica and Novo Brdo mines, the miners, knowing that local management had no taste for enforcing punishment, would come in by bus, get their hot breakfast at the mine canteen, then return home by the bus.⁴²

There is some confusion as to the dating of the dismissals, which probably did not occur immediately after the events to which they were connected. Table 3 represents that most of the upheaval occurred between 1989 and 1990. Lazarević (the source) shows Trepča mine employment in Kosovo sinking between 1989 and 1990 from 7,917 to 3,208. But the official contemporary count at Trepča shows Albanian employees “abandoning” their employment between mid-1990 and mid 1991, and puts the figure for departures at 9,332. Of these 2,460 had worked at Stari trg, 2,032 at the Kišnica-Novo brdo mines, 1,108 at the lead smelter, 807 at the zinc smelter (leaving this with 390 workers) 1,028 at the accumulator plant and 656 at the fertilizer factory.⁴³ Obviously, both reckonings cannot simultaneously be right.

³⁴ Jedinstvo, 27 May 1988.

³⁵ Trepča, 13 Feb. 1989, p. 1.

³⁶ Trepča, 13 Feb 1989, p. 2.

³⁷ EU Media Stories file, abstracting from Financial Times, 29 May 1998.

³⁸ Trepča, 6 Mar. 1989, p. 12; 24 Apr. 1989, p. 2; EU. Media Stories file, Kosova sot.

³⁹ Trepča, 9 Oct. 1989, p. 7.

⁴⁰ Trepča, 20 Nov. 1989, p. 1.

⁴¹ Trepča, 12 Feb 1990, p. 4.

⁴² Trepča, 26 Feb 1990.

⁴³ Trepča, 31 July 1991; 31 Jan 1992, p. 3.

Employment shrinkage was not confined to the mines, though. In the smelters and other factories, Albanians had provided the majority of the labour force, and these workers also left en masse. The Table 3 figures, below, include Trepča employees in the Kosovo mines and the Mitrovica and Zvečan sites, but exclude the central administration and support services such as security. On this basis, Trepča employment shrank abruptly by 57% from 13,261 to 5,720. The year by year decline in the ore production figures in Table A2 does however suggest a lengthier process, spread steadily over the period 1989-1991 or even to 1992.

Table 3. Number of employees in 1989 and 1990 in Trepča's Kosovo plants by nationality structure.

SECTION	NATIONALITY STRUCTURE							
	Albanian		Serbian		others		total	
	1989	1990	1989	1990	1989	1990	1989	1990
Stari Trg mine	2588	40	368	564	105	113	3061	717
Kišnica & Novo Brdo mines	2446	166	880	953	108	116	3434	1235
\Leposavić mines	87	49	1296	1175	39	32	1422	1256
Metal Complex, Zvečan	1238	115	406	635	81	95	1725	845
Metal Complex, Mitrovica	766	22	339	681	41	83	1146	786
Accumulator factory, Mitrovica	1070	15	224	413	85	140	1379	568
Chemical plant, Mitrovica	809	29	229	223	56	61	1094	313
TOTAL	9004	436	3742	4644	515	640	13261	5720

Source: Lazarević, *A Brief History of Trepča*, p. 7.

The departure of Albanians from Trepča employment was thus not (as is sometimes represented) a one-off convulsion, rather a process which extended from 1989 into 1991. Some were dismissed or arrested, others left in solidarity with them. However, the de-Albanianisation of Trepča employment did not penetrate, at least with comparable vigour, to Trepča's factories south of Mitrovica. Of Trepča's 7,000 employees in 1995, it was officially stated that 1,200 were Albanian.⁴⁴ Taking the tabulated figures above, this implies that about 900 out of 1,300 employees not in the mines and the Mitrovica-Zvečan complex were still Albanian. Assuming that few Albanians remained in central administration, then after allowing for employment in Serbia proper, the factories in Prizren, Peć, Podujevo, Vučitrn, and Srbica must have remained overwhelmingly Albanian.

The effects of the employment upheaval at the mines and metallurgies were far-reaching. According to Kavaja, 2,860 workers who had reported to him (at Stari trg)

⁴⁴ Trepča, 31 May 1995, p. 1.

were sacked.⁴⁵ As a result, according to Miki Zlatković, at the end of 1990, the Stari trg mining collective counted 3,246 workers, and the number subsequently dwindled to 700, of whom a mere ten were actually miners.⁴⁶ This was an indication that the predominance of Albanians in direct physical labour, both in the mines and in the metallurgical plants, was even greater than the aggregate figures indicate.

As a result, the former over-employment at Trepča was suddenly converted to one of a drastic labour shortage in mining. To some extent the smelting works suffered a similar labour shortage for similar reasons – they too had depended on Albanian blue-collar labour. However, the Serbs at Trepča tended to be employed in support services and office work, and they probably accounted for most female white-collar staff. Most Serbs hung on to their jobs, and as these jobs were orientated towards the offices, Trepča also found itself with an overhead surplus of about 1,500 employees.⁴⁷ Naturally, management tried to encourage staff relocation within the combine, but without much success. Nor were they very successful in recruiting externally. Miners who came to Stari trg from other mines found the wages unattractive, and reckoned they may as well take life easy because of their indispensability, so a new wave of strikes erupted, now among workers of Serbian nationality.⁴⁸

3.2. The process of collapse.

As discussed above, Trepča had floated through the 1980s on the infusion of development funds from the Yugoslav Federation, which in large part funded its losses, and provided some new investment, the greater part of which was left unfinished. The widening rift between Serbia and Slovenia, the main contributor to the development fund was to dry up this source of finance in 1989-90, causing Trepča to press for soft money credits from the banks. In July 1989, federal premier Ante Marković told Trepča that “long-run turnover funds cannot be supplied by the present means,” and that Trepča must stop looking for inflationary credits from the central bank.⁴⁹ He meant it.

In December 1989, his long awaited monetary reform created a credit squeeze to which the loss making big systems like Trepča were particularly exposed. Trepča was peculiarly vulnerable because its losses were structural, so normal business depended on subsidies, and even the maintenance of its capital stock was impossible without external funding. Trepča was put into administration in 1990.⁵⁰ This was partly because of the nationality conflict, but also because it had ceased to be (by very lenient Yugoslav standards) creditworthy. In September 1991, Trepča proudly announced it had been self-financing since April, meaning that no fresh bank credit was forthcoming. The inevitable consequence was that procurement (particularly of zinc concentrate from external sources) had become very difficult.⁵¹ At the end of

⁴⁵ EU. Media stories file, Wall Street Journal Europe, 22 June 1998.

⁴⁶ Zlatković, Naš Zavičaj, pp. 68-69.

⁴⁷ Trepča, 9 Oct. 1989, p. 7; 31 Aug. 1992, p. 2.

⁴⁸ Trepča, 26 Feb 1992, p. 2; 29 Apr. 1992, p. 4.

⁴⁹ Trepča, 31 July 1989.

⁵⁰ Trepča, 11 Oct. 1992, p. 1.

⁵¹ Trepča, 30 Sept. 1991, p. 1.

1991, Trepča owed the banks some \$105 million and 23 million DM equivalent in dinars, and was in arrears of DM12 million and DM9.6 million (in dinars) to suppliers of equipment. It was also DM7.1 million in dinars in arrears with wages, and owed another DM7.1 million equivalent on its electricity bill, a grand total of about \$144 million. 1991 losses were estimated at over DM43 million dinar equivalent, and there was no money coming in to stabilise the combine's affairs.⁵²

Across the system, production slowed down. Financial exigencies were the prime cause but the labour upheaval worsened Trepča's difficulties. Production difficulties were particularly notably in the accumulator factory where the loss of skilled Albanian labour and key personnel resulted in poor product quality, and importers massively rejected the products.⁵³ A shortage of input materials and spare parts also slowed production at the zinc smelter, because the equipment was two years overdue for a refit. So when the cell hall finally broke down in November for want of spares, it brought the whole system temporarily to a stoppage. Its rectification was delayed by a shortage of cathodes and a boiler mishap.⁵⁴ At the zinc smelter, a Serb manager, Branislav Kokerić was appointed in September 1990, but evidently had little idea as to how to run it. "Because of the unskilled and neglectful work of Kokerić and his colleagues, production began to fall, and in December 1991, it was stopped completely."⁵⁵ This cannot however have been entirely Kokerić's fault, because the smelter was not getting zinc concentrate from the mines, for which reason it was still closed in late March of 1992.⁵⁶

The leitmotif of the following years was a situation in which stoppages multiplied because of the inavailability of funds for procurement of the most necessary inputs. In March 1992, the lead smelter was closed for want of funds to pay for reagents and coke, and the accumulator factory was stopped for want of polypropylene. They would not be reopened till the government "lent" Trepča the funds needed to pay suppliers. Paralysis would have been total had it not been for an infusion of state funding, which reopened Trepča's plants.⁵⁷ The revival did not last long because Trepča rapidly spent its way through the new funding. Throughout the system, stoppage of supplies, caused by illiquidity (i.e. inability to pay suppliers) hit production, and by October, wages were again two months in arrears. The zinc smelter closed again in July, for lack of concentrates, as did the accumulator factory, for want of imported inputs, and both stayed closed for several months.⁵⁸ In April 1993, the mines were stopped temporarily for want of explosives, fuels and lubricants, and a shortage of detonators was to close them again in November. In 1993 they worked only eight months.⁵⁹ The flotation plants were paralysed for want of reagents,

⁵² Trepča, 31 Jan 1992, p. 1, taking the then current exchange rate of 70 dinars = 1 mark.

⁵³ Trepča, 18. Sept. 1989, p. 2.

⁵⁴ Trepča, 6 Nov. 1989, p. 3; 20 Nov. 1989, p. 9; 25 Dec. 1989, p. 1.

⁵⁵ Trepča, 31 Jan 1992, p. 3.

⁵⁶ Trepča, 30 Mar. 1992, p. 1.

⁵⁷ Trepča, 31 Aug. 1992, p. 2.

⁵⁸ Trepča, 26 Oct. 1992, p. 2.

⁵⁹ Trepča, 27 Dec. 1993, pp. 1, 3.

so cessation of the inflow of materials stopped the zinc smelter again, and it was not to re-open till 1995.⁶⁰ In May 1993, Trepča's boss Krsta Jovanović admitted that stocks of raw materials, input materials and spare parts were exhausted, and that the whole complex might well have to stop work – unless the government supplied more funds.⁶¹ Production at the lead smelter duly stopped in July, and stayed stopped till May 1994. There were no technical problems - it would have reopened in November had it secured a supply of coke.⁶² Even refits were stopped for want of materials.⁶³ Shortly after closure of the lead smelter, Jovanović was replaced by Milenko Ilić.⁶⁴

The new appointment was probably a signal that Trepča would get fresh funds. This was during the hyperinflation, so the money was freshly printed. It was duly forthcoming in August, but by now the fund creating powers of hyperinflation were so feeble that the sum actually obtained amounted to only 15% of the 16.6 million Deutschemark equivalent promised.⁶⁵ Reviewing the year's business for 1993, new General Director Milenko Ilić hoped that so dreadful a year's trading would never be repeated,⁶⁶ not knowing that 1994 would turn out worse still. Currency stabilization in January 1994 cut short the supply to Trepča of the former casual handouts of "fresh money" from the state, which provided no further financial assistance. The banks were unable to provide new credits.⁶⁷ Wages fell still further into arrears, causing a mounting wave of strikes, indiscipline and theft.⁶⁸ The mines closed again at the beginning of 1994 (having barely reopened) and stayed closed till May, then all but the Kopaonik mines closed again in July.⁶⁹ The lead smelter was at last re-opened in May 1994, and the refinery in June. But production was meagre because about a quarter of the workforce was away sick, others had left, and all were dissatisfied with pay, conditions, and the lack of health and safety provision. Besides this, years of irregular maintenance were taking their toll on productive capacities.⁷⁰

As we can see from the above, the level of Trepča activity was very largely driven (as ever) by the amount of external funding it could procure, since it was utterly incapable of financing itself. Sanctions were mentioned from time to time in discussing the combine's problems, usually from the standpoint of raw materials supply, seldom from the demand side. It is frequently claimed that Trepča's lack of profitability and consequent financial problems arose because of the low domestic price for which metals were paid, but this alibi was not applicable in 1991, when it

⁶⁰ Trepča, 26 Apr. 1993, p. 1.

⁶¹ Trepča, 17 May 1993, p. 1.

⁶² Trepča, 26 July 1993, p. 1; 15 Nov. 1993, p. 1.

⁶³ Trepča, 26 July 1993, p. 3.

⁶⁴ Trepča, 28 June 1993, p. 1.

⁶⁵ Trepča, 30 Aug. 1993, p. 2; 27 Dec. 1993, p. 5.

⁶⁶ Trepča, 27 Dec. 1993, p. 1.

⁶⁷ Trepča, 21 Nov. 1994.

⁶⁸ Trepča, 30 Jan 1995, p. 3; 26 Sept. 1994, p. 1.

⁶⁹ Trepča, 26 June 1995, p. 4.

⁷⁰ Trepča, 26 Dec. 1994, pp. 4, 8.

was admitted that domestic prices exceeded the international market by 30-40 percent, and diversion of supplies to the home market accounted for a fall in exports from \$58.8 million to \$13.4 million.⁷¹

As the above record also shows, investment projects initiated in the 1970s and 1980s were abandoned uncompleted, and no new ones were started. As noted earlier, the new lead refinery remained unfinished, and a major project at the lead roaster was also closed before completion.⁷² Such funds as could be secured from the state and the state banks were applied immediately to current needs, refits were neglected, and the already obsolescent capital stock aged and deteriorated rapidly.

A report compiled for the in-coming management of 1995 creates a snapshot of conditions in the Trepča complex in 1994. The new management had no reason to gloss over the combine's shortcomings, rather to exaggerate them so as to put its own achievements in a better light, but the observations are probably accurate. At the flagship Stari trg mine and at its flotation equipment was in relatively good condition but spare parts were lacking, as was the skilled labour to maintain it. So the machinery was under-maintained, had not been refitted since 1990 and was in a state of breakdown. Consequently the mine produced only for three months of 1994, closed in September, and was not to re-open till February 1995. At the less well equipped mines of the Kišnica-Novo Brdo complex, one of the four (Badovac) had flooded in 1988, a second (Ajvalija) in 1994. The other two were also stopped for want of inputs and spares, while badly needing a more general overhaul of equipment. The Kopaonik mines round Leposavić were still producing, but at reduced intensity because of the need for machinery repairs, and (as usual) the spare parts with which to effect them. Poor mine management also led to high operational costs.

At the lead smelter most of the equipment dated back to the 1960s, especially at the sinter plant and at the refinery, which had been due for replacement by the new uncompleted refinery. The plant was still operable and was intermittently in production, but the poor state of the equipment made for process discontinuities which trapped large inventories of metal (lead and silver) at various stages of extraction and refining. A shortage of lignite fuel stopped the refinery altogether in January 1995. Power was provided on site by a thermal energy plant which could raise less than a tenth of its installed capacity, and stood in need of a major refit. With relatively modern equipment, the zinc refinery should have been in stronger productive position, but it had closed in 1993 for want of zinc concentrate to put through it, and produced nothing in 1994.

On the site in Mitrovica that it shared with the zinc smelter, the obsolete fertilizer factory was worn out and dilapidated. In 1990 it had produced 23,300 tons, but in 1994 output was 4,040. The lead accumulator factory, with installed capacity of 35,000 tons per annum, was in a "relatively correct" condition, but was capable of producing only 4,200 tons of accumulators per year. The industrial battery factory at Peć, with 12,000 tons capacity, could produce 1,800 tons and was in similar condition. Actual production in these factories in 1994 was 1,000 tons and 316 tons respectively.⁷³

⁷¹ Trepča, 29 Apr.1992.

⁷² en page 79.

⁷³ Z7. Program revitalizacije, pp. 4, 5, 6, 8.

The financial situation reflected the collapsed condition of the combine's equipment. The enterprise was utterly illiquid and insolvent. The report showed that its business earnings of 15.5 million dinars (at a time when the dinar stood at parity with the Deutschemark) barely covered the wage bill of 14.2 million, leaving input costs and depreciation of 35.8 million almost wholly uncovered. Debt financing costs were booked at 37.6 million dinars. A confusing analysis of the combine's debts indicates foreign exchange obligations at \$27.7 million, after a big debt write-off.⁷⁴ This figure was repeated in the works newspaper as the situation on 15 February 1995.⁷⁵ Domestic obligations stood at 43.4 million dinars, with a further 12.5 million off balance sheet. If debt servicing obligations look high in relation to the volume of debt, this is because of the extremely high interest rates charged by the Yugoslav state banks after the hyperinflation of 1992- January 1994. But the debt figures appear not to be comprehensive. Some items such as property insurance were disregarded, some outstanding debts were not even shown in the books⁷⁶, and it should be borne in mind that the hyperinflation must have wiped huge amounts of domestic debt from Trepča's balance sheet.

Analysis in the report of the causes of Trepča's dire condition as at the end of 1994 was not very satisfactory. It accorded primary blame for the collapse on "subjective factors" – the internal shortcomings of the enterprise.⁷⁷ There was no shortage of apathy, indiscipline and incompetence at Trepča during this period, but these were the ineluctable consequences of the run-down of the enterprise rather than its causation. Remarkably little was said about demand conditions, a common enough failing in the business reports of Yugoslav state enterprises. The break-up of Yugoslavia and UN sanctions against Yugoslavia made more difficult the procurement of input materials, but nothing was said about their effect on demand.⁷⁸ It is probably correct that in this case, as in most others, the upper bound to production was set by supply limitations, not the capacity of markets to absorb the outputs. Indeed, the report later remarks, and it is worth quoting its comment in full,⁷⁹

"The unsatisfactory commercial tendencies caused by the break-up of former Yugoslavia and the sanctions of the United Nations did not have a fundamental influence on the placement of the Combine's products. Production showed such a decline from year to year that it was practically nil in 1994. The minimal production which was created was far below the demand for these products even though this had diminished because of these tendencies."

In other words, sanctions on exports were irrelevant to Trepča's business. In early 1995, probably in March, Geneks, Yugoslavia's main foreign trade organisation, contracted with Trepča to export lead, zinc and silver worth \$6.5 million at LME metal prices, and \$1 million of accumulators, with Geneks taking 2 percent commission. This relates to a slightly later period than the forgoing, but sanctions

⁷⁴ Z7. Program revitalizacije, pp. 10, 13.

⁷⁵ Trepča, 26 Jun. 95, p. 4.

⁷⁶ Z7. Program revitalizacije, pp. 12, 14, 16.

⁷⁷ Z7. Program revitalizacije, p. 8.

⁷⁸ Z7. Program revitalizacije, p. 8.

⁷⁹ Z7. Program revitalizacije, p. 27.

were still in place, and there was no short-term prospect of them being lifted. Geneks, at any rate, did not expect that sanctions would interfere significantly with the export business.⁸⁰

3.3. Trepča organization and ownership, 1991-1994

Till 1991, RMHK “Trepča” was a SOUR (Complex organization of associated labour) or a confederation of 21 subsidiaries, each of which had its own Director and board, and enjoyed so high a degree of autonomy that the Trepča board had little control over its nominal subsidiaries. In 1991, it was decided to unify the enterprise, thereby creating a single “legal person”. The Trepča board could not compel its subsidiaries to stay with it, and a number of them dropped out from the system. These included the “Trepča” accumulator factory at Sombor in the Vojvodina, which had already reconstituted itself as a joint stock company, and Metaliku of Djakovica, Kosovo. The Ni-Cad battery factory at Gnjilane, the sporting munitions factory at Srbica, and FAMIPA at Prizren also stayed out,⁸¹ but were later re-integrated into the Trepča group, the Gnjilane factory only transiently.

This reorganisation was a stepping-stone towards the emergence of RMHK “Trepča” in 1992 as a joint stock company with residual “social” status. Its permanent capital was denominated as 43,911 million dinars, of which 32,551 million dinars of shares were issued and distributed to various parties, as the July 1992 column of Appendix Table 3 shows. The government of Serbia was the majority shareholder. Hitherto, Trepča had owed \$82 million out of its \$105 million foreign debt, which it was unable to service, to the state owned Kosovska banka (Bankos).⁸² This bank, stuffed with non-performing debt like that of Trepča, was formally bankrupted the early 90s and the government took over its claims, converting them in the case of Trepča into a majority shareholding.⁸³ This may not have discharged all Trepča’s obligations to the executors in bankruptcy of Bankos, because Trepča faced three suits in 1999 on behalf of this bank for foreign exchange debts totalling about DM12.4 million, all of which must have arisen before the bank had been bankrupted.⁸⁴ It has been objected that the rearrangement of Bankos’ former claim was invalid, because the debts in question were not paid as a result,⁸⁵ but this is irrelevant. They became undischarged debts of the Yugoslav state, rather than corporate debts guaranteed by the state. The reorganisation was directed by Nikola Šainović, at that time minister of mining and energy, now an indicted war criminal. Šainović undertook to arrange that Jugobanka’s subsidiary in Mitrovica would freeze 2 billion dinars of Trepča debt, and accord Trepča space for recovery, presumably meaning fresh credits.⁸⁶

⁸⁰ Z10. Contract U/95/3-1 Geneks-Trepča.

⁸¹ Trepča, 30 Oct. 1991, p. 1.

⁸² Trepča, 30 Aug. 1992, p. 2.

⁸³ Z7. Program revitalizacije, p. 3.

⁸⁴ Holding RMHK “Trepča” AD Zvečan. Pregled aktivnih predmeta u kojima se RMHK “Trepča” pojavljuje kao tužilac/poverilac. 13 May 2002. Document held at Trepča Zvečan legal department.

⁸⁵ EU. This is “RMHK” Trepča. EU-UNMIK brief. A view on the future for Trepča, 6 Aug. 2001.

⁸⁶ Trepča, 30 Oct. 1991, p. 1.

Trepča's residual "social capital" of 11,360 million dinars was unissued, and was treated as the property not of the state but of "society". Its usufruct could be distributed (theoretically) according to the decision of the workers' council between dividends to the workers and the enterprise's development and social funds. In effect the "social" share was supposed to be the employees' un-alienated stake in the enterprise.

This reorganisation established RMHK "Trepča" as a para-statal company, in which 89.3% of the capital was in state and "social" ownership. The minority shares were held by two state banks and 9 enterprises. Most of the outside shareholders were, like the government itself, creditors of Trepča who converted part of their claims on it into shares. It was expected that others among Trepča's suppliers and business partners would subsequently convert financial claims on the company into shareholdings.⁸⁷ There were, however, two important exceptions. The shares issued to the foreign trade organisations Progres and Geneks were to be paid for in cash. This would provide the combine with funds needed to de-block its giro account and provide working capital.⁸⁸ A primary reason why the government of Serbia caused Trepča to adopt its new capital structure was to secure these subscriptions of new working capital from Progres and Geneks. According to Krsta Jovanović, then Trepča's General Director, the combine would not otherwise have undertaken this property transformation.⁸⁹ However, Trepča was repeatedly to complain that neither Progres nor Geneks subscribed the sums of 1.5 billion and 1 billion dinars they had promised.⁹⁰ Geneks' shares do subsequently disappear from the shareholders' list, but those of Progres do not. (See Appendix table A3.) "Progres" was headed by the powerful Mirko Marjanović, who at the time of the 1992 reorganisation was given the post at Trepča of President of the Management Committee (roughly equivalent to non-executive chairman of the board).⁹¹ Marjanović was later to become Prime Minister of Serbia. Unless it can be demonstrated to the contrary, any claim arising from shares then owned by Progres may be invalid.

⁸⁷ Trepča, 29 Jun. 92, p. 1.

⁸⁸ Trepča, 29 Jun. 92, p. 1.

⁸⁹ Trepča, 25 Nov. 92, p. 1.

⁹⁰ Trepča, 25 Nov. 92, p. 1.

⁹¹ Trepča, 9 Dec. 1997, p. 6.

PART TWO. The Bjelić years, 1995-2000.

4.1. Novak Bjelić, background and appointment in 1995 as General Director of Trepča.

On 2 Feb. 1995, former director Milenko Ilić was relieved of his duties at Trepča and replaced by Novak Bjelić.⁹² Bjelić, his background, activities, connexions and operations were central to what happened at Trepča over the period from 1995 till his expulsion by UNMIK in August 2000.

Bjelić was born 14 September 1939, in Mali Vranovac village in Kosovo. He received his higher education at the Economics Faculty in Belgrade, whence he graduated on 25 January 1964. After a brief spell working at a woollen mill, he did military service, from which he must have been released in 1965. He worked for two and a half years at a cellulose and paper factory at Berane, and was promoted to chief of the export department. Probably in 1967 or 1968 he transferred to the Prva Petoletka armaments enterprise at Trstenik, Serbia, as commercial director, and as factory director at a subsidiary, FUD, of Brus.⁹³ He was a Party activist up to 1973, holding various posts both at local authority and [Serbian] Republic level, but his political career suddenly terminated.⁹⁴ He claimed he was ejected from the Party that year, and sent to prison. He offered a flip explanation which was supposed to signal that he was a victim of Tito's drive that year to purge the Party of Serb nationalism.⁹⁵ Less flattering but unauthenticated explanations for his imprisonment have been offered by Trepča insiders. His imprisonment was not too painful – his colleagues at Brus brought him food parcels and money, while his relations with the prison staff were so good that he later hired them as security men when he took over the top job at Trepča.⁹⁶ He may have returned after his release to Prva Petoletka, but he subsequently spent eleven years – which take us to 1991 - at Ikarus, a bus factory in Zemun, where he held several directorship posts, including that of director of marketing. During this period he completed a Masters degree in marketing at the economics faculty of Kiril i Metodi University, Skoplje. This included the writing of a masters dissertation on the organisation of marketing, based on his experience at Ikarus. The dissertation was accepted in September 1988, giving Bjelić the right to style himself “Magister”, a title on which he insisted at all times. As an ex-Communist of Serb nationalist persuasions, it was natural for Bjelić to hitch his star to the emergent regime of Slobodan Milošević, so from 1990 onward he served in various posts at Republic and Federal level, “actively participating in the shaping of the New Order”.⁹⁷

It is therefore slightly surprising that in 1991, he was appointed General Director at the firm of FAGAR, in Podujevo, a small town in Kosovo. FAGAR made and distributed reinforced concrete.⁹⁸ Though FAGAR was a small enterprise compared

⁹² Trepča, 26 Jun. 1995, p. 1.

⁹³ This information follows a brief biography given in Trepča, 26 Jun. 1995, p. 7.

⁹⁴ Trepča, 26 Jun. 1995, p. 7.

⁹⁵ Trepča, 8 Jul. 1998, p. 8, reproducing an article by Robert Fisk in Independent.

⁹⁶ Anecdotal information from Miki Zlatković.

⁹⁷ Trepča, 26 Jun. 1995, p. 7.

⁹⁸ Trepča, 26 Jun. 1995, p. 7.

with Trepča, the future history of Bjelić, FAGAR, and Trepča were to become closely intertwined, so the activities of FAGAR under Bjelić's direction repay further study. Built in the late 1980s, this reinforcement factory was a subsidiary of the Zenica steelworks in Bosnia, and traded as TGA. Zenica supplied TGA with cut-price raw material, with which it undercut the prices charged by another Kosovo reinforcement factory at Dečani, then part of the Metaliku group, which was at that time a member of the Trepča system.⁹⁹ But on 11 July 1991, TGA was put into administration ("temporary measures") for unknown reasons. Bjelić was appointed as its Director under administration. On 26 December 1991, Bjelić and his board changed the name of TGA to DP FAGAR (DP= social enterprise).¹⁰⁰ Bjelić, so it was claimed, achieved "enviable results" at FAGAR, and on the strength of them he was awarded a distinction in June 1992 by the Chamber of Commerce of Yugoslavia.¹⁰¹

His next move was to privatise FAGAR. This was done on 2 Nov. 1992. The new company, d.d. FAGAR, was divided into 49,250 shares, each of 100,000 dinars nominal, of which the government of Serbia, or to be exact, its development fund, was granted 4,920 shares (10%). Geneks, the foreign trade organisation, received 9,850 (20%). Another firm, INOS of Belgrade, which will re-appear as one of Bjelić's business interests, got 14,775 shares (30%). The remaining 40% of the shares were un-issued, with the stated intention of selling them subsequently.¹⁰² In December, the board once more named Bjelić as Director, giving him a four-year mandate. It justified this by "his many years success as a businessman," and "for his results at FAGAR during the time he managed it under administration". At the same time, he tried to write a doctoral thesis at Priština University, again on the organisation of marketing. He submitted it in October 1994,¹⁰³ but it was never accepted for a doctorate. He retained the FAGAR post and the presidency of INOS throughout the rest of his time in Kosovo to 2000. After the NATO occupation (July 1999) he moved the FAGAR firm to Blace in southern Serbia, then renamed it GAPOS.

Bjelić's business activities at FAGAR were doubtless profitable, but the methods he employed were dubious. After breaking its connexion with Zenica, FAGAR was supposed to draw its reinforcement steel from the Nikšić ironworks in Montenegro, and enjoyed a provincial monopoly. FAGAR priced its products at the ruling Nikšić steelworks price. But FAGAR probably did not buy Nikšić steel, rather it imported steel from a Bulgarian supplier.¹⁰⁴ Certainly, in 1998, two consignments of reinforcement steel wire imported by Trepča for the use of FAGAR through "Metalex" of Sofia, Bulgaria, were declared to Yugoslav customs as of Ukrainian

⁹⁹ Trepča, 25 Dec. 1989, p. 5.

¹⁰⁰ This material on TGA-FAGAR is taken from the records dated 10 Nov. 1992 of the Priština economic court, held currently at Priština local authority. My thanks to Verena Knaus for obtaining it.

¹⁰¹ Trepča, 26 June 1995, p. 7.

¹⁰² Records dated 10 Nov. 1992 of the Priština economic court.

¹⁰³ Trepča, 26 Jun. 95, p. 7.

¹⁰⁴ Oral information from within Trepča.

origin.¹⁰⁵ 8,000 tons of hot rolled steel wire were to be imported during 1998 at \$260 per ton, and there must have been a generous margin for profit, since Jugobanka undertook to finance production for a lavish DM100 per ton commission.¹⁰⁶ Bjelić allegedly corrupted the Yugoslav customs officials (no difficult task under the notorious customs regime run by Mihalj Kertes) to enable him to bring it in duty free. Another way FAGAR made profit, Yugoslav style, was not to pay its bills, a prerogative of the politically influential. There is a court ruling against its (Albanian run) successor, FAN at the Podujevo site, for debt of over €80,000 to the Kosovo electricity utility, and this is for debts incurred during the 1990s.¹⁰⁷

Bjelić was appointed General Director of Trepča in February, 1995 because the authorities had decided to revive the combine, and needed to put a politically trusted apparatchik in charge. It is probable that he was parachuted into the job because the regime wanted to exploit Trepča as a source of foreign exchange earnings, foreseeing that the ending of sanctions would give Trepča access to foreign investment. He was in excellent standing with the régime, and federal Prime Minister Radoje Kontić was happy publicly to refer to him as “my personal friend and comrade”.¹⁰⁸ A signal of the favour in which he stood was an official visit by Milošević to company HQ at Zvečan in July 1995. This was taken to mean that state support and funding should be provided for Trepča.¹⁰⁹ About a year later, Bjelić was given a seat in the Yugoslav Federal parliament, as a member of the ruling party, SPS.¹¹⁰ He also received an important party post. Under Milošević’s rule it became the normal pattern for the directors of powerful enterprises to double with government office, a disastrous arrangement which massively increased their power, patronage and protection. It also signified that Bjelić had become a member of the régime elite.

Moreover, Bjelić was entrusted to a remarkable degree of arbitrary power within Trepča. A resolution of the Trepča management committee in May 1996 authorised the General Director, Bjelić, to dispose investment and procurement funds up to \$5 million (in dinar equivalent) without any reference to the committee,¹¹¹ – a measure of discretion which, I am informed, was unusual in Yugoslav enterprises. For all practical purposes it gave him arbitrary control over spending decisions. One of these, one must assume, extended to purchasing a new Mercedes 320 car (registration BG360-773) for the Combine in 1998, at a cost of 71,000 DM plus import duty and local tax, which was clearly for his personal use.¹¹² Bjelić seems to have treated it his own property. This was only a trifle compared with Bjelić’s other financial

¹⁰⁵ Z14. Customs declarations at Priština Customs House of 21 Aug 1998 and 29 Sept. 1998.

¹⁰⁶ T1-799. Contract 1/98 between FAGAR and Geneks, undated.

¹⁰⁷ EU. Pillar weekly report (24 October 2002).

¹⁰⁸ Trepča, 25 Dec. 1995, p. 3.

¹⁰⁹ Trepča, 31 Jul. 1995, p. 1; 28 Jan. 1999, p. 1.

¹¹⁰ Trepča, 25 Nov. 1996, 4; 9 Dec. 1997, p. 20.

¹¹¹ RMHK “Trepča” D.D. no. 91-5027 of 31 May 1996, Odluk o utvrdjivanju limita za investiciju aktivnost i nabavku osnovnih sredstava. (signed Tomica Raičević, pres. of management committee). Internal Trepča document.

¹¹² Z14. Mercedes-Benz, Yugoslavia, preliminary invoice to Trepča, 27 May 1998.

operations, but an important one, because it later became one of the bases for mounting a prosecution against him.

This lavishing of authority and prestige on him was hugely advantageous to Bjelić. He wasted no time in posing as the saviour of Trepča, the man who rapidly turned round the formerly moribund enterprise, restarted shut down plant, re-integrated former subsidiaries into the company, boosted output, won big export orders, and even made a profit. A man of inordinate vanity, Bjelić, by some device had himself acclaimed in Bucharest as “the best manager in the Balkans for 1995”¹¹³ This achievement had to bear a fair amount of repetition. The works newspaper, Trepča, took care always to speak of him in reverential terms, and endlessly to accord him space to re-iterate the magnitude of his achievements. Basking in his officially bestowed VIP veneer, Bjelić easily convinced himself of his own importance and infallibility. In the way he corresponded with foreign business partners, Bjelić could be humourless and insufferably patronising, treating them like wayward and under-informed pupils, who were fortunate to be the object of his admonitions. He would never admit that any mishap in their mutual dealings could derive from the fault of Trepča, or that any complaint had merit. This sometimes soured relations with them. Yet they seemed to retain more confidence in him and in his word than circumstances merited, perhaps because he was an effortless liar, and they even regarded him with affection. With the French metal dealer, Jean Pierre Rozan for example, correspondence was prefaced in “dear friend” terms early in the relationship, and Rozan was to admit that “Novak and his energy have completely bewitched me.”¹¹⁴ The self-made Greek magnate Mytileneos, whose deals with Bjelić were pivotal to the operation of the combine, was to invite him to his wedding in Athens, to which Bjelić announced he was bringing three of his directors.¹¹⁵

Bjelić could have achieved no more than did his predecessor, had he not been able to secure new sources of domestic finance. These carried the combine over till late 1995, when he was able to secure export contracts with advance credits attached. He claimed that the initial funds for reactivating Trepča’s plant were obtained by demolishing the now derelict flotation works at Zvečan, and the sale of the scrap iron to the Nikšić ironworks in Montenegro.¹¹⁶ Apparently he also dismantled the overhead cableway by which ore had been conveyed from Stari Trg to the Zvečan site before the new flotation plant had been built nearer the mine at Prvi Tunel, and sold this too for scrap. It is not likely that Trepča earned much from selling the scrap, since the deal was reputedly a piece of insider business,¹¹⁷ and anyway the Nikšić ironworks was a bankrupt enterprise which was normally unable to settle its financial commitments. Rather more substantial was the sum of 5 million dinars granted from the Fund for the Development of Serbia, while the unblocking of the firm’s clearing account opened access to credits from a clutch of state banks, of which the most important to Trepča was Jugobanka, including Jugobanka’s subsidiary at Kosovska

¹¹³ Trepča, 9 Dec. 1997, p. 6.

¹¹⁴ Trepča, 21 Dec. 1998, pp. 1-2.

¹¹⁵ Z3. Bjelić-Mytileneos 21 Aug. 1996.

¹¹⁶ Trepča, 31 Mar. 97, p. 2; 26 Dec. 1997, p. 3.

¹¹⁷ Oral information from inside Trepča.

Mitrovica, Jugbanka.¹¹⁸ In the eight months from the time of Bjelić's appointment to October 1995, Trepča was able to spend 68 million dinars "on revitalizing production, liberating abandoned machinery, and paying wages". The bank finance came however at a stiff price. Trepča's credit standing with Jugobanka remained ambiguous, and rendered the combine eligible only for its "least attractive means of credit", which presumably means short term loans at penal rates of interest.¹¹⁹

4.2. Trepča's acquisitions.

One of Bjelić's most pressing objectives was to reunify Trepča with enterprises which he claimed had left the Trepča system during the early 1990s, and to acquire other enterprises. In 1995, he took the FAMIPA jewellery factory at Prizren and the munitions factory at Srbica back into Trepča.¹²⁰ By 1999, he had integrated or re-integrated all active lead-zinc mines in Yugoslavia into the Trepča group, with the sole exception of the "Rudnik" mine and flotation at Gornji Milanovac (Serbia).¹²¹ Two battery factories in Serbia, Iskra at Novi Pazar, and Svetlost (Bujanovac) were also absorbed into Trepča.¹²² On 13 August 1997, Ikaterm d.d. of Zemun (Belgrade), a factory for vehicle cooling systems and heaters, joined Trepča.¹²³ It seems an odd acquisition for a mining company, but was probably connected with Bjelić's former employment at Ikaterm's erstwhile owner, the Ikarus bus manufacturing enterprise. Ikaterm did not prosper under Trepča's aegis, allegedly because of the failure of its marketing activity, (i.e. its weak order book) and its inability to meet its delivery commitments.¹²⁴ Another acquisition in Serbia, about which more below, was the Kumane collective farm.

Under Bjelić's management, attempts were made to bring various other non-Kosovo enterprises into the group, but their presence there was transient. They included the "Trepča" battery factory at Sombor in 1995,¹²⁵ Kristal, a large glassworks at Zaječar, which had seen distinctly better days,¹²⁶ and possibly the Zorka Šabac chemicals combine.¹²⁷ The drive for acquisitions and re-acquisitions seems to have been done in a casual and arbitrary way. The transience of the above claimed acquisitions suggests this. There is little documentary evidence concerning these acquisitions, much less the terms on which they were merged, and there is reason to think Bjelić's techniques in this domain were feckless, arbitrary and coercive. Where detailed evidence is forthcoming on Trepča's takeovers under Bjelić, the results seem to have been

¹¹⁸ Trepča, 30 Sept. 1995, p. 1.

¹¹⁹ Trepča, 30 Sept. 1995, p. 4.

¹²⁰ Z2. "Slovo o Trepči" 15 Nov. 1995.

¹²¹ T3-1076. Izveštaj o poslovanja RMHK "Trepča" za 1999 god." Zvečan, Feb. 2000.

¹²² Z2. "Slovo o Trepči" 15 Nov. 1995.

¹²³ Trepča, 29 Aug. 97, 1.

¹²⁴ T3-1076. Izvestaj o poslovanja RMHK "Trepča" za 1999 god." Zvečan, Feb. 2000.

¹²⁵ Z2. "Slovo o Trepči", 15 Nov. 1995.

¹²⁶ Trepča, 23 Dec. 96, p. 3; 9 Dec. 97, p. 7.

¹²⁷ Trepča, 25 Apr. 97, p. 4.

disastrous either for Trepča or the entity taken over. Two cases, the Blagodat mine, near Vranje, and the Kumane collective farm demonstrate this.

We take first the Blagodat acquisition in 1996. In the early 1990s, the then independent socially owned Blagodat mine and flotation at Vranje engaged in business with a private company, PP “Trend” of Svetozarevo (now Jagodina) which produced batteries, and presumably took Blagodat’s lead and zinc. “Trend” had been established by its proprietor Branislav Jović, and Blagodat at the time was under the direction of Dragan Tomić, powerful director of the Simpo furniture combine of Vranje. It appears that during the hyperinflation or its immediate aftermath, Blagodat fell into financial difficulties, and received assistance from “Trend”. The relationship between the companies was then defined by a long-term contract of 19 October 1994, under which “Trend” was to assume responsibility for financing Blagodat’s production. Blagodat would receive the funds from “Trend” through “Trend’s” bank, Čačanska banka, a subsidiary of Beogradska banka, on terms set by the bank. By pre-financing Blagodat’s production, “Trend’s” advantage came from the right to priority purchase of Blagodat’s products, at a hefty 10 percent discount on the ruling market price.¹²⁸ Probably “Blagodat” fell far behind in its interest payments, because at the end of 1995, it already owed “Trend” 1.41 million dinars of principal, and 2.39 million in interest. Then on 24 January 1996, Blagodat was merged into Trepča. Instead of sorting out the financial aspects of the Blagodat merger, Bjelić simply decided to ignore “Trend’s” claims, which now became Trepča’s liabilities, and any court orders arising from them. Though the debt principal remained static at 1.41 million dinars, “Trend’s” claim against Trepča rose rapidly, at monthly interest rates, which between the takeover date and March 1997, fluctuated between 8.2 percent and 14.2 percent per month. Though they were forced down to 1.3 percent a month for some time thereafter, the result was a total claim against Trepča, which had reached 384.7 million dinars by 2001 (about €6.4 million). The debt to “Trend” seems to have been kept off the 1997 accounts audited by KPMG, to whom it was presumably not disclosed.¹²⁹

When Trepča acquired the former “Jedinstvo” state farm at Kumane, near Novi Bečej in the Vojvodina, the justification given was that it would supply the Trepča factories in Kosovo with “healthy food.”¹³⁰ The Kumane acquisition throws light on the issue as to whether such acquisitions carried the consent of the acquired firm, or whether they subsequently worked to the interest of its employees. The Kumane affair suggests they did not.

The Kumane, formerly “Jedinstvo” agricultural property had been managed by its director, Živorad Janićijević. He privatised it, carving out as his own reward a 70 hectare estate from “Jedinstvo’s” property.¹³¹ At this or some other stage “Jedinstvo” was bankrupted and put into administration. Janićijević seems to have entered into a

¹²⁸ Document supplied by Trepča lawyer, Nenad Veličković from Trepča’s file on the “Trend” dispute. Contract between Blagodat and “Trend” signed in Vranje, dated 19 Oct. 1994.

¹²⁹ Information supplied by Nenad Veličković from Trepča’s file on the “Trend” dispute.

¹³⁰ Trepča, 13 Apr. 98, p. 4.

¹³¹ Oral information from Tiosav Lazarević.

private deal with Trepča for the latter to take over “Jedinstvo’s” estate. Assurances were given by him and by Trepča’s representatives that the property would be valued, that the rights of the farm workers would be respected, and that they would be allowed to withdraw the Kumane property from Trepča if things did not work to their advantage. On this basis, the “Jedinstvo” workers’ council agreed in 19 March 1998 to the takeover, though the oral safeguards were never put in writing. Immediately the Trepča representatives went to the local authority re-register the Kumane property as a Trepča subsidiary. Trepča appointed a new director for Kumane, Zoran Radojević. The deal was rushed through at high speed – with only nine days between the first formal approach by Trepča and re-registration. Allegedly the takeover was also accompanied by intimidation.¹³²

At this time “Jedinstvo” consisted of 3,711 hectares of agricultural land, of which 2,085 hectares were under cultivation, a 53 percent interest in the local grain silo, various maintenance workshops, and livestock, mainly sheep and horses. There were 126 workers. For them the deal rapidly went sour. They alleged that the farm’s livestock was quickly sold off at below market price. The farm was managed “extremely unscientifically”. 500 hectares of formerly cultivated land lapsed into waste, and tasks were carried out with disregard for proper timing, resulting in loss of yield. The hay was neither mown nor sold, but abandoned. Jobs were arbitrarily re-allocated, the workers believed they were being cheated out of their proper pay, and they were continually threatened with sacking. The payroll deductions for pensions and other charges were not made. (Like the rest of Trepča’s employees, they were paid their net wages through the postal savings system, which enabled Trepča to avoid paying these deductions to the state, but caused the employees to lose their pension rights).¹³³ They allegedly ceased to receive any pay at all from June onwards. All this led to a series of work stoppages, but the workers, fearful of the consequences to themselves of withdrawing their labour till the wheat harvest had been brought in, held off from a formal confrontation until early August. They wanted to open negotiations with the Trepča directors, and to discuss with them the conditions at the farm and its current problems. Trepča responded by sending to Kumane a deputation headed by a lawyer who demanded access to the farm, but was refused it by the farm workers who had barricaded themselves in. They told him they would only negotiate at the local authority office. The lawyer refused, claiming Trepča’s rights were unquestionable, and that the local authority had no relevant role in the dispute. He did however try to harness the support of the local court, though not with results at that time satisfactory to him. He also identified six farm employees as strike leaders, taking out criminal charges against them. A notice was sent to all farm workers threatening those who failed to come to work with suspension. The real agenda was to start sacking, since he also sent a request to the local labour exchange to take on new workers. Twenty security guards armed with kalashnikovs were sent to confront the Kumane workers. At this stage about one hundred workers remained at the farm, and Trepča issued dismissal notices against 69 of them.

The conflict also moved to the courts. A strike committee had been formed, and Trepča identified the six alleged strike leaders. At the Novi Bečej court, the six were

¹³² T4-1051. Radna grupa zbor gradjana mesne zajednice Kumane. Informacija o dogadjajima ... 15 Nov. 1998.

¹³³ See below, p. 61.

ordered on 26 November 1998 to give Trepča management free access to the property. The higher-ranking court at Zrenjanin however refused to grant Trepča management the right of forcible entry. However, the Novi Bečej administration authorised the use of police to take the property over, so when the Kumane workers were out in the fields, twenty policemen enabled the Trepča managers and their armed bodyguards to take over the farm, and evict the farm workers onto the street. All farm work ceased, and the maize harvest and the winter ploughing were abandoned. Dissatisfaction seethed among the villagers, not only the Kumane workers, but also other peasants whose right to use the silo had been curtailed, while others wanted debts to themselves repaid. A petition was mounted and attracted 1,800 signatures.¹³⁴

Precisely why Bjelić and his colleagues wanted to absorb this farm, which had no connexion with the combine's business, remains unclear. Not surprisingly its productive results were to disappoint. Kumane's "great potential" as a supplier and exporter of "healthy food" failed to be realized. Blame was accorded for its poor output in 1999 to climatic conditions, but also to "unsatisfactory organisation co-ordination and control of work."¹³⁵ The subsequent fate of Kumane in 1999-2000 indicates an exercise in asset stripping, and maybe that was always the underlying intention. Its property was pledged by Bjelić as a means of securing funds for another of his companies.¹³⁶ But the principal conclusion to be drawn here from the Kumane affair must be to shed doubt on the legitimacy of the string of takeovers Bjelić contrived during the term of his office.

As so much of what Bjelić brought or tried to bring into Trepča lay outside Kosovo, the combine became more geographically (as well as activity) diversified. To give an impression of the weighting of Trepča's affairs inside and outside of Kosovo, we have information as to the magnitude of the Trepča gross payroll in Serbia (including Kosovo) between 1996 and 2000 broken down between jurisdictions. (Table 4.) From this it appears that Trepča's activity was orientated 74.1 percent within Kosovo, and 25.9 percent within Serbia. As is also immediately apparent, the two complexes in Kosovska Mitrovica accounted by themselves for 62.9 percent of Trepča's activity in Serbia including Kosovo.

¹³⁴ Documents on the Kumane affair also include T4-1051. Mesna zajednica Kumane. Opština Novi Bečej, 22 Jan. 1999; S Pavlović-Mesna zajednica Kumane, 22 Dec. 1998; S. Pavlović-Gen. Dir. RMHK "Trepča", 17 Aug. 1998.

¹³⁵ T3-1076. Izvestaj o poslovanja RMHK "Trepča" za 1999 god." Zvečan, Feb. 2000.

¹³⁶ See below, p. 77.

Table 4. Trepča payroll, aggregate for 1996-2000.

Location	Activity	wages	taxes etc	total	
		Million dinars			%
Kosovska Mitrovica	Mining & Smelting	220.00	189.21	409.21	62.9
Peć	Batteries	5.84	4.13	9.97	1.5
Priština	Mining	24.16	21.06	45.22	7.0
Prizren	Jewellery	8.56	6.04	14.60	2.2
Podujevo	Plastics	1.75	1.27	3.02	0.5
KOSOVO				482.02	74.1
Ljubovija	Mining	9.82	9.31	19.13	2.9
Raška	Mining	14.94	14.44	29.38	4.5
Vranje	Mining	19.55	17.55	37.1	5.7
Zemun	Cooling equipment	14.08	14.35	28.43	4.4
Zrenjanin	Agriculture	3.02	2.95	5.97	0.9
Medvedja	Mining	12.27	10.96	23.23	3.6
Novi Pazar	Accumulators	4.82	4.47	9.29	1.4
Bujanovac	Accumulators	8.70	7.07	15.77	2.4
SERBIA				168.30	25.9
TOTAL				650.32	100.0

Source: Z9. Republika Srbija. Republička uprava javnih prihoda– Trepča, Belgrade, 14 Aug. 2001.

Additionally, Trepča had mining assets at Plevlje in Montenegro, which lay outside Serbia's tax jurisdiction. While the tabulated payroll assets accounted for 10,073 workers (on 16 Dec 1997) Plevlje employed 161.¹³⁷ Assuming the payroll at Plevlje was pro-rata to that in Serbia, then 27.1% of Trepča's activity lay outside Kosovo.

4.3. Labour problems under Bjelić.

Though Trepča's mines and smelters had an ethnically homogeneous labour force under Bjelić, this did not mean its labour problems were over. To restore production between 1995 and 1998, mine workers were contracted from elsewhere in eastern Europe. Undated information indicates that Trepča contracted with Kopeks (Poland) to mine 20,000 tons of ore a month. Other immigrant miners came also from Czechia, Slovakia, and Bulgaria.¹³⁸ Much of the second hand but serviceable mining equipment Kopeks brought remains down the pits, at least at Stari trg, as I saw on visiting it. If Kopeks fulfilled its contract (which is admittedly unlikely) the Poles would have mined (on the basis of 1995-98 production) about 53% of all ore raised in Kosovo. About 1,000 refugees from the former Krajina in Croatia, which fell to the Croatian army in 1995, were also recycled to Trepča.¹³⁹ Similarly, equipment belonging to

¹³⁷ T2-987, Trepča employment 16 Dec 1997.

¹³⁸ EU. Media stories file. Wall Street Journal Europe, 22 June 1998; EU Trepča making sense of the labyrinth p. 2.

¹³⁹ Z2. "Slovo o Trepči".

VDO “Ostrava” of Czechia and “Rudar” of Belgrade was brought to Trepča’s mine at Ajvalija and probably lies under water there to this day.¹⁴⁰

The long-standing shortage of mine labour was intensified as the Albanian insurgency developed in 1998. The little mining town of Stari trg and the settlements in the hills that surrounded the mine were almost entirely Albanian populated, and home to many of the Albanian miners who had lost their employment in 1989-91. These Albanians started a desultory campaign against the Stari trg mine and its Serbian employees, which by July 1998 resulted in “attack by Albanian terrorists almost every night”. The miners were armed, and “on call round the clock to help the security guards defend the mine.”¹⁴¹ Mining labour must have become in still shorter supply from May 1998 when the Poles reportedly left Stari trg, dissatisfied by the pay and worried about the insurgency.¹⁴² Probably to replace them, at least at Leposavić, Trepča brought in contractors from Bulgaria (“Ministroj Mining Compani”) whose men also brought mining equipment with them.¹⁴³

Labour relations were poor. Wages at Trepča were somewhat higher than in Yugoslavia as a whole, but this did not signify much, because as everywhere in Yugoslav industry, real wages at Trepča in the late 1990s were pitifully small. In January-March 1999, on the eve of the NATO offensive against Yugoslavia, Trepča earnings averaged 1,335 dinars a month. This was 17 percent above the Serbian average, but at February’s free market rate of 9 dinars to the Deutschemark, the wage amounted only to DM148.¹⁴⁴ When pay was very low, workers attached particular importance to the perquisite of hot meals supplied by their factory. Looking at the accounts, it appears that Trepča’s expenditure on canteen meals had been minimal before Bjelić’s arrival, but that it immediately rose from 7,000 dinars to 3.55 million.¹⁴⁵ But this may prove nothing more than the opacity of Trepča accounting. A consensus of many working for Trepča was that before Bjelić’s time the canteen meals had been very good, but that under Bjelić’s administration, they rapidly deteriorated. It seems also that he cut back other non-wage benefits,¹⁴⁶ allowed the firm’s recreational buildings to fall into disrepair, or did nothing to reverse their existing dilapidation.¹⁴⁷ He cared little about the welfare of his workers, and still less about their health and safety.¹⁴⁸ He preferred to rule by intimidation.

Bjelić was determined to extract more work from his reluctant workforce. In August 1996, he “ordered “the raising of all activities to the highest level”, setting new

¹⁴⁰ T7-1078. Trepča-“Rudar”, 25 Nov. 1999.

¹⁴¹ EU. Media stories file. BBC monitoring European – Political, London 31 July 1998.

¹⁴² EU. Media stories file. Financial Times, 29 May 1998.

¹⁴³ T4-878. Trepča Spedicija – Savezna uprava carina, Priština 29 Oct. 1998.

¹⁴⁴ T3-1076. Izveštaj o poslovanja RMHK “Trepča” za 1999 god. Zvečan, Feb. 2000. Free market rate from Ekonomist magazin, 31 Jan. 2000, p. 57.

¹⁴⁵ Z8. Bilans uspeha, 1 Jan. – 31. Dec. 1995, line 520.

¹⁴⁶ See below, p. 34.

¹⁴⁷ See below, p. 79.

¹⁴⁸ See below, p. 81.

minimum shift outputs, and toughening labour discipline.¹⁴⁹ An order was then circulated in October notifying workers that unlimited overtime could be demanded by the employer, in the event of “elemental mishap” as defined by management. Formerly this had been limited to ten hours a week.¹⁵⁰ Notwithstanding these effective extensions of working hours and work intensity, pay was irregular and in arrears.

This contributed to the outbreak of a miners’ strike at Stari trg, on 27 August 1998. This strike was organised by Tomislav Vučković, president of the Stari trg miners’ union, who had earlier been active in the defence of the mine against Albanian attacks on it. The strike broke out on 22 July and lasted till the 28th. On the 27th, Vučković allegedly harangued the miners with “a string of untruths about the business and results created at Stari trg,” and organised a strike which he had been warned a few days earlier was “illegitimate and illegal”. He then led a group of workers to the railway footbridge at Zvečan that provided access to the Trepča administrative building. “Ignoring the warning of the security service workers” by vaulting over the gate, his group poured down to this building. The door was locked, but the strikers forced the lock and entered, seeking Bjelić’s office to demand a hearing. Bjelić was not there, and a scuffle ensued with the security men.¹⁵¹ Despite the vast amount of paper used to prosecute Vučković and to discharge him, nothing more than the above was written about the cause of his strike. Quite possibly, Vučković was reacting to grotesque exaggerations by Bjelić of actual mine output, which he had used to justify substantial ex-gratia payments to certain groups of miners, while leaving the rest in the cold. The strike could be condemned as illegal because of a ruling on 5 July at Podujevo in which management and union leaders obligated themselves to ban “any kind of expression of dissatisfaction” by individuals or groups, for any reason.

Bjelić responded by sacking or re-locating the strikers.¹⁵² This was an indication that it was unwise to confront the management overtly, but workers compensated by doing as little work as they could contrive. In trying to find out why Bjelić so persistently missed his output targets, I was told that one reason was the practice of the workers to go on frequent undeclared “Italian strikes” meaning they would come to their workplaces but do no work. Resentment continued to run strongly against Bjelić, but as Bjelić had packed the company Trade Union with his own followers, there was little else they could do. Later, when the Zvečan smelter was re-opened after the NATO offensive, a re-constituted Trepča trade union emerged to call a strike, demanding payment of wage arrears, the re-instatement of people sacked, and the return to their original use of “all objects of social significance which were open to the workers before the arrival of “Dictator Novak.”¹⁵³ It was not stated what these facilities were, but suggests the further alienation of Trepča property.

Overall, Bjelić’s inability or unwillingness to maintain mine employment, especially in 1998 and up to the NATO offensive, and the passive resistance of the labour force to his rule, were significant contributory causes of the collapse of the combine’s

¹⁴⁹ T6-1010. Trepča order 23 dated 2 Aug. 1996.

¹⁵⁰ T6-1010. Trepča order 24 dated 7 Oct. 1996.

¹⁵¹ T24-3151. Trepča, OO RIF Stari Trg, 21 Sept. 1998.

¹⁵² EU. Media stories. Excerpt from B92 radio, undated.

¹⁵³ T6-1005. Information of the Trepča workers assembly at Zvečan, 13 July 1999.

output during this period, the frustration of his plans, and the failure of his arrangements with foreign partners.

4.4. Trepča's production problems under Bjelić.

Bjelić's mandate and intention in 1995 was to get all Trepča's facilities up and running again. This extended to the mining sector as well as the smelters. The initial funds scraped up from the sale of scrap, state assistance and bank credit were vital in getting the works started again, but as the management recognised, serious re-investment called for large amounts of foreign funds. Bjelić did not think small. In May 1996, Metalchem International of London visited Trepča, and following this visit, Bjelić sent the firm a list of 15 projects for which he sought foreign investment, whose realisation required an estimated \$191.8 million of investment. The projects were not accompanied by any analysis. Some seem eccentric and only vaguely related to Trepča's business, such as the building of a factory to make X-ray film (\$15 million).¹⁵⁴ To my knowledge, these proposals did not lead to any investment contracts.

Table 5 throws light on Trepča's production problems, bearing in mind that the mines were critically short of labour and working capital. Between 1994 and 1998, mine output recovered spectacularly, from 72,000 tons to 633,000 tons, but after 1997 the quality of the ore collapsed. Up to 1995, the amount of activity in the mines was minimal, and it certainly did not include the necessary current investment works to safeguard future yields. Bjelić wanted maximal production for minimal effort. Therefore, easily accessible deposits were extracted, while waste extraction and infilling operations were neglected, so the capacity of the mines to deliver high yielding ore could not be sustained. Former Kišnica mine manager Tiosav Lazarević has also suggested that the new equipment brought in under Bjelić was of a size and type inappropriate to the ore bodies worked. Having driven up extraction grades in 1995 and 1996, these fell sharply in each of the following three years. One can see this through the collapse in yields in 1998, the year when the Polish contract workers left the mines. Even with markedly diminished ore extraction in 1999, the extraction rate fell even further, suggesting that much unrewarding work was going to be needed before the mines could be returned to normal production capacities.

¹⁵⁴ Z12. Trepča – Metalchem, 6 May 1996.

Table 5. Output of the Trepča mines in Kosovo, 1994-1999.

	Stari Trg			Kišnica Novo Brdo			Kopaonik (Leposavić)		
	Tonnes Mined	Lead Grade%	Zinc Grade%	Tonnes Mined	Lead Grade%	Zinc Grade%	Tonnes Mined	Lead Grade%	Zinc Grade%
1994	32,475	2.72	3.32	26,125	2.84	4.13	13,663	5.26	4.76
1995	125,761	3.44	4.86	47,566	3.37	4.31	86,448	5.22	3.62
1996	181,809	3.87	6.72	102,641	5.09	4.68	111,225	4.59	3.38
1997	257,888	2.78	5.09	117,201	3.99	4.86	138,881	3.57	2.64
1998	311,315	2.52	3.81	143,178	2.42	2.37	178,365	4.28	1.98
1999	87,296	1.82	1.82	49,490	2.29	1.93	105,640	3.39	1.54

Trepča Kosovo					
	Tonnes Mined	Contained Lead	Contained Zinc	Lead Grade%	Zinc Grade%
1994	72,263	2,343	2,810	3.24	3.89
1995	259,775	10,448	11,291	4.02	4.35
1996	395,675	17,363	20,782	4.39	5.25
1997	513,970	16,801	22,471	3.27	4.37
1998	632,858	18,964	18,777	3.00	2.97
1999	242,426	6,309	4,167	2.60	1.72

Source data: Lazarević, Brief History of Trepča. (xl file).

Curiously enough, Bjelić never alluded to the deterioration in metal content of the ore raised in explaining to his purchasers why he could not meet their contracts. He was however, well aware of the need to import concentrates to keep the smelters working, and tried to get concentrates delivered on credit as part of his contracts with metal purchasers.

For the period 1995-99, Bjelić claimed that over \$60 million of new fixed investment was put into Trepča, in the form of mining machinery, transport, repairs carried out in both metallurgical factories, and the construction of new capacity in zinc processing.¹⁵⁵ It is not possible to verify this, but it is not unlikely. Most of the funds came from his foreign partners.

His priority was to get mining machinery to make good the shortage of labour at the mines. So Trepča developed business links with the Swedish engineering firm Atlas Copco in order to purchase the mining equipment. On 11 July 1996, Bjelić and Atlas Copco's Veiko Suvanto signed a contract for \$21.5 million of mining equipment. This was to be delivered between then and the end of 1997. However, Trepča told Atlas Copco it must take at least half the payment in the form of Trepča products. Bjelić claimed he achieved, over many months of negotiation, exceptionally favourable terms for Trepča.¹⁵⁶

This pattern was also followed in a deal with Volvo for \$2.5 million worth of ore transporters and other equipment, signed on 16 October 1997 at Zvečan between

¹⁵⁵ EU. file Trepča ownership and debt. Bjelić confidential memorandum, survival of a united Trepča, Oct. 1999.

¹⁵⁶ Trepča, 28 Jun. 1996, p. 1.

Bjelić and Tom Jörning, Volvo's marketing director. Trepča wanted and secured "good credit terms". Trepča also expected to order a further \$5 million of Volvo equipment in 1998. Trepča wanted to pay Volvo with radiator systems and accumulators supplied by its manufacturing subsidiaries. Both sides regarded this contract as more than a supplier-purchaser deal – rather, in Volvo's case, as a form of partnership with Trepča.¹⁵⁷ In December 1997, Bjelić expected the imminent delivery from Volvo of "another 17 loading transport machines," which he anticipated would markedly increase mining production.¹⁵⁸ In March 1998, Trepča informed Volvo it wanted another 12 trucks to be paid for 50% on credit and 50% through a counterpart delivery of vehicle systems to be made by Ikaterm.¹⁵⁹

However, investment expenditure had to be deflected from the mines to the smelters, because efforts to produce metals to meet Trepča's contracts were continually frustrated by breakdowns in the worn out and under-maintained equipment. The new loading transporters "would cause more need for provision of an intensive cycle in metallurgical production," in other words Trepča would be forced to spend more heavily on its smelters, and wanted more finance for this purpose.¹⁶⁰ Smelter refits were expensive and unpredictable. In one communication of 1997 to a purchaser towards whom Trepča was in arrears on its obligations, his engineers wrote "you can imagine that when individual pieces of equipment are dismantled after many decades of work, it's logical there will be surprises, most frequently unpleasant."¹⁶¹

The principal source of finance for mine machinery and the refitting of metallurgical equipment came to be Mytileneos SA of Athens, which was headed by its founder, Evangelos Mytileneos. Mytileneos (as discussed below) bought Trepča metals and supplied concentrates on credit terms, and became Trepča's main foreign trading partner. It appears that Trepča lacked the funds to complete its order to Atlas Copco, for there was still in December 1996 an outstanding order for Atlas Copco equipment of about \$4.1m. So Mytileneos, frustrated by Trepča's failure to meet its deliveries, agreed through its subsidiary Stanmed Trading Co., to deliver the equipment to Trepča under the conditions that had been agreed between Trepča and Atlas Copco and without any surcharge.¹⁶²

In a long-term contract of May 1997, under Article 9 on Financing, Mytileneos undertook to provide Trepča with \$16.5 million as turnover funds for 5-year period, to be payable at or soon after signing. With this money, equipment to the value of \$19m. was to be procured for cash and credit.¹⁶³ There was by now a shift in emphasis. In summer 1997, there was a serious breakdown at the zinc smelter. Bjelić was under the impression that Mytileneos would help with procurement of cathodes, the lack of

¹⁵⁷ Trepča, 27 Oct. 1997, p. 1.

¹⁵⁸ T3-1126, Bjelić-Mytileneos, 2 Dec. 1997.

¹⁵⁹ T1-809, Trepča-Volvo (Tom Jörning) 30 Mar. 1998.

¹⁶⁰ T3-1126, Bjelić-Mytileneos 2.12.97.

¹⁶¹ T3-1126. Valjarević, Milenković, Trepča – Doumanoglou, Mytileneos 28 aug. 1997.

¹⁶² Z4. Mytileneos – Geneks, Trepča (Bjelić), 11.12.96.

¹⁶³ Z1. Contract 10.091/97, signed in Athens, 5.5.97.

which “you promised unequivocally to solve together with us.” Mytileneos’ supposed failure to solve this problem made production of electrolytic zinc impossible.¹⁶⁴

Mytileneos was very annoyed by the breakdown, which was more serious than Bjelić had led him to believe. Despite this he assisted financially in the refit.¹⁶⁵ But the following year, the zinc smelter broke down again, leading to short delivery, and it needed an overhaul, which would cost \$3 million, with 30 percent import content.¹⁶⁶ This time, Mytileneos agreed to finance the import content, by paying the suppliers of spares and passing them on to Trepča, but he expected the other 70% to be secured domestically, from government or the state banks.¹⁶⁷

The agreement did not go through right away, because of difficulties in obtaining this domestic finance.¹⁶⁸ Mytileneos sent a Finnish contractor, Outokumpu, down to Trepča, to advise him on the zinc smelter’s problem.¹⁶⁹ It reported that “catastrophic damage” had been caused by the failure of a crane, which had tipped its load of electrodes onto a line of cells, cracking their concrete foundations. By inference it appears they were then crudely patched up, but the damage resulted in so massive a leakage of electrolyte as to render its quality impossible to control, forcing the refinery to shut down.¹⁷⁰ The refit subsequently went through, but after that, Mytileneos no longer cared to finance any further Trepča debt.

This was hardly surprising. To generalise, Bjelić managed to secure significant foreign funds to invest in Trepča’s mines and metallurgy, and maybe really did spend \$60 million on them. This in no way solved the problem of collapsing mine output, and may not have left the metallurgical works in much better condition than he found them. Outlays exceeded expectation, because of the fragility of the worn out equipment, and they left behind them a trail of unpaid debts, not only to Mytileneos but also to Atlas Copco (\$100,000) and Volvo (\$2.35 million).¹⁷¹ But borrowing and failing to repay had always been the Trepča way.

5. Trepča’s foreign deals, 1995- March 1999.

The discussion above on capital investment has shown how highly orientated Trepča had become to business on the international market. This had not been the case in the past. In the 1970s, the intention of the investment wave had been that, as a raw material producer, Trepča should strengthen its links with domestic manufacturing. In the 1980s, export trade had been mainly orientated to the Soviet clearing bloc, because in dinar terms, the bloc’s prices usually exceeded those on the world market. In the Bjelić era, this alternative did not exist. His primary concern was to export

¹⁶⁴ T3-1126. Valjarević, Milenković, Trepča – Doumanoglou, Mytileneos 28 Aug. 1997.

¹⁶⁵ See below, p. 45.

¹⁶⁶ EU. This is Trepča. Milosavljević, Jugobanka – Mytileneos, 5. Apr. 1998.

¹⁶⁷ T1-802. Mytileneos-Jugobanka, 7 May 1998.

¹⁶⁸ EU. This is Trepča. Borka Vučić, Beogradska Banka – Mytileneos 11 Jun. 1998.

¹⁶⁹ EU. This is Trepča. EeroTuupa, Outokumpu – Mytileneos, 15 Jun. 1998.

¹⁷⁰ T6-1013. Outokumpu-Mytileneos, 10 Jun 1998.

¹⁷¹ T24-3993. Protokol o regulisanju odnosa izmedju Jugobanke ... i Trepče, undated.

commodity metal onto the world market. The opportunity to do so presented itself in late 1995, when UN sanctions were suspended and Trepča was free once more to seek international business. The USA, while doing its deal at Dayton with Milošević, suddenly favoured Yugoslavia, and on 26 October, Charlie Lee, First Secretary at the US embassy in Belgrade, visited Trepča to talk about future co-operation with United States firms, linking this to the success of Dayton.¹⁷² This seems to have sent a green light to metal traders internationally that engagement with Trepča was now to be encouraged by the United States administration.

Yet supplies of metal were still needed by domestic industry, including Trepča's own battery factories. But these were accorded a very low priority – indeed Bjelić seems to have deliberately starved these factories of inputs. In 1997, he instructed his managers that metals should be used exclusively for supplying foreign partners who were financing Trepča with credits, and could not be supplied to Trepča's industrial subsidiaries, presumably the battery factories. The tone of the order and the threats which accompanied it imply strongly that supplies had been sent to the battery factories without his authority.¹⁷³ His determination to isolate the battery factories from their metal inputs may also explain a curious conflict which developed between him and his principal purchaser, the Greek industrialist Evangelos Mytileneos. In the spring of 1998, the Jagodina cable factory and the RTB Bor copper mine, both of which had drawn supplies of metal from Trepča, and now lacked raw material, were begging Mytileneos to send them metal his company had taken from Trepča. They even had licences to purchase it, but Bjelić was implacably opposed to supplying them, and refused to let Mytileneos do so either. He offered no convincing reasons for his refusal, only high minded waffle.¹⁷⁴ One is forced to suspect a concealed motive for this stance.

During the period 1995 to 1998, RMHK "Trepča" dealt on a significant scale with a number of foreign companies, apart from its suppliers. The most important contracts related to the sale of Trepča products, particularly its principal metals, refined lead, zinc and silver. In 1995, there was no great financial pressure on Trepča that might make difficult the financing of production of these metals, because it was supplied by the banking system with the credits it needed, but by 1996, it was slumping back into illiquidity. Therefore, in order to finance its turnover, Trepča management wanted deals with which to pre-finance production, and it turned away prospective business partners who offered only to pay for Trepča products on delivery. The international metal traders with whom Trepča negotiated were not accustomed to doing business on these terms, but some saw an opportunity here, because the quid pro quo for prepayment was a discount which varied according to the individual contracts at between 3% and 5% on London Metal Exchange prices at or around the time of delivery after adjustment for transport costs to the Yugoslav frontier, as well as earning interest at one or two percentage points above LIBOR. Trepča, as Novak Bjelić never tired of explaining to the international metal traders, was not a "supermarket" from which customers bought for cash, so they would have to learn to

¹⁷² Trepča, 30 Oct. 1995, p. 8.

¹⁷³ T6-1010. Order no. 34. Trepča, 21 Jul. 1997.

¹⁷⁴ T1-802. Mytileneos-Bjelić 24 Feb. 1998; Trepča, (Bjelić)-Mytileneos, 25 Feb. 1998; Mytileneos-Trepča (Bjelić), 19 Mar. 1998; Trepča-Mytileneos, 20 Mar. 1998.

trade the Trepča way, with pre-payment discharged later by deliveries of metal. He did not add that this merely reflected Trepča's illiquidity, and its inability to finance its own production.

Additionally, having discharged so many Albanian miners, and being unable to replace their output, Trepča needed to import concentrates to supplement those it could still secure from its mines, so as to use more of the capacity of its smelters. There is an international market in concentrates, which enables mining firms to trade surpluses they cannot smelt, and smelters to buy in raw material. These transactions normally take the form of "tolling" of concentrates by the smelters, that is to say, processing them for the supplier for an agreed fee. Trepča did not enter tolling arrangements. Rather it looked for "conversion contracts" in which the supplier would provide the concentrates on 90 day credit, and Trepča would then sell the metal back to the concentrate supplier, to discharge the debt. As a result, Trepča never knew with precision how much metal it would need to deliver on any given contract, because it never sold metal forward, but accepted the spot price at the time of delivery. When metal prices dropped sharply, as they did at the end of 1997, the effect was to leave Trepča short on its deliveries, because it was unable to produce the unanticipated extra quantity of metal to cover the fall in unit prices. This was far from being the only reason for Trepča's consistent inability punctually to meet its delivery obligations. Trepča policy was to try lock its trading partners into long term agreements, in which the partners would tolerate a certain amount of irregularity, in order to keep receiving deliveries at a discount. This led to the signing of contracts which were complex in their provisions, but always involved the receipt by Trepča of credit. Since Trepča seldom completed its obligations on time, this gave rise to foreign claims against the assets of Trepča and its bank guarantors, claims which remain alive today.

These credit contracts also invited moral hazard. It was attractive for Trepča to get cash in advance of production, rather than refuse new credit business because it lacked the capacity to discharge its delivery obligations. It would take the money and hope that somehow it could later satisfy the client, or get delivery terms rescheduled. One client, Osprey Meridian Metals of London, which signed a pre-payment contract with Trepča on 26 Mar. 1997 for 14,400 tons per year of lead, 18,000 tons of zinc and 36,000 kg of silver,¹⁷⁵ broke off dealing with Trepča when it learned that Trepča had entered a big pre-payment contract with the Mytileneos firm of Athens. It calculated that Trepča had committed "almost all" metal capacities to Mytileneos, so could not meet both contracts simultaneously.¹⁷⁶ Bjelić replied unconvincingly that the Mytileneos contract only engaged "a third of our potentials" – whatever that meant.¹⁷⁷ Even more seriously, Bjelić could gamble on the possibility that the advance payment might not be needed to discharge the enterprise's commitments, leaving him free to alienate the funds towards channels unrelated to Trepča's business. Instances of this are given below.¹⁷⁸

¹⁷⁵ Z1. Contract of 26 March 1997, Trepča and Osprey Meridian.

¹⁷⁶ T6-1006. Osprey Meridian – Bjelić, 6 June 1997; EU. This is RMHK "Trepča".

¹⁷⁷ T6-1006. Bjelić-Osprey Meridian, 10 June 1997.

¹⁷⁸ See below, p. 63

The case studies below, on Trepča's relations with four important foreign partners, Mytileneos, SCMM, Newco and Trafigura, show how Bjelić handled his relationships with them, and with what outcomes. They show too how unreliable Trepča was as a contractual partner, and how worthless were the assurances that Bjelić offered. Yet Bjelić represented himself as a man of his word and demanded his partners' total trust. There was an excuse for every failure, which somehow got twisted round to demonstrate Trepča's triumph over adversity, while the complaints of the trading partner were made to look like unreasonable and ill-informed criticisms stemming from ill-will or ignorance. To take one example of this, in 1997, Trepča processed lead concentrate supplied by a Swiss metal dealer, Euromin, which was concerned by discontinuity of deliveries. A steam boiler breakdown on 27 February caused an interruption in lead deliveries, but Bjelić only thought fit to inform the client on 10 April, because "by taking extraordinary action to rectify the breakdown, we appraised that we can compensate the lost time and it's not necessary to alarm you for the sake of your peace." Anyway, (in Bjelić's view) the boiler breakdown was force majeure, so it could not be held against Trepča.¹⁷⁹ In July, another breakdown at the lead smelter was announced as force majeure too, and Bjelić berated Euromin for "your persistent insistence on your particular illogical requirements" because Euromin refused to accept deliveries of zinc in place of lead.¹⁸⁰

Most of Trepča's major deals were brokered domestically by the foreign trade house Geneks (Generaleksport) of Belgrade, which at that period was under the leadership of Andrija Dozet. Geneks' role in the subsequent foreign dealings of Trepča, especially with the Mytileneos company, was highly significant to ensuing events. In 1989, Dozet was appointed as Geneks general director, after speculations by his predecessor had undermined Geneks' finances. His appointment was the work of Milošević, who wanted to bring Geneks under his own control. Geneks and Trepča worked closely together, so much so that in 1996, Dozet expressed his desire that Geneks should become a member of the Trepča group.¹⁸¹ Dozet, by then a supporter of Mira Marković Milošević's far left racketeer party, JUL, packed Geneks top management with other incompetents, and Geneks became known as a JUL enterprise.¹⁸² Able employees left, some of them taking assets belonging to the enterprise. The directors passed business through a network of private firms and left Geneks with the burden of the debts. On the figures given, Geneks business activity declined by about 95 percent by 1998. Thus Geneks under Dozet was a ruined and heavily indebted enterprise whose directors maintained their comforts and perquisites through continual sales of the enterprise's assets.¹⁸³ One of these was the Belgrade Intercontinental hotel, which was, of course, mortgaged¹⁸⁴ and somewhat run down, but by Serbian standards, a highly attractive property.

¹⁷⁹ Z13. Trepča – Euromin, 16 Apr. 1997.

¹⁸⁰ Z13. Trepča – Euromin, 24 July 1997.

¹⁸¹ Trepča, 29 Apr. 1996, p. 1.

¹⁸² Vreme, (Belgrade) 20 Mar. 1999, p. 14.

¹⁸³ Nedeljni Telegraf, (Belgrade), 10 Jan. 1996, p. 6; 17 Jan. 1996, pp. 7-8; 13 May 1998, pp. 6-7.

¹⁸⁴ Z3. Mytileneos-Trepča (Bjelić) and Geneks (Dozet) 13 Jan. 1999.

On the finance side, Jugobanka of Belgrade was usually also a signatory to Trepča's foreign deals. Jugobanka underwrote the guarantees needed by creditors, to ensure (in theory at any rate) that if Trepča failed to deliver on its obligations, Jugobanka would cover the shortfall. As a not very solvent bank Jugobanka was hardly an ideal guarantor, and this was to cause problems with some partners and the banks that financed them. Its General Director, Miloš Milosavljević, is generally represented as having a clean pair of hands, but as will be shown¹⁸⁵, Milosavljević was informed in detail over the more suspect of Bjelić's deals, and indeed had a hand in organising them.

The salient facts concerning Trepča's foreign deals are itemized below.

5.1. Mytileneos company.

At the time of Charlie Lee's 1995 visit, the Combine claimed that businessmen were "every day besieging Trepča, offering goods and services, and seeking its products."¹⁸⁶ Allowing for hyperbole, it is clear that Trepča's international business activity was indeed picking up rapidly.

In November 1995, Trepča signed a contract at its Belgrade office with Mytileneos SA of Athens, for the export of Trepča products valued at \$51m.¹⁸⁷ The contract was to run for two years, during which Trepča would deliver 42,000 tons of lead, 8,400 tons of zinc and 50,000 kg. of silver.¹⁸⁸ It was envisaged that this would account for one fifth of Trepča's exports, and on this basis Mytileneos handed Trepča an advance payment of \$5 million.¹⁸⁹ The attraction for Mytileneos was a discount of 5% on LME price for lead and 4% for Zinc. Between then and September 1996, Mytileneos appears to have released to Trepča (or "invested" in it) a further \$25 million. These funds were admitted by Trepča to have provided indispensable financial support, without which it could not have got production restarted.¹⁹⁰

Mytileneos SA was founded as a family firm in 1990. It expanded with great rapidity and in the early 1990s it secured prominence in the Greek market for lead and zinc. In the first half of 1996, the company earned a profit of 577 million drachmas, in the first half of 1997, 1,134 million, probably around £2 million.¹⁹¹ Mytileneos was an empire builder, and saw in the Balkans an exciting field for expansion.

Mytileneos seems to have had connections with Trepča that extended back before the suspension of sanctions. There is no evidence that he had engaged in sanctions busting in association with it, though this was commonplace among Greek firms. Federal Prime Minister Kontić, in his official speech at the signing, praised Greece for its support during the sanctions period, and expressed gratification that the contract

¹⁸⁵ See below, p. 63.

¹⁸⁶ Trepča, 30 Oct. 1995, p. 1.

¹⁸⁷ Trepča, 25 Dec. 1995, 1; 30 Sept. 1996, 2.

¹⁸⁸ Z3. Trepča - Mytileneos contract of 10 Nov.1995, recapitulated 9 Dec. 1998.

¹⁸⁹ Trepča, 25 Dec. 1995, p. 3.

¹⁹⁰ Trepča, 30 Sept. 1996, p. 2.

¹⁹¹ Trepča, 25 Jul. 1997, p. 2; EU. Takeover process. 25 Aug. 1999 Trepča: Making sense of the labyrinth.

had been “concluded with a partner who during the time of sanctions had good relations with Trepča.”¹⁹²

This contract “obligated Trepča to increase production several fold”.¹⁹³ Accordingly, the Combine’s 1996 plan included the mining of one million tons of ore.¹⁹⁴ This was ambitious, since Kosovo had not mined so much ore since 1989. In 1995 it had mined 261,000 tons, and in 1996 it was only to mine 395,000 tons.¹⁹⁵ Even with the production of its Serbian mines, Trepča was bound to be stretched in meeting the contract terms.

Bjelić was to announce in September 1996 that Trepča had completed the first year’s deliveries to Mytileneos four months early, by supplying his company with \$18 million worth of metal. This, at any rate, was the gloss put on the deal by Trepča, the combine’s newspaper.¹⁹⁶ It does not, however, accord with the documentary evidence. In February, Trepča had already slid into unplanned as well as planned debts with Mytileneos, who wrote to him “Can I clarify that the supplementary and extra short term financing agreed at Mitrovica Wednesday is a further gesture of personal goodwill to you and Trepča and should not be viewed as a condition for continuing to fulfil your obligations towards the main contract signed 15 Dec. 1995”.¹⁹⁷ In April, Mytileneos was complaining of continued short deliveries, and of inadequate product quality.¹⁹⁸ In August, only one month prior to the agreement, Mytileneos was complaining at Trepča’s worsening lag in delivery times. “Despite your assurances the lead shipments get worse every day,” he wrote. “They were slow during the early weeks of August and we have received only 19 of the 30 trucks promised.” This was causing Mytileneos problems with his own clients. “Speed up deliveries!” he pleaded.¹⁹⁹

Notwithstanding this problem, he told Bjelić he would still work with him “on the basis of our first discussions for 1997”.²⁰⁰ So despite Trepča’s inability to deliver according to contract, Mytileneos signed a second and larger contract with Bjelić on 24 September 1996, valued at \$135 million for the period 1997 and 1998. Mytileneos would extend Trepča an advance of a further \$6m. within a few days of signing, and the Combine would receive a further credit from Jugobanka of \$2m. Interestingly this \$2m credit was to be secured on a personal guarantee by Bjelić, which shows that he had by then acquired considerable personal wealth.²⁰¹

¹⁹² Trepča, 25 Dec. 1995, p. 3.

¹⁹³ Trepča, 25 Dec. 1995, p. 12.

¹⁹⁴ Trepča, 29 Jan. 1996, p. 1.

¹⁹⁵ Industrija SR Srbije, 1989, p. 30 and 1996, p. 31.

¹⁹⁶ Trepča, 30 Sept. 1996, p. 2.

¹⁹⁷ Z3: Mytileneos-Trepča, Bjelić, 23 Feb. 1996.

¹⁹⁸ Z3:Mytileneos (A Doumanoglu)- Geneks (Zunić) 26 Apr. 1996.

¹⁹⁹ Z3. Mytileneos-Trepča, Bjelić, 27 Aug. 1996.

²⁰⁰ Ibid.

²⁰¹ Trepča, 30 Sept. 1996, p. 2.

Now the 5% discount on LME metal prices which Mytileneos secured in his dealings with Trepča was undoubtedly an incentive to stay in co-operation, but only if Trepča could meet its undertakings. However, Mytileneos had been given no good reason to suppose that Trepča was going to meet its future commitments any better than it had met those in the past, and Mytileneos was already obliged to extend his guarantees. Sending an annex to the contract, extending delivery time, he commented, “I only wish to God that this is the last annex we have to sign.”²⁰² So one must infer that as early as September 1996, Mytileneos was embarking on the high-risk strategy of letting Trepča slide into debt, as a means of providing leverage for a contemplated debt – equity swap which would secure him control of the combine.

Indeed by the spring of 1997, he started to make his intention more overt. He attended the Combine’s annual shareholders meeting on 14 March 1997 at Zvečan. In an address to it, he said, “in the process of co-operation we have become more than ordinary business partners of the Combine.” He foresaw that Trepča was going to need further heavy infusions of finance, from the Yugoslav banks and the government, as well as from its business partners. Accordingly “my company has decided to further support Trepča financially, for its own and our own better future.”²⁰³

As a result, the Mytileneos Company signed a third contract with Trepča, this time for a five-year term, at the Greek Economics Ministry in Athens on 5 May 1997. The press announced that over the five years, Trepča would supply Mytileneos with lead and zinc to the value of \$350 million, while Mytileneos would provide Trepča with \$150 million of ore concentrates and \$19 million of mining equipment. On this basis the contract was declared to be worth \$519 million.²⁰⁴ Quick arithmetic shows that Trepča was to supply \$350 million of value, Mytileneos, \$169 million, but this would be misleading. Mytileneos would pay for all of Trepča’s deliveries, in advance, and the concentrates supplied by him would provide partial payment. The \$19 million would also be an advance payment, to be returned on completion of the contract. Bjelić greeted the contract with extravagant enthusiasm, hailing it as “the project of the century,” (a term which had recently been used to hail a number of other misbegotten Yugoslav ventures).²⁰⁵ As Borissav Gazivoda of the National Bank of Yugoslavia correctly observed at the signing, the venue, and the presence of host government officials and others signified the importance the Greek government attached to this deal, and to its relations with Yugoslavia.

On this occasion, Mytileneos was explicit about his future ambitions concerning Trepča. “We must understand that investments and co-operation with our friends in the Balkans should be on a long term basis for mutual benefit. As far as this contractual agreement is concerned, I want to emphasise that what we have done today is only an “engagement”. I hope that in the course of our five year co-operation will follow a wedding and marriage.” He further noted that the privatisation law “soon to be announced” would “offer opportunities to all who want to co-operate with Yugoslavia.” Mytileneos shares on the Athens bourse promptly jumped by 13 percent.

²⁰² Z4. Mytileneos-Bjelić, 1 Oct. 1996.

²⁰³ Trepča, 31 Mar. 1997, p. 1.

²⁰⁴ Trepča, 26 May 1997, pp. 1-2.

²⁰⁵ Trepča, 26 May 1997, p. 3.

In response, Geneks' boss Andrija Dozet endorsed Mytileneos' view of the future by remarking that "we are perhaps making a step further and have a new partner in the transformation of our property."²⁰⁶

With this expectation, Mytileneos allowed Trepča to run up further heavy debts. In July, Bjelić told Mytileneos that the lead and zinc smelters and the power plant had had to be closed for an overhaul, and notified him that he wanted to draw on the \$19 million set aside in his agreement for new mining machinery in order to pay the projected \$3.9 million overhaul cost.²⁰⁷ But Trepča was already overdue on metals deliveries to the extent of \$3 million on its current contract with Mytileneos. This was partly intentional, for (at that time unknown to Mytileneos) Bjelić was delivering metal to Euromin, but not to Mytileneos, probably in order to encourage Euromin to sign a new \$10 million pre-payment contract.²⁰⁸ Mytileneos, at the time away from his business, rushed back to work, vexed that Bjelić should try to dump Trepča's own financial problems onto him, that is to say, instead of refunding him the money he was owed because of Trepča's failure to meet his delivery obligations, he was trying to extract a further unanticipated loan. No, wrote Mytileneos, the \$19 million had not been agreed for refitting the works, and anyway, the 1997 allocation had already been spent. Yet, the tenor of the letter was more of sorrow (and forgiveness) than of anger. "Dear Novak," he wrote "you know I always stand by your side and always do my best for our common cause. But there are limits...". He would roll over the \$3 million outstanding, which would help to meet the cost of the overhauls, and secure a supply of replacement cathodes. "Dear Novak," he repeated for the third time, in concluding his letter, "the above is sent in full knowledge that you are never happy with what we do".²⁰⁹

Late in August Mytileneos renewed his complaint about about Trepča's failure to meet its contract, and the accumulation of new debt, and threatened again to rescind the contract unless there was an immediate improvement.²¹⁰ His representative visited Jugobanka, protesting non-delivery of the metal, and evidently found out that Euromin had been receiving Mytileneos' metal, even though Mytileneos had paid for it in advance.²¹¹ Mytileneos was furious. He reckoned this was a form of blackmail on Bjelić's part, to force him to finance the refit. "I fully respect your decision, but I do not respect your business practice," he wrote, and he threatened to rescind the contract.²¹² Two days later, he again accused Bjelić of improper business practice and of treating him "like a piece of shit".²¹³ Again, he threatened to rescind, but in fact let Milosavljević of Jugobanka help restore his relations with Trepča to normal. Granted that Mytileneos was a kind man, and that he liked Bjelić despite the "catastrophic

²⁰⁶ Trepča, 26 May 1997, pp. 1-2.

²⁰⁷ T5-800. Bjelić-Mytileneos, 22 July 1997; Trepča internal memorandum, Rutić – Bjelić, 22 July 1997, probably sent as an attachment to this letter.

²⁰⁸ T5-800. Jugobanka-Trepča (Bjelić), 29 Aug. 1997.

²⁰⁹ T5-800. Mytileneos-Bjelić, 23 Jul. 1997.

²¹⁰ T3-1126. Mytileneos (Doumanoglou) – Trepča (Dimitrijević) 27 Aug. 1997.

²¹¹ T5-800. Jugobanka-Trepča (Bjelić), 29 Aug. 1997.

²¹² EU. Mytileneos-Bjelić, 2 Sept. 1997.

²¹³ EU. This is RMHK "Trepča. Mytileneos-Bjelić, 4 Sept. 1997.

business” that this episode represented to him, his continued complaisance towards Bjelić’s behaviour and the unplanned escalation of his firm’s exposure to Trepča debt must surely indicate that he thought the episode advanced his plans to take the Trepča combine over.

Bjelić, however, did not any longer relish the combine’s being brought under Mytileneos’ control. In December 1997, he emphasised that Trepča was “a Serb and Montenegrin, that is, Yugoslav company,” whose value was such that “no single partner is in a position to buy it. It can only participate in its development as at present.”²¹⁴

This coolness towards Mytileneos seems to have arisen as a result of an article in the Belgrade evening daily, Večernje novosti. It picked up a report by the Beta press agency, to the effect that Trepča was failing to meet its obligations “even remotely” to Mytileneos under its \$519 million contract of April 1997. The report originated from a source near the top of the Trepča hierarchy, who asked for the protection of anonymity. Mytileneos was not getting the deliveries of metal on which he had counted, and nor, to that matter were Trepča’s numerous other creditors. 160 court orders for payment of debts were outstanding, and Trepča was on the point of falling into Mytileneos’ hands in distraint for debt.²¹⁵ The article did not state that Mytileneos was already “in the procedure of converting debt into shares, by which Mytileneos will have a controlling packet of shares” but comment in Trepča’s works newspaper says precisely that – possibly citing the original Beta report.

Mytileneos did not like what he read. In a letter reaching Trepča on 10 November 1997, he denied that Trepča was falling behind on its obligations, nor did he expect it to do so. Yet the events of July and August had shown that the report was substantially true. But he still wanted control of Trepča and in his letter responding to the Večernje Novosti article he insisted that “as far as privatisation is concerned,” he enjoyed the right to priority purchase of shares, and when this time arrived, he “would be consulted”.²¹⁶ A few weeks later, as Trepča’s most important business partner,²¹⁷ he expressed the “hope of co-operation towards a sale [of Trepča] when ownership transformation comes”.²¹⁸

On 10 March 1998, Mytileneos was present at the session at Zvečan of Trepča’s management committee. After hearing the usual storm of congratulation centred around Bjelić and his achievements on behalf of Trepča, Mytileneos sounded a cautious note about the plans for the future, indicating concern about the safety of the funds he had put into the enterprise. “There is no doubt” he said, that Trepča possessed the “human potential” for fulfilment of its ambitious plans, but heavy investment was also needed in mine and smelter modernisation. “Our company is willing to support Trepča further, but Mytileneos alone is not enough”. Yugoslav and Serbian government funds would have to be pumped in to the combine, and into

²¹⁴ Trepča, 9 Dec. 1997, p. 20.

²¹⁵ “Trepča već Grčka,” Večernje novosti, 7 Nov. 1997, p. 10.

²¹⁶ Trepča, 9 Dec. 1997, p. 20.

²¹⁷ Trepča, 26 Dec. 1997, p. 3.

²¹⁸ Trepča, 26 Dec. 1997, p. 3.

“solving the problems of Kosovo and Metohija” – an allusion to the rapidly deteriorating security situation and incipient Albanian armed unrest in the province.²¹⁹

By 1998, Mytileneos had expanded his business hugely. He acquired banking interests, and his subsidiary company, Metka, secured defence contracts from the Greek government for submarine and missile production. By 1998, Mytileneos company's turnover had reached a reported 6.6 billion DM. Mytileneos also extended his dealings in Serbia far beyond Trepča. In December 1996, he was appointed to board of OTE, the para-statal Greek national telecommunications company,²²⁰ and he was to play an important role in the purchase for about \$1 billion of 49% of the shares in Telekom Srbija by a consortium between OTE and STET, its Italian counterpart. The deal was concluded in June 1997.²²¹ In the winter of 1998 he talked to Radio Televizija Srbija as OTE's representative in Serbia. Metka also became involved with EPS, the Yugoslav state electric power company, which the Milošević government also wanted to privatise, following the success of the Telekom Srbije deal.²²² He also negotiated with Mrs. Borka Vučić, General Director of the Beogradska Banka group, and (informally) Milošević's trusted financial laundress, on the privatisation of Slavija Banka and a cement mill.²²³ The sums involved in the deals with Trepča, with RTB Bor, and with other Balkan mining enterprises were large in proportion to the capacities of the Mytileneos company, particularly as the Yugoslav mining enterprises were heavily in debt to it.

The scale of Mytileneos' investment into Yugoslavia made him the spearhead of Greek penetration into that country, and as we have seen from his activities above, he worked closely with the Greek government, which shared his ambition to bring the Balkan countries into a kind of Greek economic sphere. Greece's ambitions in Yugoslavia sat uneasily with the stance of the European Union, which tried to place sanctions on Yugoslavia in 1998, because of the Kosovo crisis. This threat to Greek business interests caused Mytileneos to found in 1998 the Greek-Serb business council, sharing its presidency with Borka Vučić.²²⁴ Apparently he was given a guarantee by the Greek government to support his investment in Trepča, but that when the business collapsed and he tried to cash it, this government found reasons for withholding it.

The Mytileneos company also entered into business with Serbia's other non-ferrous mining group, the RTB Bor copper mining and smelting complex. This was one of Serbia's largest enterprises with 20,000 employees. Reportedly Mytileneos entered with the RTB Bor in February 1998 into a seven year agreement “with potential of \$1

²¹⁹ Trepča, 11 Mar. 1998, p. 3.

²²⁰ EU. Take over process. “Trepča: making sense of the labyrinth”.

²²¹ Michael Palairat, “The Economic Consequences of Slobodan Milošević,” Europe-Asia studies, 53 (2001) p. 914.

²²² EU. Takeover process. 25 Aug. 1999. Trepča: Making sense of the labyrinth.

²²³ Vladimir Milanović, “Čija je Trepča” Vreme, 10 July 1999, p. 11. The reference to financial laundering is drawn from Mladjan Dinkić, Ekonomija destrukcija. Velika pljačka naroda. (2nd. ed. Belgrade, 1995) p. 146.

²²⁴ EU. Takeover process. 25 Aug. 1999. Trepča: making sense of the labyrinth.

billion investment and trade”.²²⁵ Like Trepča, Bor was in disastrous physical and financial condition, in this instance, to a large extent through the depredations of its own managers, and in particular, those of its president Nikola Šainović, who doubled as Minister of Mining and Energy. Its output had declined from 610,000 tons of concentrate in 1991 to 258,000 in 2000, and from 288,000 tons of copper to 101,000. The copper content of the ore extracted fell from an already low 0.59 percent in 1985 to an unviable 0.35 percent in 2001. Like Trepča, its decline was largely due to under-investment in maintenance and reserve creation. About one tenth of the minimum needed was spent in the 1990s on equipment and maintenance, and with few exceptions its worn out, obsolete equipment dated from 1971 or earlier. The largest mine, Majdanpek, had more or less closed because of failure to remove any waste material since 1988, and no new surfaces had been prepared for exploitation. The second largest, Veliki krivelj was semi-paralysed for want of equipment spare parts. The enterprise was in debt to the tune of about one billion marks, despite being one of the most favoured enterprises for the receipt of cheap bank credits from primary emission. In 2001, it was reckoned some \$200 million would be needed to put the complex back on its feet. The alternative of running it down and closing it was being seriously debated.²²⁶

The Bor mining complex, like Trepča, exported most of its output. Control of the mine reportedly furnished Šainović with advantageous access to foreign exchange. Šainović was the acknowledged master of this business. Inside information obtained by investigative journalist Slavko Ćuruvija suggested “it was not a problem that he was trading ... but rather the price at which the copper was sold abroad, and what was paid for it here.” As prime minister, he was also deeply involved with other minerals exporters, Trepča and Ferronikel, probably through control of a private Belgrade firm M.C.S.-A.T.L., which allegedly defrauded Ferronikel of \$6 million. In another deal involving M.C.S.-A.T.L., nickel was exported to Germany for payment to a private account in Greece.²²⁷ Bor also produced by-product gold, of which at least 727 kg. (worth about \$21 million) were exported to Switzerland with false documents in 1998-2000 which declared it as copper concentrate. The proceeds of these exports were concealed from the National Bank. After the fall of Milošević, the new governor, Mladjan Dinkić, reckoned Šainović to have been heavily involved in the business.²²⁸ Obviously, RTB Bor was finance hungry and a natural target for the type of deal in which Mytileneos excelled.

Under their 1998 agreement, allegedly, RTB Bor undertook to supply Mytileneos with a quantity of refined copper far in excess of that which could be produced from concentrate obtained from its own shrunken mining capacities. So, as with Trepča, Mytileneos would supply Bor with concentrate, and for every ton of copper Bor obtained from Mytileneos’ concentrate, it would return to Mytileneos a ton of copper produced with its own raw material. The contract was alleged to be “unbelievably damaging” from RTB Bor’s point of view, since, like that with Trepča, it was based on a contract smelting price significantly below that ruling on the world market.

²²⁵ EU. Takeover process. 25 Aug. 1999. Trepča: making sense of the labyrinth.

²²⁶ Ekonomist Magazin, 6 Aug. 2001, pp. 22-25.

²²⁷ Dnevni Telegraf (Belgrade), [Dn.T.] 12 Apr. 1997, magazin, p. 7.

²²⁸ Ekonomiska politika (Belgrade), 12 Mar 2001, p. 8.

In the case of Trepča, this was the quid pro quo to the foreign partners for the extremely risky business of pre-financing production. As in the case of Trepča, Mytileneos wanted to get control of RTB Bor, and a similar clause was written into the contract which gave him priority in any future privatisation of the mine. RTB Bor also undertook not to mortgage its property, or to merge with any other company, to safeguard Mytileneos' interest in it.²²⁹ At the end of 1998, when Trepča's debt to Mytileneos was agreed at \$45 million, Mytileneos claimed his company had invested \$70 million in the two Serbian mining combines,²³⁰ implying that he had a further \$25 million sunk in RTB Bor.

For Mytileneos' relationship with Trepča, the 1997 contract was perhaps the high point. Thereafter, Trepča was never in a position to deliver the quantities of metal which it had contracted. According to Mytileneos' telling, it never adhered to its contractual obligations with his company and consequently ran heavily into debt with it. Mytileneos therefore sought some means of buttressing the security of his investment in Trepča. In summer 1998, he was talking with Bjelić about the possibility of agreeing a memorandum of understanding with Trepča, Geneks and Jugobanka, and told Bjelić of what he had in mind. This information is missing, but Bjelić responded with his own draft on what the memorandum should contain. Bjelić's draft proposed that Jugobanka, which held a mortgage on Trepča's principal assets in the Mitrovica area, should transfer the mortgage, or part of it, to Mytileneos, until such unspecified time as Mytileneos' claims against Trepča could be converted into Trepča shares. Never one to offer a deal which did not include putting new money up-front for Trepča on the table, Bjelić also proposed that Mytileneos would promptly invest a further \$10.8 million. Trepča would then use \$6.16 million of this to pay off Beogradska banka, which was pursuing it for this sum, in connexion with Trepča's dealings with another metal dealer, Newco. (It therefore appears that Trepča defaulted on its commitments to Newco, causing the bank to lose that amount of money on its guarantees). The rest of the "investment" Trepča would put towards the refit in the metallurgical plants.²³¹

Mytileneos replied that the content of this proposal came as a surprise to him, and was not at all to his taste. He reminded Bjelić that Trepča's debt to him had risen to \$45 million, because of Trepča's consistent failure to meet its obligations, that the present situation with Trepča's deliveries to him was catastrophic, and hinted that unless matters improved, he was within his rights to demand prompt payment of the debt if he so chose. He did not so choose, but he would not put new money on the table until he had secured a debt-asset swap, which would "include" the Yugoslav and Serbian governments. He was not particularly interested in the proposed mortgage. Had he wanted this, he would have asked for it two years previously.²³²

Bjelić was annoyed at this response for he feared he might be losing control over events. He was disappointed at Mytileneos' unwillingness to finance the refits, and he felt Mytileneos should have been more understanding about Trepča's difficulties in

²²⁹ Rade Repija, "RTB Bor: Spasiti ili gasiti," Ekonomist Magazin, 6 Aug. 2001 p. 23.

²³⁰ EU file. This is Trepča. Mytileneos – Min. of Foreign Affairs, Athens, 21 Dec. 1998.

²³¹ T1-802, Trepča-Mytileneos, 8 July 1998.

²³² T1-802, Mytileneos-Trepča, 10 July 1998.

producing under what he regarded as force majeure conditions (referring to the mounting inter-ethnic tensions in the province). Moreover, he did not like Mytileneos manoeuvring to involve government in any deal they reached, and on Mytileneos' terms not Bjelić's. He continued to insist that Mytileneos sign his (Bjelić's) proposal.²³³

Despite Mytileneos' coolness over the mortgage proposal, the parties agreed to put it through. It is likely that Jugobanka boss Milosavljević put pressure on Bjelić to be accommodating, because he feared that if matters were allowed to drift, Jugobanka's guarantee letters to Mytileneos would be put at risk. Jugobanka had to be party to the arrangement, since it involved its ceding its existing mortgage rights to Mytileneos, but this was a small price to pay to lock Mytileneos into further co-operation. They totted up Mytileneos' claims against Trepča to a sum of \$44.7 million and the dust was blown off Jugobanka's mortgage deed, which seems to have been at least six years old, so as to serve as collateral for this amount. The mortgage had been placed on the lead smelter at Zvečan, including the refinery, together with the zinc smelter, accumulator factory and fertilizer factory grouped together on Trepča's complex in southern Mitrovica. Intabulated with these industrial units was a long list of dwellings and small farm properties. No attempt was made at valuing the assets, and after the programme of dwelling privatisation of 1992, it is likely that few of the farms and dwellings were still Trepča property. In short the mortgage document to be passed over to Mytileneos was a precarious, and probably unenforceable asset. Still, the deal went ahead, as an annex to the basic contract. The mortgage transfer was agreed in this document, and it was provided that it would stand till such time as the whole debt to Mytileneos had been paid off – or, more realistically, till completion of an asset swap arrangement, which would presumably give Mytileneos equity in the Trepča company.²³⁴ The parties presented the mortgage for transfer and re-registration at the Kosovska Mitrovica court on 6 October.²³⁵ This clearly did not satisfy Mytileneos, who was now asking himself what were his chances of getting Trepča to perform more reliably. To this end, a group of specialists were sent to visit the lead and zinc smelters. Their report was rather optimistic. They confirmed the big reconstruction going on in the cell hall of the zinc plant, and although more cautious on the state of the lead smelter, they thought both plants would have the capacity to meet their commitments, provided that Trepča could count on adequate imported supplies of concentrate.²³⁶

Fortified by this measure of comfort, Mytileneos decided to go ahead with his own version of the memorandum of understanding, and like it or not, Bjelić had to accept it. At this point was revealed what Mytileneos really had in mind. Written into the memorandum, which was signed on 28 December 1998, was an agreement that if Trepča could not redeem the mortgage, the mortgaged assets would be vested into a new company, in which Mytileneos would receive sufficient shares to cancel the mortgage. This would require a valuation to be carried out on the mortgaged assets. In

²³³ T1-802, Bjelić-Mytileneos, 14 July 1998.

²³⁴ T6-1013. Annex to contract 10091/97, 2 Sept. 1998.

²³⁵ Z2. Zapisnik 162/98 of 6 Oct. 1998, opštinski sud, Kosovska Mitrovica.

²³⁶ Z3. Report by Jugobanka and Mytileneos to Bjelić, on visit to the lead and zinc metallurgies, 17 Dec. 1998.

other words Trepča would be split up, with the mines and some of the final product factories remaining in the old company, while the Zvečan – Mitrovica group of metallurgies and factories would be vested in the new one controlled by Mytileneos.

Mytileneos did not regard this arrangement as adequate to protect his claims. As Geneks, in its capacity as Trepča's exporter, was jointly liable with Trepča towards his company, he had Geneks' flagship property, the Belgrade Intercontinental Hotel, written into the deal. Geneks would either grant Mytileneos a first mortgage on the Intercontinental (which was already mortgaged) or alternatively it would cede to Mytileneos all its shares in it. (It was later disclosed in court at Athens that it enjoyed 100% ownership of the hotel).²³⁷ Either way, Mytileneos would end up with control of the hotel as well as the Mitrovica - Zvečan industrial complex. The arrangement was that if the valuations valued the two sets of assets at more than \$45 million, he would pay up the balance in cash, while if there were a shortfall, Trepča and Geneks would settle the residual in deliveries of metal. The privatisation procedures, it was agreed, would not last longer than six months, and at the end of that time, Mytileneos would own two separate companies, the hotel company and the new lead and zinc smelting company in Kosovo. He also undertook to put new investment into both of companies, for the Intercontinental too was in need of modernization. As he did not put a figure on his anticipated new investment in either, this part of the deal could hardly be regarded as binding. Mytileneos also undertook to carry on delivering concentrates on 90 day deferred payment, even though Trepča was far behind in its own deliveries, but he knew very well that his co-operation with Trepča depended on these supplies, without which Trepča could not meet its contractual obligations to him.²³⁸

The memorandum shows that Mytileneos thought he was in control of events. The agreement seemed to enjoy the blessing of the government since Dragan Tomić, vice-president of the government of Serbia, and Jorgovanka Tabaković, minister of privatisation, attended the signing. Bjelić could not have enjoyed deferring to Mytileneos' agenda, or promising to part with the kernel of his enterprise, nor Andrija Dozet with surrendering his flagship hotel. But the deal went through, if only because it seemed to get Jugobanka off the hook.

According to a newspaper report, Mytileneos had expected to re-integrate the anticipated new Trepča assets with some of the mines, as the government of Serbia intended to offer a long lease on 5 or 6 of Trepča's mining properties, together with the smelters and was prepared to grant Mytileneos a prior option on the lease.²³⁹ But escalation of the Kosovo crisis had caused such projects to collapse, so Mytileneos entered the hotel purchase agreement instead. Whether this was true, or whether the hotel purchase was what he had in mind all along, it is not possible to say. But hardly was the ink dry on the agreement than Trepča and Geneks proceeded to sabotage it. As early as 13 January, Mytileneos felt the need to remind both Bjelić and Dozet that

²³⁷ EU. Trepča negotiation brief. English translation of decision 6883/2000 of Athens court of first instance Mytileneos v. Trepča, Geneks, Jugobanka. Court session of 15 Dec. 1999.

²³⁸ EU. File This is Trepča, Memorandum of understanding between Trepča, Geneks, Jugobanka, Mytileneos, Belgrade, 28 Dec. 1998.

²³⁹ Vladimir Milanović, "Čija je Trepča" Vreme, 10 July 1999, p. 11.

he was waiting for transfer of the mortgage on the Geneks property, the Intercontinental Hotel, and its approval by the Geneks board. He stressed that the deal was a “package” which had to be executed in entirety.²⁴⁰

Geneks was not disposed to accommodate his wishes. On 21 January 1999, Mytileneos sent Geneks a proposal for registration of the mortgage on the hotel, but received a fax back the same day from Geneks Holdings Corporation, telling him there was no legal basis for registering such a mortgage, and that Geneks did not intend to accelerate the transfer of assets. In other words, Geneks had no intention of adhering to the agreement Dozet had signed a month earlier.²⁴¹

Mytileneos was also to discover that the December agreement would not bring about the hoped for improvement of his relations with Trepča. On the contrary, Trepča's continued to under-fulfil its obligations. So far from concentrating on meeting Mytileneos' requirements, Bjelić was taking on new obligations with the Marc Rich firm. Although Trepča was already behind schedule in its deliveries under an existing contract with Marc Rich,²⁴² Marc Rich offered in January 1999 to expand co-operation with a new lead and zinc contract, coupled with a tolling agreement on concentrates supplied by itself.²⁴³ Bjelić correspondingly offered Marc Rich 2,100 tons of lead and 1,100 tons of zinc, with payment up front of \$2 million, a lower discount (3%) on LME prices than he was giving Mytileneos, and an interest rate of LIBOR + 1.5%. Delivery was to be completed by the beginning of June.²⁴⁴ The contract was duly signed on these terms on 6 Feb. 1999.²⁴⁵ It was ludicrous to suppose Trepča could meet both contracts, surely even Bjelić must have known that. Therefore he downgraded the importance of his business with Mytileneos, because there would be no new funding from him till he had surrendered control of “his” company, whereas Marc Rich was still good for an advance payment.

In practice Mytileneos obtained most of Trepča's lead export for the first half of 1999, 4,179 tons out of 4,515, and 1,843 tons of Zinc, out of 2,564 tons. Marc Rich received a nominal 29 tons of lead and 650 tons of zinc, so on this contract Trepča fell hopelessly short. Marc Rich therefore rescinded and cashed its guarantees, which had been issued by Stopanska banka of Skoplje.²⁴⁶ All the silver exported (4,830 kg.) went to a French company, SCMM.²⁴⁷

So Trepča's failure to meet its obligations to Mytileneos was because of the collapse of its production, though Bjelić's signing of the Marc Rich contract was a signal that

²⁴⁰ Z3. Mytileneos-Trepča and Geneks (Dozet) 13 Jan. 99.

²⁴¹ EU. Trepča negotiation brief. English translation of decision 6883/2000 of Athens court of first instance Mytileneos v. Trepča, Geneks, Jugobanka. Court session of 15 Dec. 99.

²⁴² T24-3995. Trepča (Dimitrijević) – Marc Rich (A. Eberli), 21 Dec. 1998; Trepča Impex – Marc Rich, 27 Jan. 1999.

²⁴³ T24 3995. Marc Rich- Trepča (Bjelić) 13 Jan. 1999.

²⁴⁴ T24-3995. Trepča Marketing Impex – Marc Rich, 29 Jan. 1999.

²⁴⁵ T24-3981. Trepča-Marc Rich, 6 Feb. 1999.

²⁴⁶ See below, p. 71.

²⁴⁷ T24-3992. Pregled realizacije izvoza metala i industrijske prerade, Jan. – Jun 1999.

it was not going to try very hard. Mytileneos, though, had too much to lose to fold his hands. Despairing of Trepča's inefficiency in dispatching its consignments to him, he exercised his contractual right to arrange collection ex-works, with a corresponding rebate in transport costs.²⁴⁸ This did not help. At the end of December 1998, Mytileneos sent a consignment by rail through Montenegro to Bar harbour, but the Montenegrin railway administration blocked unloading, alleging that it was Trepča's metal, and that Trepča had overdue debts to pay.²⁴⁹ Two further letters to Trepča produced no result, nor did an assurance by Bjelić that he had contacted the railway administration, ordering immediate release of the wagons.²⁵⁰ The goods remained blocked. Bjelić, who always blamed his subordinates for anything that went wrong, turned the heat on finance director Branislav Dimitrijević, who ignored Mytileneos' complaint but begged his opposite number at the Mytileneos company "please don't make problems with our General Director."²⁵¹ Eventually, in a letter that reeks of mendacity, Bjelić pointed out that as Mytileneos had taken over transportation, the problem was Mytileneos' not Trepča's. Moreover, he told Mytileneos indignantly "the scandal which was done by the Montenegrin Railway is unheard of in these parts". He denied that Trepča was in debt to the Montenegrin railways. It had not used these railways since the end of 1997, and it was the railways which owed Trepča money, not the other way round. In any case the Montenegrin railway was overcharging.²⁵² On the 8th February, the metal, 3,440.7 tons of lead, and 1,448.4 tons of zinc, was still blocked at Bar.²⁵³ Mytileneos' experience with road transport was no better. In March, the company complained that Trepča was refusing (again) to load its haulier's trucks, even though it had the material.²⁵⁴

Mytileneos therefore turned the pressure on Jugobanka, which had everything to lose if Trepča defaulted. The bank agreed a settlement in which the mortgaged Trepča assets were to be turned over unencumbered to Mytileneos in return for which Mytileneos undertook to maintain employment and put investment into them. The properties would have to be valued, and Jugobanka's guarantees would be extended till valuation was completed, when, presumably, they would be extinguished by the property deal. Mytileneos' claim against Geneks would not be prejudiced by this agreement.²⁵⁵ Jugobanka immediately contacted Trepča, but found no such simple arrangement in prospect. The bank's lawyers had already warned it that the December 1998 agreement was fraught with legal potholes. The transfer of property had to accord with the Serbian privatisation law, which was not sympathetic to the aims of private investors. Mytileneos could not simply take over Trepča's plant and Geneks'

²⁴⁸ Z3. Bjelić-Mytileneos, 3 Feb. 99.

²⁴⁹ Z3. Mytileneos – Trepča (Dimitrijević) 13 Jan. 1999.

²⁵⁰ Z3. Bjelić-Mytileneos 18.1.99.

²⁵¹ Z3. Trepča (Dimitrijević) – Mytileneos (Doumanoglou) 14 Jan 1999.

²⁵² Z3. Bjelić-Mytileneos, 3 Feb. 1999.

²⁵³ T3-1060. Trepča (Bjelić) – Jugobanka, (Milosavljević) 8 Feb. 1999.

²⁵⁴ Z3. Mytileneos (Doumanoglou) – Trepča (Dimitrijević) 4 Mar. 1999.

²⁵⁵ T3. Mytileneos (Doumanoglou) – Jugobanka (Milosavljević) 1 Mar. 1999.

hotel.²⁵⁶ Bjelić took refuge in the complexities of the privatisation law, and reminded Mytileneos that the deal was circumscribed by this law “and cannot be otherwise.” He said Trepča was taking in hand the valuation needed, had completed a census of equipment, had authorised a valuation firm to start work, and that his expert group was working intensively on the deal. This would come out with “models” reflecting the “stance of the government.” He assured Mytileneos that Trepča’s efforts were directed to realising the agreement, and not (as Mytileneos thought) towards wrecking it, and he sought Mytileneos’ “patience and understanding” in respecting the “legal procedure.” In one obscurely worded passage, he emphasised the need to protect Trepča’s vertically integrated production system, “so as not to threaten the totality of the technical and productive existence of Trepča.” This was of course incompatible with the agreement with Mytileneos, and could only drag the process out.²⁵⁷ Judged from his stance in the later Athens court case, Mytileneos read this document as meaning Bjelić did not want any quick settlement, and would do nothing to expedite one.

This was the state of affairs between Mytileneos, Trepča, Geneks and Jugobanka on the eve of the NATO attack on Yugoslavia in March 1999. Trepča was falling behind as usual on its delivery commitments, though Mytileneos continued to send in concentrates for processing. That would not have mattered greatly to Mytileneos if Trepča’s debts to him were on their way to conversion into property rights on Trepča and Geneks assets, but it was obvious that Geneks was not going to deliver without a fight, and that Bjelić at Trepča was also trying to complicate and drag out procedure. War or no war, Mytileneos had every reason to be pessimistic about recovering his investment. And Jugobanka was probably worried too, with its guarantees at risk, and its exposure rising every day. Small wonder that by March, Mytileneos was becoming “dissatisfied” by with his association with Trepča.²⁵⁸

5.2. Société Commercial des Metaux et Minerais (SCMM).

On 13 January 1996, and possibly earlier, Trepča entered negotiations with representatives of the Paris based company Société Commercial des Metaux et Minerais (SCMM) on the sale to (or through) it of “Trepča metals and other products.”²⁵⁹ SCMM was reportedly involved in mineral trading with various African countries.²⁶⁰ Leading the negotiations at Zvečan for SCMM was its boss, Jean-Pierre Rozan, together with his son Jean-Marc Rozan, who jointly owned a firm in Belgrade called “Komeksim” together with Dr. Milan Dvojaković. Rozan’s primary interest in Trepča was for the supply of silver. The SCMM team seems to have intended to place the products in Europe, America, China and Africa. Like Mytileneos, Jean Pierre Rozan had been, by his telling, “for many years a friend of the Serbs and Serbia, co-operating with numerous Yugoslav firms in the metal trade”. His involvement with Feronikl, of Glogovac, was noted specifically, though it was not added that Feronikl

²⁵⁶ EU. This is Trepča. Jugobanka a.d. Beograd “Osvrt na predlog teksta memoranduma o razumevanju firme Mytileneos” Belgrade, Jugobanka radna grupa, 25 Dec. 1998.

²⁵⁷ Z3. Bjelić-Mytileneos, 16 Mar. 1999.

²⁵⁸ Vreme, 20 Mar. 1999, p. 22.

²⁵⁹ Trepča, 29 Jan. 1996, p. 8.

²⁶⁰ EU. Press reports. Koha Ditore, report from Paris, 9 Sept. 1999.

was a notorious financial disaster. Rozan senior proposed that Trepča would be paid not only in cash but also in mining equipment.²⁶¹

Negotiations between Rozan and Bjelić spluttered along before lapsing in July 1997, without any long term deal. Then in September, on the “particular insistence” of Miloš Milosavljević, General Director of Jugobanka, Bjelić revived negotiations, probably through Dvojaković who headed SCMM’s Belgrade subsidiary, Meding International.²⁶² Consequently, in February 1998, Bjelić announced the impending dispatch of 1,500 kg. of silver to SCMM by air from Belgrade.²⁶³ A further silver contract went through between Trepča and SCMM on 7 May 1998. Like Bjelić’s other deals with foreign importers, those with Rozan involved pre-payment and purchase at a discount on LME prices. But as usual, Trepča fell behind with its delivery obligations, resulting in the need by SCMM to accept the prolongation of Jugobanka’s guarantees.²⁶⁴ Altogether in 1998, Trepča delivered to SCMM some 18,073 kg. of silver, value \$3.2 million, but the quantity ordered had been well in excess of this.²⁶⁵

On 9 December 1998, Rozan visited Trepča on the occasion of Trepča’s (and Rozan’s own) 71st birthday celebration. At about this time Rozan agreed to buy Trepča’s entire silver output for 1999, which was expected to be 30-50 tons.²⁶⁶ Rozan was thanked for his financial support to Trepča “at a very difficult time for us and for our country” in pre-financing Trepča production, and making possible a refit in 1998 of its metallurgical equipment. Rozan responded enthusiastically.

Unlike Bjelić’s relationship with Mytileneos, his relationship with Rozan did not deteriorate, despite the dwindling capacity of Trepča to deliver on its commitments. There is linkage here, for it would have been foolish for Bjelić to sour his relations with both these partners. Thus in February 1999, Rozan thanked him for his “faultless fulfilment of Trepča’s obligations.” Indeed he proposed a new contract for two tons of silver at short notice, for which he was prepared to give Trepča a discountable bill of exchange.²⁶⁷ Trepča’s “faultlessness” sits uneasily alongside other pieces of correspondence with SCMM at around this time, but Bjelić was making a serious effort to keep Rozan on side, even to the extent of buying \$380,000 of silver from RTB Bor, which was delivered to SCMM. Trepča had obtained the silver from RTB Bor in exchange for zinc of equivalent value. (This would have left Trepča short in its

²⁶¹ Trepča, 29 Jan. 1996, p. 8.

²⁶² Z2. Bjelić-Rozan, 17 Sep. 1997.

²⁶³ EU. Etat d’un echange de correspondences saisies a Zvečan et impliquant M. J. P. Rozan. Bjelić-Rozan, 6 Feb. 1998.

²⁶⁴ Z14. Jugobanka-Trepča amendment on contract for silver concluded 7.5.98, Banque Franco-yougoslave 10 Rue de Tilsit Paris, O. Seigneur – SCMM, Rozan 2.10.98.

²⁶⁵ EU. Memorandum headed SCMM – Rozan – Trademax/Trepča 1997-1998-1999. Export reports to SCMM for silver.

²⁶⁶ EU. This is Trepča. SCMM-Trepča, 19 Dec. 1998.

²⁶⁷ T3-1060. Rozan – Jugobanka, 10 Feb. 1999.

deliveries to Mytileneos and Marc Rich).²⁶⁸ Even so, Trepča was sinking steadily further into debt with SCMM. Matters were not helped by Rozan's complaint of 11 March 1999, that "1,000 kg. of silver seem to have disappeared."²⁶⁹ Rozan was later to remind Bjelić that "if you had respected your delivery schedules, the contracts [dating from 1997] would have been performed well before the military events of Spring 1999."²⁷⁰ As with Mytileneos' investments in Trepča, Rozan's, though smaller, were also going to prove difficult to liquidate.

5.3. Newco (Ernst Kohler)

In May 1997, Bjelić negotiated with another metal dealer, Ernst Kohler, trading as Newco AG, of Zug, Switzerland, who appears to have represented (un-named) South African mining interests. True to form, Bjelić was primarily interested in extracting as much finance in advance as he could secure. At that time he asked for \$3 million after signing, against issue of a Jugobanka guarantee, and a further \$3.78 million in thirty days. Newco seems already to have delivered \$3.2 million of concentrates to SARTID – Jugometal for tolling by Trepča, and Trepča, which seems to have been late in performing its obligations, negotiated with Kohler for the right to take over Newco's concentrate, on credit of course, and to gain further credit from Newco as part of a long-term co-operation deal. There was however difficulty from Kohler's point of view in agreeing a credit contract which adequately protected his interests. The amount concerned was \$6.5 million for the concentrates already delivered and \$3 million of cash, subdivided into ten bills maturing at monthly intervals. In other contracts, the purchaser would provide bills of exchange as pre-finance, which Trepča could send to Jugobanka for discount, whereupon Jugobanka would rediscount them on the international market. The maturing bills would be roughly matched by, and extinguished by Trepča's deliveries. If Trepča failed to deliver, it would still keep the money, but the shortfall to the buyer would in theory be protected by a Jugobanka guarantee. Such a guarantee however could not get the counter-signature of a foreign bank, because of the low standing of Yugoslav credit. So if Jugobanka defaulted, Newco would risk meeting its promissory note without having received the deliveries.²⁷¹ Jugobanka guarantees were indeed unsatisfactory instruments, and what usually happened was that the Jugobanka guarantee had to be extended, sometimes repeatedly, till the debt was discharged by deliveries of metal. This is what was happening all the time with the Mytileneos contract. Kohler was not happy with this arrangement, as he was probably well aware of the irregularity and uncertainty of Trepča's deliveries. What he wanted was to issue conditional bills of exchange, which could only be cashed when the agreed quantity of metal had been delivered. The problem was that such a conditional instrument could not easily be re-discounted, and Jugobanka would not advance credit to Trepča on this basis.²⁷² Bjelić tried to hustle Kohler into a contract on his usual terms, but Kohler remained unmoveable. Unless Trepča and Jugobanka agreed his terms, he would demand prompt delivery of

²⁶⁸ Z3. Jugobanka-RTB Bor, 9 Feb. 1999.

²⁶⁹ EU. Memorandum headed SCMM – Rozan – Trademax/Trepča 1997-1998-1999. Fax from SCMM 11.3.99.

²⁷⁰ EU. UNMIK police report. Rozan-Bjelić, 4 Jan. 2000.

²⁷¹ Z11. SARTID –Jugometal- Trepča, 31 July 1997.

²⁷² Z11. Sartid-Jugometal – Trepča, 29 Jul 1997.

outstanding quantities of metals, “failing that, legal action.”²⁷³ What is the matter, Kohler enquired? “You have always said that regular delivery is not a problem,” and if that were so Jugobanka was not exposed to any risk because of the conditionality of his bill. He had set up an arrangement in which Jugobanka could rediscount Newco’s conditional bills with the French BNP, subject to prompt refund of any arrears, and as he added, “believe me it is extremely difficult to get credit for your country, the willingness of BNP to help here should not be ignored.”²⁷⁴ The matter was finally settled by turning to Beogradska banka, which was willing to discount Newco’s conditional bills, and to take the corresponding risk if Trepča fell into arrears. Kohler had to give ground in another area, – his pre-payment discount on metal prices was only 3% to Mytileneos’ 4-5%, but he bore little or none of the risk to which Mytileneos had exposed himself.²⁷⁵

Bjelić hated the arrangement, which would cause Borka Vučić’s Beogradska banka closely to monitor his performance and exert pressure to protect its interests. The comfortable arrangement he enjoyed with Jugobanka, which got its guarantees extended whenever there was a shortfall was far preferable, since it deflected the risk onto the foreign metal dealer. Bjelić had expressed his fear of this arrangement during the negotiations by writing that “first that came to my mind was doubt in our friendship...”²⁷⁶ and later, “I believe it is your extreme caution, and I would say mistrust which you express, right from the beginning of our negotiations ... so I propose you immediately take a plane for Priština,” (and sign on Trepča’s terms with Jugobanka’s guarantee).²⁷⁷ These are not the only instances in which Bjelić accused his foreign partners of a lack of the trust which he deemed so essential to the conduct of business. Were these the sentiments of a trickster, who depended on the confidence of his clients, or of a man who had successfully deluded himself, despite all evidence to the contrary, that he was a man of his word, and therefore resented having his word questioned?

Still, with the contract in the bag, Bjelić, as was his wont, was quick to propose further and bigger dealings, while the ever-cautious Kohler investigated the possibilities of financing them safely. This turned out to mean offering cash on delivery. But Bjelić would only deal for credit, and retorted that the “signals unfortunately don’t guarantee that Newco can be a partner Trepča can count on, because the idea that co-operation develops on the supermarket model does not promise a future for such co-operation”.²⁷⁸ In other words, trust me with your money, because I won’t deal with you on any other terms. Having secured large sums from Mytileneos, he suggested that Newco should back Trepča with \$100 million, a sum never before contemplated. The funds would be supplied over a five month period, at \$20 million a month. In December he proposed to spend the money on “further

²⁷³ Z11. Newco-SARTID-Jugometal, 3 Jul. 1997.

²⁷⁴ Z11. Newco-Trepča, 31 July 1997.

²⁷⁵ Z11. Contract Newco- Trepča, entering force 14 Aug. 1997.

²⁷⁶ Z11. Trepča – Newco, 10 July 1997.

²⁷⁷ Z11. Bjelić – Kohler, 29 July 1997.

²⁷⁸ Z11. Trepča – Newco, 22 Sept. 1997.

modernisation” of the mines and metallurgical plants.²⁷⁹ However, Trepča was already falling seriously into arrears with deliveries, making Beogradska banka regret the “negative consequences to the bank and its liquidity.”²⁸⁰ Bjelić’s \$100 million proposal clearly went nowhere. As shown in discussing Trepča’s contracts with Mytileneos, Beogradska lost \$6.16 million on its guarantee, and Newco presumably terminated the contract.²⁸¹ Mr. Kohler was a very cautious man, and his caution was rewarded by not featuring among Trepča’s creditors in 1999.

5.4. Trafigura.

Probably in about October 1995, Trepča began doing business with the New York firm of Trafigura.²⁸² Then on 6 June 1996, according to a report in the Combine’s house newspaper, Trepča signed a contract with Trafigura for the export of \$30 million of goods. A Swiss bank would furnish Trepča with a \$20 million 6 month credit, and Trepča would repay it by exporting metal “and other products”²⁸³ This contract was reportedly quickly followed by a further contract signed 1 October 1996 at Zvečan, between Bjelić and Trafigura’s president, Claude Dafen (Serbian spelling). Under this three-year contract, valued at \$76.3 million,²⁸⁴ Trafigura would supply Trepča during 1997 with 50,000 tons of imported lead concentrate and 50,000 tons of imported Zinc concentrate. Trepča would in return deliver to Trafigura 20,000 tons of refined lead and 20,000 tons of electrolytic zinc. Trafigura would also finance production in advance, by allowing Trepča a \$10 million credit after signing, followed by three further tranches each of \$10 million at three month intervals.²⁸⁵

This did not work out well. Bjelić was soon to complain to another dealer (Gerald Metals) that Trafigura had stopped pre-financing Trepča production, and that this was why Trepča stopped deliveries to Trafigura, even though it was “15 days metal production” in debt to this company. Evidently, Trafigura had warned Gerald Metals of the pitfalls of giving Trepča credit.²⁸⁶ In October 1997, Trafigura did sign a further contract with Trepča, but it was limited to a five month period, for delivery of 3,000 tons of lead and 2,500 tons of zinc, valued provisionally at \$5 million. Trafigura would pay in five \$1 million monthly tranches in advance, so that \$1 million was the maximum Trafigura would put at risk at any given moment. This advance payment included old debt, for the first such advance was to be reduced by \$589,000 to take account of Trepča’s debts to Trafigura under previous contracts. In return for the credit, Trafigura was to receive Trepča’s usual terms of a 3% discount on LME prices.²⁸⁷ Evidently this contract seems to have worked satisfactorily, for in April 1998, Trafigura expressed renewed interest in long-term business co-operation with

²⁷⁹ Z11. Trepča (Bjelić) – Newco (Kohler) 18 Dec. 1997.

²⁸⁰ Z11. Beogradska banka (Vučić) –Trepča (Bjelić) 31 Dec. 1997.

²⁸¹ See above, p. 49.

²⁸² Trepča, 28 Oct. 1996, p. 2.

²⁸³ Trepča, 28 Jun. 1996, p. 1.

²⁸⁴ Trepča, 28 Oct. 1996, p. 2.

²⁸⁵ Trepča, 28 Oct. 1996, p. 1.

²⁸⁶ Z2. Bjelić-Lenard, (Trepča- Gerald Metals) 20 Dec. 1996.

²⁸⁷ T7-1095. Trafigura-Trepča, contract of 17 Oct. 1997.

Trepča, and wanted to know about what capacities Trepča had available.²⁸⁸ But Trafigura still did not want to let Trepča get far into its debt, for in June, negotiations were being conducted for a contract “under the same terms as the previous contract,” which, Bjelić claimed, “we both successfully terminated.”²⁸⁹ Some such contract probably went through because, interviewed in July 1998, Bjelić stated “we export to a firm in New York, but I would prefer not to name it.”²⁹⁰ Why not? Possibly because Trafigura may have been concerned about the sanctions implications of trading with Trepča. But in any event, Trafigura seems to have escaped the debacle of 1999 without significant financial injury. It had learned how to keep Trepča on a short rein, and does not appear anywhere as a Trepča creditor. It would resume discussions on a new contract in September 1999.²⁹¹

5.5. Other export contracts.

Other major sales contracts concluded between 1995 and the spring of 1999 were primarily concerned with the disposal of Trepča’s manufactured products or with barter arrangements to provide part payment for input needed by the combine. In February 1995, representatives of South Korean Samsung were also to visit Trepča. They expressed interest in buying silver and gold, especially electro-contact materials and dry-fit batteries. To secure priority in supply of these batteries, Samsung offered to complete the refitting of the battery factory. Samsung probably envisaged supplying Trepča with raw materials for contract processing, since mention was made of “co-operation in further technical processing at the Combine.” Trepča was interested in buying technology and equipment for the final processing of its metal.²⁹²

On 20 April 1996, Bjelić signed a 5-year contract at Trepča’s Belgrade office with the General Director of the Russian enterprise Krasnodarglavsnaab, Aleksandar Meljnikov. Trepča would supply 2 million accumulators worth \$12m. a year, or a total of \$60 million. The contract would absorb about half of the capacity of the accumulator factory, which at that time was being employed at a very low level, presumably because Bjelić was diverting supplies of lead onto the international market. It was also expected that Krasnodarglavsnaab, which was the dominant distributor in the Russian provinces of Krasnodar and Subcaucasia, would take up other Trepča products, including paint and lacquer, sporting ammunition, jewellery and polyester products. By November 1996, Trepča claimed it had exported to the Russian partner some 386 tons of accumulators.²⁹³ Reference was subsequently made to discussions on co-operation on 16 September 1996, with another Russian business delegation, from Volgovjachka region. This was probably concerned with the supply of mining machinery to Trepča.²⁹⁴

²⁸⁸ T7-1095. Trafigura (Huggenberger) – Trepča (Bjelić) 6 Apr. 1998.

²⁸⁹ T7-1095. Bjelić (Trepča) – Perović (Trafigura), 26 Jun. 1998.

²⁹⁰ New York Times 8 Jul 1998, p. A4.

²⁹¹ T24-3991, Trepča-Trafigura, 23 Sept. 1999.

²⁹² Trepča, 28 Feb. 1995, p. 8.

²⁹³ Trepča, 29 Apr. 1996, p. 1; 25 Nov. 1996, p. 1.

²⁹⁴ Trepča, 30 Sept. 1996, p. 8.

In December 1997, Trepča signed a protocol with Metalinex of Prague. Under this contract Trepča would receive input materials from the Czech firm and pay for them with its own final manufactures. Trepča entered this deal because it was being forced to repay the Czechs \$3.5 million owed from a barter deal contracted in 1967, and outstanding since 1974. It undertook to pay half the debt in products – not including metals. The deal must have left Trepča still in debt to Metalinex, because the contract was supposed to run till the end of 2001, and the repayment component of the deal was only \$1.8 million scheduled by the end of 1999, with \$2.8 million still repayable.²⁹⁵

6. Private enterprise: Bjelić, Trepča, and FAGAR.

Bjelić's elevation to Trepča's top job did not terminate his General Directorship of FAGAR. In July 1995 FAGAR, it was reported, "by its funds, has very greatly assisted activity" at Trepča.²⁹⁶ A Belgrade newspaper article of November 1997 cast light on the links between Bjelić, FAGAR, and Trepča. Its anonymous source, said to be high in Trepča's hierarchy, claimed that Bjelić had "practically privatised [Trepča] ... because Trepča trades at wholesale with private firms and several other management people at the Combine also have private enterprises."²⁹⁷ FAGAR was specifically named in this short but information-packed article, and an informed Yugoslav reader would have been able to infer what was going on. It was a common (perhaps ubiquitous) practice among the top managers of powerful Yugoslav state enterprises, particularly from 1994 onwards, to run private businesses in their own names or those of family and trusted associates, which would then enter contracts with the state enterprise they headed for the provision of supplies and the sale of products. As these businesses enjoyed monopolistic power vis-à-vis the state enterprise, they afforded their owners opportunities for easy profit at the expense of the state enterprise. The interposition of private businesses in the sale of products was of especial importance in mining, because of the foreign exchange potential to which it gave rise.²⁹⁸ On mining and metallurgical technology, Bjelić was blessedly ignorant, but nobody knew more about export marketing, and its complexities under the Yugoslav system than did Bjelić.

The 1997 article hinted at what was going on, pointing out that Trepča was overdrawn on its giro account to the extent of DM20 million, and was therefore blocked from issuing new cheques. So "the combine now carries out all financial transactions by way of cessions through FAGAR of Podujevo."²⁹⁹ It appears from this that Bjelić was using FAGAR less as a source of finance for Trepča, and more as a device for manipulating Trepča's financial transactions. FAGAR did not participate in Trepča's foreign dealings, only those in dinars. Still, the volume of business it engaged for the Kombinat was large.

²⁹⁵ T3-1012 Trepča-Metalinex (Bjelić-Paukner) undated; Trepča, 26 Dec. 1997, p. 2.

²⁹⁶ Trepča, 31 Jul. 1995, p. 8.

²⁹⁷ "Trepča već Grčka," Večernje novosti, 7 Nov. 1997, p. 10.

²⁹⁸ Ekonomaska politika, 9 Mar. 1998, pp. 8-10; 27 July 1998, p. 23; 5 Oct. 1998, pp. 10-11; Slobodan Ostojić, Sistem u promenama. (Belgrade, 1996) p. 83.

²⁹⁹ "Trepča već Grčka," Večernje novosti, 7 Nov. 1997, p. 10.

On 1 July 1996, Trepča's giro account with the National Bank of Yugoslavia's Kosovska Mitrovica clearing house was indeed blocked, because it had overdrawn its credit. Trepča made a virtue out of necessity. In future, all wage and salary payments would be met by FAGAR, but would be paid not in cash but through savings accounts at the Postal Savings Bank (Poštanska štedionica). As explained to me, the normal way of wage payment through the banking system (which was still possible even with a blocked giro account) entailed the automatic deduction of payroll taxes and contributions for social services (mainly pensions and health care). Use of the Postal savings system meant that the transfers could be executed net. So at least from that date (and possibly earlier as well) Trepča was only paying net wages, and no tax or contributions. Formally, it was not forgiven these payments, which amounted to about half of gross wages, and the tax authority kept records concerning how much was due, including penalty interest on the unpaid debt. But it was another matter to extract payment. Evasion of payment of these deductions was commonplace among "big systems" firms under Milošević.³⁰⁰ Trepča management was largely able to ignore the tax authority's periodic demands. In this respect the revenue was remarkably accommodating. On 25 June 1998, the Mitrovica tax office had billed 18.7 million dinars in unpaid taxes, onto which had been added old debt of 84.4 million. This presumably represented tax only on the payroll in the Mitrovica tax area. Trepča appealed, and the Priština revenue centre overturned the Mitrovica tax office decision, on the grounds that it had no remit concerning "compulsory charging of overdue unpaid tax obligations." Its authority was restricted to collecting current tax charges.³⁰¹ What this seems to mean is that the tax would be left for the time being unpaid, but with interest ticking up. By 18 September 1998, Trepča's tax bill (for all sites in Yugoslavia, including Montenegro) had climbed to 213.5 million dinars for 1995-1997, plus 76.6 million for 1998, a total of 290.1 million dinars.³⁰² This was, for Trepča, a huge sum, equivalent at the mean official exchange rate for 1998 of 9.34 dinars to the \$, to \$31 million. By 20 April 2001 (and it is not clear when Trepča's indirect system of payment stopped, at least in Serbia), a total of 347 million dinars had been disbursed through the Postal Savings Bank in wages. Consequently the Republic of Serbia tax authorities sent Trepča a demand for 302 million dinars in back taxes plus interest of a further 395 million (697 million dinars in total) or at the then current exchange rate, 23.2 million marks.³⁰³ This would indicate that inflation and the collapse of the dinar exchange rate after the war with NATO eroded the debt much faster than interest and new debt had increased it.

Granted that taxes and contributions were not paid to the tax authority, a further question is as to whether they were disbursed nevertheless. Trepča did not show these rising dinar debts on its accounting statements, so by inference they were in fact paid, but not to the tax authorities. The 1997 accounts (audited by KPMG) acknowledge that Trepča's giro account with the National Bank of Yugoslavia's Kosovska Mitrovica clearing house was blocked, but state that most dinar transactions passed

³⁰⁰ Ekonomaska politika, 31 Aug. 1998, p. 4.

³⁰¹ Z9. Republička uprava javnih prihoda – organizaciona jedinica centar Priština, 19 Aug. 1998. "Rešenje".

³⁰² Z9. Direkcija za finansije ekonomiku i organizaciju. Sheet marked "Pregled".

³⁰³ Z9. Republika Srbija. Republička uprava javnih prihoda, Belgrade, 14 Aug. 2001 – Trepča.

through a Trepča dinar account at Jugobanka Belgrade.³⁰⁴ They do show the wage-tax obligations as an item in the Trepča wage bill, but not as a debt, so it looks as if these payments were in fact cycled through one or other of Trepča's partners, and probably never reached the tax office. We are talking of very large sums of money here. The 1997 wage bill was 146.6 million dinars, of which wage tax and social contributions amounted to 62 million dinars. This sum, at the official rate of exchange, 3.3 dinars to the Deutschemark, amounted to 18.8 million marks, at the official rate of the National Bank. So it is likely that Trepča not only evaded the payment of its payroll taxes, but also alienated the money to a third party.

It was not only payroll taxes which were left unpaid as a consequence of compensation dealings. A number of Trepča's invoices for batteries carry the declaration, "Compensation. Tax not included in account stated." An invoice to "Servis Boš" [Bosch] for another 40 accumulators declares that they were delivered in compensation payment for repair to a Bosch pump, and again, no tax was charged.³⁰⁵

In its own compensation dealings with Trepča, FAGAR was repaid by Trepča assigning it funds or their dinar counterpart, which it obtained from abroad. For example, in June 1998, Trepča was granted "export credits" by the central bank, of which it assigned the dinar counterpart of DM2.245 million to FAGAR.³⁰⁶ In December, \$102,414 was drawn from Trepča's foreign exchange account at Jugobanka to order of Geneks to meet a debt of Geneks to FAGAR.³⁰⁷ In September 1998, Trepča agreed with Geneks to assign to FAGAR \$108,302 arising from the sale of golden jewellery (the product of its factory in Prizren) in payment for reinforcement steel.³⁰⁸ Why FAGAR should have supplied this steel to Trepča, rather than the other way round is not explained.

The records disclose many other deals of a similarly complicated and intentionally confusing nature, which gave FAGAR ample opportunity to manipulate the system. The potential for large additional side-earnings from these deals with FAGAR was further enhanced by the barter system which this firm employed in its dealings with Trepča. Receiving payment in metal and materials, FAGAR supplied Trepča with input materials – and as Trepča and FAGAR were controlled by the same two men, the potential for overvaluing the inputs supplied to Trepča, and undervaluing its products was enormous. Again inside information in Trepča suggests as an illustrative example, the possibility for FAGAR to sell on Trepča batteries at about 27 percent above the price at which it took them. For whomsoever was reaping the profits of Trepča's dealings with FAGAR, the tie up between the enterprises was a source of massive positional profit.

³⁰⁴ EU. Trepča ownership and debt. Mining Metalworks Chemical Combine "Trepča" unlimited liability joint stock company, Kosovska Mitrovica. Audit report for the year ended December 31, 1997. (September 1998). p. 24.

³⁰⁵ See T7-1538, invoice to Poliprom of 7 Aug 2000; to Boš servis, 20 July 2000. Many similar invoices stand on this file.

³⁰⁶ Z14. Trepča-Jugobanka, 3 Jun. 1998.

³⁰⁷ Z14. Trepča – Jugobanka, 31 Dec. 1998.

³⁰⁸ Z14. Trepča-Geneks Banka, 25 Sept. 1998.

Financial manipulation did not, however, end at that point. The funds that Trepča obtained from advance payments from foreign clients were probably on occasion misapplied by Bjelić. In June 1997, Bjelić instructed Newco to make payment to it “of the first \$3 million” in a credit contract, via Eurobank and Credit Lyonnais, New York, to AKB Wexim Bank of Moscow, in favour of “COIN TRADE LIMITED - BUDAPEST” a/c 070010016/001.³⁰⁹ Trepča had dealt with “Coin Trade” in September 1996, when the latter contracted to buy 1,000 tons of zinc from it, at a fixed price of \$1000 per ton, cash on delivery, which was close to the then ruling LME price for the metal.³¹⁰ But this precedent does not make it clear why Trepča should have been making payment to Coin Trade. In the Newco deal, it is not clear whether payment was in fact made in this manner, though nothing in the subsequent correspondence suggests that Newco rejected this routing of payment. The following year, Trepča’s management, with Jugobanka collusion, again attempted a similar arrangement. They had arranged a contract with Marc Rich, which carried \$1 million of pre-payment. Jugobanka informed Dimitrijević at Trepča that it had instructed Marc Rich to remit this sum (again via Eurobank Paris and Credit Lyonnais) to an account at Moscow Wexim Bank for the benefit of “408078000000000016 Coin Trade” Bucharest, [sic] “for the sake of security of clearing in USD.” Jugobanka was doubtful whether Marc Rich would execute this instruction, and proposed that in this event an alternative account at Wexim Bank, “073017001/97 – RHMK” should become the beneficiary. As if to advertise that the arrangement was dubious, Dimitrijević was told to leave the space for the full name and address of the recipient blank.³¹¹ Marc Rich replied saying they could not make payment under either option, “due to company policy” and advised that their cheque should be paid to Jugobanka for remittance to RHMK “Trepča”.³¹²

Although the name of the intended recipient of the funds is not identical, the name “Coin Trade” strongly suggests that the Trepča management intended to convert these \$3 million and \$1 million advance payments into gold coin. Secondly (from the “RHMK” account number) the alternative account had been opened in 1997, and, presumably used since then for similar transactions. “RHMK” is of course recognizable as the initials normally followed by “Trepča” in the company’s title, but with the two middle letters reversed. Secondly, Jugobanka was party to this operation, and may even have originated it. In the case of Newco, Jugobanka received a carbon copy of the letter.

We have already noted that FAGAR was part owned by another company, INOS, which was also closely associated with Bjelić. INOS was apparently a privatised former socially owned enterprise. Its General Director was Gavriilo Ivanović, a top official at Trepča, while Bjelić was president of the INOS management board, the reverse of the arrangement at FAGAR. Its industrial business was in materials recycling, but its involvement with Trepča, like that of FAGAR, was in compensation

³⁰⁹ Z11. Trepča (Bjelić) – Newco (Bruno Schaf) 3 June 1997. Coin Trade may be a branch of the Hungarian National Bank.

³¹⁰ Z12. Contract, Coin Trade limited 011/630-435 dated 23 Sept. 1996.

³¹¹ T24-3995, Jugobanka, odeljenje deviznih sredstava i deviznog tržišta. Služba 2.2.0./SMS (signature illegible) – B Dimitrijević, Trepča, 12 Aug. 1998.

³¹² T24-3995, Kirsten Pratler, Marc Rich – B Dimitrijević, Trepča, 12 Aug 1998.

trading, (i.e. barter). INOS was trading with Trepča at least from 1997. At that time it was engaged not only in supplying Trepča, but, more importantly, like FAGAR, in making payments to third parties on Trepča's behalf, (virman) for which it received compensation in the form of metals. Bjelić instructed Trepča to give INOS a rebate of 5% of the value of its metal deliveries, as from 7 October 1997.³¹³ This was surely a gift awarded by Bjelić to himself at the expense of Trepča. I have not however picked up further reference to Trepča dealings with INOS till after the war with NATO.

Amongst Trepča's other dubious trading partners was a firm called "Team-Trade" which, probably in 1996 undertook to take monthly deliveries from Trepča of \$3 million of metal, on 15 day credit. The deal was made complex by a further commitment to deliver to Team-Trade 15,000 tons of super-phosphate fertilizer, with payment through a compensation deal with NIS-Jugopetrol, with which Trepča was in debt. Team Trade and Trepča also agreed to extend their co-operation by the export through Team-Trade of various Trepča manufactures, notably jewellery produced at the Prizren factory.³¹⁴ At first glance this looks all above board, but Team Trade was owned jointly by a powerful racketeer, Zoran Todorović "Kundak" together with one Branislav Markičević.³¹⁵ "Kundak" ("the night-stick") was General secretary of JUL till 1997, when he was murdered in a Mafia style killing, and was connected with oil racketeering. He was reputedly extremely rich, held ministerial office, and was a household friend of the Milošević-Marković family.³¹⁶ Team Trade's co-owner Markičević managed, by suborning an employee of the Geological Institute in 1995, to defraud the Institute of its shares in an ore-field in Mozambique, worth allegedly \$760,000, for Team Trade's advantage.³¹⁷ Any business Trepča transacted with this firm must be regarded as dubious.

On 3 September 1997, Bjelić signed a contract worth \$200,000 with RTV Srbija's General director Dragoljub Milanović, with which the latter would buy cameras and other equipment. In return, RTV Srbija would help build Trepča's business image, so that Yugoslavia and the world at large would learn the "truth" about Trepča, and make its results and products accessible to home and foreign publicity.³¹⁸ Soon afterwards, on 27 October, Bjelić signed a similar contract with Sonja Ščepanović, General Director of the Panorama publishing house, for an unstated sum. The object again included the promotion of Trepča's products, but its primary thrust was "the affirmation of results achieved by the Kombinat in this 70th Jubilee year ..." and "to affirm the successes of the business team."³¹⁹ Was this burst of media spending merely a means of gratifying Bjelić's inordinate vanity, or was it also a means of siphoning money out of Trepča?

³¹³ T7-1537. Trepča, Marketing Napro, internal memorandum, undated.

³¹⁴ Z12 Tim-Trejd undated protocol.

³¹⁵ Dn.T., 11 Feb. 1997, p. 3.

³¹⁶ Dn.T., 30 Oct. 1997, p. 2; 25 Oct. 1997, p. 5.

³¹⁷ Dn.T., 8 Feb. 1997, p. 7.

³¹⁸ Trepča, 29 Sept. 1997, pp. 1-2.

³¹⁹ Trepča, 27 Oct. 1997, p. 1.

7. War, occupation and closure, March 1999-August 2000.

On 24 March 1999, NATO commenced armed intervention in Yugoslavia, and Kosovo was subjected to heavy aerial attack. Even before this, the Srbica munitions plant and the factory for protective equipment had closed in March 1998, and in mid-March 1999, the Stari trg and Kišnica-Novo brdo mines closed down. One by one the other facilities in Kosovo shut down too. The lead smelter continued for as long as it had concentrates on site. The zinc smelter closed on the day armed intervention started. The accumulator factory on the same site closed at the end of March, the fertilizer factory on 15th April, the FAMIPA factory at Prizren, which was war damaged, at the end of May, the paint and varnish factory and the FAPOL polyester factory on 12 June.³²⁰ The factories in Serbia carried on, though at a reduced tempo because of a lack of throughputs.

RMHK “Trepča” immediately broke off all further contact with Mytileneos, and from then onward Mytileneos received no further deliveries of metal from it. Nor, of course, did Mytileneos supply Trepča with any further deliveries of concentrate. The last such delivery was on 22 March 1999.³²¹ The conflict was ended on 10 June 1999, and NATO troops entered Kosovo. All mining activity at Stari trg was forbidden by KFOR till 30 September.³²²

Security in the north of Kosovo was allocated to the French military. A demarcation line was established between Yugoslav and Albanian populated areas, which divided the city of Kosovska Mitrovica along the line of the Ibar river which flowed through the centre of the city. Broadly speaking, areas of Kosovo to the north of this line remained in Serb hands. Serb territory included Zvečan, site of the lead smelter and Trepča’s head office, and certain of the mines and flotations, including Leposavić, further to the north. However, this crystallization took some time to establish, and the two sides struggled for control of Trepča’s assets.

The most important of the mines, Stari Trg, and its flotation at Prvi tunel, both a few kilometres distant from Zvečan, remained under Serb control till 19 June, when (according to a Serb source) “Albanian terrorists led by UÇK seized the flotation workers at Prvi tunel, physically maltreated them and expelled all employed Serbs...”. Though KFOR ordered the management on 6 July 1999 to send specialist workers for mine maintenance, the pumping equipment ceased to work, and the mine was flooded to the 10th or 11th levels. A team of 49 workers went to work each day under KFOR guard, to pump out the water. Though they suffered frequent attacks by Albanians while commuting, they maintained the mine till 20 December, and their number probably rose, whereupon KFOR ordered them to limit their number to 49, and to work in the mine along with Albanians. They refused to do so, and departed for good. The last 28 Serb inhabitants of Stari trg were driven out of the village.³²³ The sequence at the Priština mines, Kišnica, Ajvalija and Novo brdo, was similar. After KFOR’s arrival, on 6 July 1999 the (Serb) Trepča workers were barred access to the

³²⁰ T23-3951, “Izveštaj o poslovanja 2”; T3-1076. Izveštaj o poslovanja RMHK “Trepča” za 1999 god.” Zvečan, Feb. 2000.

³²¹ EU. Trepča negotiation brief, Mytileneos vs. Trepča, Athens 26.7.2000, p. 22.

³²² T23-3951, “Izveštaj o poslovanja 2”.

³²³ Miroljub-Miki Zlatković, Starotržanski rudari – Hleb sa devet kora. (Kosovska Mitrovica, 2000) pp. 173-5.

mines, and KFOR let the local Albanians try to operate the mines themselves. But this was also to no avail as the mines and all their equipment were flooded, presumably because of the breakdown in power supplies.³²⁴ The Trepča factories in central and southern Kosovo, including the war damaged FAMIPA at Prizren, the paint and varnish factory at Vučitrn, the sporting munitions factory at Srbica, the FAPOL plant at Podujevo and the battery factory at Peć appear to have passed quickly under full Albanian control.

In southern Mitrovica, the zinc smelter, accumulator factory, and the fertilizer factory remained for a time after the NATO occupation under the control of RMHK “Trepča”. But on 12 September 1999, a gasket on an acid tank failed, because of age and lack of maintenance, and flooded the site with acid. As a result, it appears that the smelter was closed on orders of KFOR, because of the risk of further leakages of acid.³²⁵ But the site remained under Trepča’s control. However, on 12 November, General Henri Ponselle addressed the 400 workers then on shift, in the factory yard, and told them he intended to close the factory, because it was producing for “Serbia and Belgrade”. If necessary he would flatten it with bulldozers to stop it working. On the 15th of the month, KFOR troops barred access to the Trepča workers. KFOR thereupon assumed responsibility for protecting the plant. According to a Serbian account, it employed 15 uniformed Albanians for this purpose, but none of Trepča’s own staff.³²⁶ On 26 May 2000, while under KFOR control, the plant was seriously damaged by fire, and RMHK “Trepča” demanded that KFOR should bear responsibility for the consequential loss, which it estimated (extravagantly) at \$1 billion.³²⁷

These losses did not put RMHK “Trepča” out of business, though it ceased (with one exception) to have any control or derive benefit from the “usurped” subsidiaries. The exception was the Prizren jewellery and electro-contact factory, whose inventory, worth 17.2 million dinars, remained – by unknown means – under RMHK “Trepča”’s control.³²⁸ Apart from securing this windfall, Trepča could continue to produce lead-zinc ore from its mines in Serbia and Montenegro, and from Leposavić, to concentrate it and supply lead concentrate for smelting and refining at Zvečan. The zinc concentrate, however, had to be sold or processed elsewhere, mainly it would seem at the ZORKA factory at Šabac in western Serbia. Trepča also continued to control the battery factories in Serbia, at Novi Pazar and Bujanovac.

Once the new UNMIK administration was installed in Kosovo, on 25 July 1999, the High Representative, Bernard Kouchner, ruled that “UNMIK shall administer property, including financial accounts, and other property of ... Federal Republic of Yugoslavia or Republic of Serbia or any of its organs, which is in the territory of Kosovo.” Private property, at least in theory, was to be left in the hands of its

³²⁴ T7-1078. Trepča-“Rudar”, 25 Nov. 1999.

³²⁵ EU. Article Trepča. UNMIK Trepča brief, 7 Dec 2000; T3-1076. Izveštaj o poslovanja RMHK “Trepča” za 1999 god.” Zvečan, Feb. 2000.

³²⁶ T5-1087. “Informacija povodom požara koji je zahvatio oc metalurgija cinka, 26.5.2000,” dated 4 Aug. 2000.

³²⁷ Ibid.; Lazarević, *Brief History*, p. 6.

³²⁸ T3-1210. Rekapitulacija zaliha na dan 30 Jun. 2000.

owners.³²⁹ Though Kouchner's July 1999 ruling appeared to point to the assumption of UNMIK control over the Trepča assets in Kosovo still under Serbian control, political considerations caused the French administrators in the north to leave the company and its remaining Kosovo assets alone, to carry on under the former dispensation. There were indeed international pressures to get production restarted as soon as possible. In July, a Swedish mining consultancy, Boliden-Contech, responded to an initiative by the Swedish International Development Agency, by sending a fact-finding mission to Trepča for a week in July. Its project seems to have received the assent of the Serbian mining and energy ministry, which represented the Trepča interest. Boliden, in an otherwise shallow and platitudinous report which reflected its ignorance of the situation at Trepča, emphasised the need to restart industry so as to create jobs, and to start with the least capital intensive activities. It warned about the lack of environmental safeguards and training, pointing out water seepages and leakages from the tailings ponds.³³⁰ Had the Boliden team seen the Zvečan smelter in action, they might have revised their emphasis on the need to restart the works, for as shown below, they were causing far more serious public health problems than these.

In August 1999,³³¹ and until August 2000, Trepča resumed production at the Zvečan lead smelter, with the tacit tolerance of the UNMIK authorities. During this period, Trepča ceased to make deliveries to any of its former foreign partners except for silver to SCMM. The restart was not financed by foreign agencies, rather, it appears by the Yugoslav Postal Savings Bank, which provided monthly credits with which to pay (net) wages, including retrospective payments for May and June earnings of 16.56 million dinars. In October 1999, Bjelić was assuring the bank that it could meet its debt to it (then of 14.5 million dinars) from the proceeds of its restarted production.³³² The monthly wages Trepča paid (net, as usual) were anything but generous. For November 1999 they averaged 1081 dinars, and in December 1102.³³³ Over this period, the free market value of the dinar fell from 5.7 pfennigs to 4.8, implying monthly earnings of DM62 and DM53, or in reality rather less as they were always paid late.³³⁴ Mean earnings in Serbia in November were considerably higher at 1580 dinars.³³⁵

7.1. Trepča and Mytileneos.

During and after the war, RMHK "Trepča" made no move to resume active business relations with Mytileneos. In April, he pressed the combine to continue co-operation. Though he threatened to rescind the contract, he was aware that Trepča had been put

³²⁹ EU. Takeover process. "Trepča making sense of the labyrinth," p. 9.

³³⁰ T7-788. Boliden Contech-Milosavljević, Jugobanka, 4 Oct. 1999.

³³¹ Z5. "Program uspostavljanja kontinuirane proizvodnje u RMHK "Trepča" d.d. Beograd. 26 Aug. 1999.

³³² T7-1103. Bjelić, Trepča – Jančić, Poštanska štedionica, undated letter (early October 1999) and letter of 18 Oct. 1999.

³³³ T7-1103. Review of funds needed for net pay, November and December 1999.

³³⁴ Ekonomist magazin, (Belgrade) 31 Jan 2000, p. 57.

³³⁵ Ekonomiska politika, (Belgrade) 10 Jan 2000, p. 38.

³³⁶ EU Takeover process. 25.8.99 Trepča making sense of the labyrinth.

in a difficult position as a result of the conflict and its political consequences, and was anxious not to be accused of “abusive” termination of the contract. So he held off from rescission. Indeed in June he tried to keep the contract afloat by extending the 19 letters of guarantee that he held against Jugobanka till the end of 1999. This was perhaps unfortunate, because it may have created the impression on the Yugoslav side that he would not in fact exercise his rescission rights, and therefore could be treated cavalierly. Only on 4 August did he terminate the contract on the grounds that Trepča and Geneks had failed to meet their contract and annexes, and stressing that as a business partner “in good faith” he had not up to then pressed his rights, despite repeated requests. He set the date of 16 August for Trepča to discharge its debts and penalties to him.³³⁷ A similar notice seems to have gone to Geneks. Mytileneos would have known that Trepča was in no position to pay him, at least at short notice, but evidently considered that this move was necessary as a stage in getting a settlement, presumably through the debt-asset swap foreshadowed in the December 1998 memorandum. Bjelić responded with an ill-considered letter dated 6 August 1999, claiming that until the outbreak of hostilities in March it had performed according to contract “more or less successfully” and “as a rule ... to both parties’ satisfaction”, (though in practice, as established by the later Athens court ruling, this had not been the case). He invoked the force majeure clause in the contract, on grounds of Albanian terrorism and the “NATO aggression”, stated that he would only consider re-opening negotiations over a settlement with Mytileneos once force majeure conditions – and their consequences – had been discontinued. He hinted at legal action against Mytileneos on the basis of the latter’s unilateral termination.³³⁸ Naturally, the 16 August deadline passed unfruitfully from Mytileneos’ point of view, and on 3 September he lodged a petition against Trepča, Geneks and Jugobanka at the Athens court of First Instance.

By this time, Mytileneos’ security on Trepča’s assets had been further eroded by the May fire at the zinc smelter. His enquiry to the Dunav insurance company, in his capacity as mortgage holder, disclosed that the smelter had been uninsured at the time of the fire,³³⁹ rendering worthless what was probably the most valuable asset secured by the Trepča mortgage. Mytileneos was also uncomfortably aware that his alleged rights in Kosovo were in jeopardy of abolition, since UNMIK was under pressure from the Albanian politicians in Kosovo to abolish all rights established under the former Yugoslav authority. In this respect Trepča was particularly vulnerable since these same politicians had made their opposition to Mytileneos’ 1997 contract with RMHK “Trepča” very clear. He probably also knew that sentiment within UNMIK (and the USA) was running strongly against assisting him in his suit. Nevertheless, he contacted the UNMIK and European Pillar top officials, Bernard Kouchner and Joly Dixon on 13 October 1999, asking for “rectification” but received an evasive reply from Dixon on 28 October, leading him to conclude that no rapid solution would emanate from that quarter.³⁴⁰

³³⁷ T6-1091. Mytileneos-Bjelić, 4 Aug. 1999. (Serbian translation, original unreadable).

³³⁸ T6-1091. Bjelić-Mytileneos, 6 Aug. 1999.

³³⁹ T7-795. Dunav – Trepča, 12 Jul. 2000; Dunav-Mytileneos, 13 Jul. 2000.

³⁴⁰ EU. Trepča negotiation brief, Mytileneos vs. Trepča, Athens 26.7.2000, pp. 6-7, 9, 22, 24, 26, 28, 30, 31-33.

To put additional pressure on his debtors while judgement on his suit in Athens was awaited, Mytileneos took Jugobanka to court in Belgrade, at a hearing dated 9 February 2000, demanding \$51 million in satisfaction of the Trepča guarantees, whose extension had by now expired. Jugobanka had only a thin defence to offer, alleging that the Mytileneos Company had transferred its guarantees to a Belgrade based subsidiary, and that it therefore had no case to answer. The court deemed that this was merely a tactic on Jugobanka's part to drag out the procedure, and found in favour of Mytileneos.³⁴¹

7.2. SCMM stays on-side.

Jean-Pierre Rozan's relationship with Trepča was deepened, and his problems with UNMIK worsened, by a deal which was probably directly related to his business with Trepča. According to one version, because of "Belgrade's" failure to meet previous business commitments with SCMM, this company had been compensated on 14 July 1999 by being given shares, supposedly a controlling 51% of the stock, in Jugobanka of Kosovska Mitrovica, a bank now separate from Jugobanka Belgrade. It may be that Jugobanka Belgrade gave him the shares in the Kosovo bank in order to discharge either a debt or a guarantee, but according to a press report Rozan said he had bought the shares from Bjelić.³⁴² It is also possible that the transaction took place in 1998, because Bjelić wrote to him then saying "I'd wanted you to participate in work of assembly and managing board of Trepča shareholders because I already consider you as shareholder of Trepča," a remark otherwise difficult to interpret.³⁴³

Jugobanka of Mitrovica was itself a minority shareholder in Trepča, with 1.91% of the stock credited to it at the end of 1999.³⁴⁴ Rozan claimed that he was surprised to discover that his new bank owned Trepča shares (something I find difficult to believe) but the purchase enabled Rozan to represent himself as a Trepča shareholder – a position warmly endorsed by Bjelić, for it internationalised the purported private ownership of the combine. Jugobanka of Mitrovica was the largest of the banks operating in Kosovo, and owned two large modern bank buildings, Jugobanka in southern Mitrovica, on a prominent site just south of the bridge that now divides the city, and a tower erected by Ljubljanska banka in 1986-7 in central Priština, which had subsequently become the property of Jugobanka Mitrovica, and was renamed Credit Bank. Both these buildings were taken over as office space by UNMIK, the Mitrovica branch as its administrative headquarters in Mitrovica, and the former Ljubljanska banka as Kosovo headquarters for OSCE. Rozan, exercising his claim in respect of Jugobanka Mitrovica, demanded rent on both buildings, and UNMIK refused to pay. It did not recognise his claim to ownership, and it regarded Jugobanka Mitrovica as a state company, and therefore property under UN trusteeship.³⁴⁵ The quality of title Rozan claimed seems not to have been investigated, rather it was

³⁴¹ Belgrade Economic court judgement XLIII-P-2269/99.

³⁴² EU. Media stories. Koha ditore, 7 Oct. 1999.

³⁴³ T3-1127 Bjelić-Rozan 11 Mar. 1998.

³⁴⁴ See Appendix, Table A3.

³⁴⁵ EU. Making sense of the labyrinth, 26 Nov. 1999; EU press reports file. Koha ditore, 7 Oct and 18 Nov. 1999; EU. Transformations – notes, 8 May 2001 gives the 51% figure.

dismissed out of hand. One could argue that it is questionable for UNMIK to stand simultaneously as arbitrator and respondent in its own dispute.

As already noted, by the outbreak of the Kosovo campaign, Rozan's relationship with Novak Bjelić was considerably warmer than that of Mytileneos, and they maintained friendly contact across the war period and its aftermath. Maybe Rozan figured this was the best way of protecting the funds he had committed to Trepča, but it was also clear that he regarded the war merely as an interruption to a business capable of supplying further profit. After the entry of NATO into Kosovo, he used political influence on behalf of Trepča. He was to claim that his influence had "prevented the nomination by UNMIK of an administrator who would run Trepča".³⁴⁶ If this was true, it was Rozan who had managed to let RMHK "Trepča" continue to operate its assets in northern Kosovo. Bjelić certainly believed it. He reckoned Rozan's intervention "certainly gives results",³⁴⁷ and in July Bjelić begged him to use his influence on French Ministers "once again" this time to secure a regular supply of power and water.³⁴⁸ In response Rozan promised to get in touch with the French delegation [to the peace talks] in Paris.³⁴⁹ Rozan was well aware of the danger Trepča was courting with its environmental problems, which it was incapable of solving for itself, so he negotiated with Boliden-Contech, which he hoped would be brought in to help at Zvečan. He wanted to arrange a meeting between Bjelić and Boliden's Mr. Engstrom.³⁵⁰

In recognition of Rozan's indirect shareholding in Trepča, Bjelić made Rozan a vice-president of the RMHK "Trepča" administrative council.³⁵¹ A more subtle man than the bombastic Bjelić, Rozan therefore became involved with this aspect of Trepča's affairs, and advised Bjelić that in his conduct towards the top UNMIK administrators he was behaving in "a very delicate situation" like "an elephant walking into a glass shop".³⁵² Bjelić had so inflated an idea of his own importance that he took this criticism amiss,³⁵³ and it may be that Rozan was starting to despair of Bjelić's competence to run the enterprise under changed conditions. Bjelić does not seem to have been interested in co-operating with Boliden-Contech, and Rozan sent Milosavljević at Jugobanka the draft of a contract with Boliden, in which Boliden would be entrusted with restarting the plant by 15 October.³⁵⁴ This plan seems to have gone nowhere, and a newspaper report the following month claimed that SCMM's lawyer was advising Rozan urgently to take control of Trepča, oust Bjelić, and start

³⁴⁶ EU. UNMIK police report, Rozan – Bjelić, 6 Sept. 1999.

³⁴⁷ EU. UNMIK Police report, Bjelić - Rozan, 3 Aug. 1999.

³⁴⁸ EU. UNMIK police report, Bjelić - Rozan, 28 July 1999.

³⁴⁹ EU. UNMIK police report, Rozan-Bjelić, 29 July 1999.

³⁵⁰ EU. UNMIK police report Rozan – Bjelić, 3 Aug. 1999.

³⁵¹ EU. UNMIK police report, Rozan-Milosavljević, 22 Sept. 1999.

³⁵² EU. UNMIK police report, Rozan - Bjelić, 3 Sept. 1999. (Erroneously 3 August).

³⁵³ EU. UNMIK police report, Bjelić - Rozan, 6 Sept. 1999.

³⁵⁴ EU. UNMIK Police report, Rozan-Milosavljević, 22 Sept. 1999.

co-operation with Mytileneos, who feared that the negotiations with Boliden were being conducted in order to by-pass his own rights regarding Trepča.³⁵⁵

In contracts dated 2 and 7 July 1999, Trepča concluded a settlement with SCMM in which the parties agreed that Trepča owed SCMM some \$2.494 million. In addition, Marc Rich appears to have held guarantees for \$2 million issued by Stopanska banka of Skoplje under the absurdly optimistic contract of 6 Feb. 1999, which he had called in, leaving Trepča as debtor to Stopanska banka for this amount. To meet these obligations, Trepča agreed to a transfer of ownership to Jugobanka of 19,000 tons of zinc concentrate lying at the zinc smelter with a provisional value of \$4.31 million, to cover Jugobanka's guarantee commitment to SCMM. Jugobanka would, according to available documentation, assign it to SCMM. Trepča undertook to keep this amount of zinc concentrate separate from any other concentrate on site. If Trepča could restart the plant within 30 days, SCMM would sell the concentrate to Trepča for processing. Trepča would then process it and sell the metal back to SCMM at a 3% discount on the LME zinc price, and turn over the \$2.494 million so raised to discharge its debt to SCMM. The balance would then be paid to Stopanska banka. If Trepča could not process the concentrate, SCMM was free to sell the it – if it could.³⁵⁶ A further contract then granted SCMM rent free warehousing of the zinc concentrate for 12 months.³⁵⁷ Rozan simultaneously arranged for Jugobanka to take over the stock of lead concentrate lying at Zvečan, and then turn it over to SCMM.

Neither contract solved Rozan's problems, probably because the September acid leak closed the zinc smelter and because RMHK "Trepča" subsequently lost control of and access to the zinc smelter and to the concentrate pile sitting on site there. Nor would UNMIK allow Rozan to remove it. As for the lead concentrate at Zvečan, Rozan heard that Trepča was processing it, but without turning the metal or the proceeds from selling it over to him. This he claimed put Trepča in breach of contract.³⁵⁸ This was actually a threat not to Trepča but to Jugobanka, which was still at risk under the (now extended) guarantees. Bjelić, never one to admit the slightest fault, insouciantly informed Rozan that Jugobanka held the lead concentrate by contract with Trepča, and although Jugobanka had assigned it to Rozan, Jugobanka "as bearer of the contract" consented to place it at Trepča's disposal, so that Trepča could "secure the further manufacturing cycle." He offered to trade this lead concentrate for "our zinc concentrate" whose location was not made clear.³⁵⁹

Trepča's trading policy was clarified in January 2000 by a protocol governing its relationship with Jugobanka, under which Trepča would make an effort not to expose Jugobanka to any increase in its guarantee liabilities and would earmark 10% of its domestic and export earnings to the reduction of Jugobanka's exposure. In view of the court dispute with Mytileneos, who Jugobanka estimated to hold \$49.3 million of

³⁵⁵ EU file press reports. Koha ditore 7 Oct. 1999; EU. file Trepča negotiation brief. Mytileneos v. Trepča, and ors. in Athens, p. 32.

³⁵⁶ EU. file This is Trepča. Contract Trepča-SCMM, 2 July 1999.

³⁵⁷ EU. File This is Trepča. Trepča-SCMM, contract on hire concluded 7 July 1999; T24-3993. Protokol o regulisanju odnosa izmedju Jugobanka a.d. Beograd i RMHK "Trepča" d.d. Beograd, undated.

³⁵⁸ EU. UNMIK police report, Rozan - Bjelić, 4 Jan 2000.

³⁵⁹ EU. UNMIK police report, Bjelić – Rozan, 18 Jan. 2000.

guarantees, neither party would make any payments to his company. Guaranteed debts to Volvo for \$2.35 m. in respect of vehicles and equipment delivered to Trepča were to be re-programmed if still on sites under Trepča's control. For settlement in respect of vehicles no longer controlled by Trepča, Volvo would be told to refer to the UNMIK authorities. SCMM, on the other hand, was no longer a Trepča creditor. Jugobanka had taken over Trepča's obligations to SCMM, and it estimated its obligation to SCMM at \$2.18 million.³⁶⁰

7.3. Export deals, June 1999-July 2000.

Even while the war was still being fought, Trepča was in negotiation for new export customers. A letter from J. P. Niel replied to a fax from Jugobanka dated 4 June 1999, which wanted a tolling arrangement for its smelters to process imported lead and zinc concentrates. Niel's reply was sent just after the cease-fire, assuring Trepča that on the basis of its research, it could quote prices acceptable for the tolling of minerals, and offered to sell the outputs.³⁶¹

Between September and November 1999, Trepča claimed to have produced 2,000 tons of refined lead, 2,000 kg. of silver, and a little gold.³⁶² It was however more difficult than hitherto to find pre-payment customers. Trepča was no longer creditworthy in foreign transactions, and the sanctions issue further complicated matters. Bjelić proposed to Trafigura a new \$3.5 million contract for 7,000 tons of lead,³⁶³ but this was not taken up. Bjelić also contacted a former pre-payment customer, Ernst Kohler of Newco, who had earlier rescinded and cashed his guarantees. Initially, Bjelić appears to have asked Newco for a loan, probably in the form of lead concentrates, for which he offered bank guarantees. Kohler declined to provide finance "without a commodity transaction" but offered him concentrates from Poland with a small credit element built in.³⁶⁴ Bjelić thereupon offered him a pre-payment contract for the supply of lead concentrate to be settled by delivery of lead. Kohler was cautious: he asked the Swiss authorities if such a contract were permissible, and they told him that he could not engage in co-operation with Trepča until political conditions permitted. On Bjelić's suggestion Kohler also contacted Rozan, who confirmed this was indeed the case, (though Rozan had no intention of acting accordingly by withdrawing from dealing with Trepča).³⁶⁵

So Trepča now had to accept cash dealing. In so far as Trepča was able to meet its obligations to it, 1000 tons of lead should have been exported to LN Metals of Newport, South Wales, by end of October 1999, under a contract signed in October 1999. The total contract was for 7,000 tons of lead at LME price, and payment on delivery.³⁶⁶ It is not clear that the absence of a credit component in this contract

³⁶⁰ T24-3993. Protokol o regulisanju odnosa između Jugobanka a.d. Beograd i RMHK "Trepča" d.d. Beograd, undated.

³⁶¹ T3-1060. J.P. Niel – Jugobanka (Pavlović) 25 June 1999.

³⁶² T23-1989. Amendment to federal budget, 16 Dec. 1999.

³⁶³ T24-3991. Trepča-Trafigura, 23 Sept. 1999.

³⁶⁴ Z11. Newco – Trepča, 13 Aug. 1999.

³⁶⁵ T24-3988. Newco (E. Kohler) – Trepča (Bjelić) 23 Sept. 1999.

³⁶⁶ T24-3991. LN metals (International) Newport – Trepča, 11 Oct. 1999.

materially altered the legal situation regarding sanctions, and one suspects that Kohler, in rejecting Trepča's business, was more worried about the commercial risk than the risk of being pursued for breaching sanctions.

Other foreign deals were in the nature of barter contracts, entered to enable Trepča to secure imported supplies. In December 1999, 265 tons of lead were delivered to Belgrade by Trepča to be exported for \$128,551 to Tera '90 of Plovdiv, Bulgaria under a barter arrangement. This probably included the exchange of lead for machinery and Ukrainian coke, and the tolling by Tera '90 of Trepča zinc concentrate.³⁶⁷ However, Tera '90 also offered to "assist" Trepča in the sale of 50 kg. of gold, which must have been worth around \$500,000.³⁶⁸ Since gold was extracted at the zinc smelter, not at Zvečan, it would be interesting to know how Trepča happened to have this gold at its disposal.

Between January and July 2000, Trepča exported only 2,555 tons of lead, of which 1,731 tons went to LN Metals. Most of the rest went to Tera '90 and to Niprom (Tetovo, Macedonia), which swapped zinc concentrates for refined zinc. Still, as an indication that production and trade were picking up rapidly in the summer, July 2,000 alone accounted for export deliveries of 1,101 tons.³⁶⁹

7.4. Trepča's strategic and defence contracts.

Between 1998 and 1999, Trepča's lead and zinc sales on the international market collapsed from 191.8 million dinars to 79.2 million (\$17.39m to \$7.19m.) while domestic disposals of these products surged from 40.9 million dinars to 100.8 million.³⁷⁰

At least one consignment of 200 tons lead was loaded into ten trucks and sent to the Jagodina cable factory in November 1999.³⁷¹ This seems to have been agreed on commercial terms, but the principal destination of Trepča's products after the war is disclosed by a series of contracts for strategic materials between Trepča and the Yugoslav Federal Direction of Merchandise Reserves. A contract between the two was signed on 5 August 1999 for 350 tons of lead alloyed with antimony at 17,456 dinars a ton plus transport charges, value 6.2 million dinars.³⁷² Another contract followed on 8 Oct. 1999, for 1000 tons of lead at 22,392 dinars per ton plus transport costs, value 23.5 million dinars,³⁷³ and yet another dated 24 Nov. 1999, for 500 tons of lead at 31,100 dinars a ton plus transport costs, value 16.1 million dinars.³⁷⁴ These contracts continued into 2000. In January Trepča offered the Reserves zinc and lead to the value of 105 million dinars (presumably around 2,000 tons) for January to August

³⁶⁷ T24-3986 Trepča-Jugobanka, 27 Oct. 99 and Dec. 1999.

³⁶⁸ T24-3986. O. Fortunov, Tera '90-Bjelić, Trepča, 8 Nov. 1999.

³⁶⁹ T1-797. Trepča monthly report for July 2000.

³⁷⁰ T23-3951. Trepča sales on domestic and foreign markets.

³⁷¹ T7-1103. Trepča-HP Industrija kablova, Jagodina, 26 Nov. 1999.

³⁷² T24-3985. Savezna direkcija za robne rezerve Beograd. Contract 04-01-1124/1.

³⁷³ T24-3985, contract 1250/1.

³⁷⁴ T24-3985. Merchandise Reserve. Annex to contract of 24 Nov. 1999.

delivery.³⁷⁵ There was also a contract in January for 500 tons of zinc at 68,830 dinars a ton plus transport costs, making 35.1 million dinars.³⁷⁶ This contract seems to have been based on a delivery of zinc concentrate tolled at the Veles smelter in Macedonia. Only 410 tons were delivered by June 2000, because of (alleged) difficulties on the part of the Macedonian smelter.³⁷⁷ On 6 March, Trepča offered the Reserves 320 tons of lead for prompt delivery.³⁷⁸ On 14 March, Trepča was asking for payment of 11 million dinars for lead delivered to the reserve.³⁷⁹ It is evident that the routing of deliveries to the Yugoslav Merchandise Reserves accounted for the shift after the occupation from exports to domestic markets.

The material Trepča was sending north was indeed of a strategic nature. In August 1999, Trepča was committed to deals totalling 13.3 million dinars with the Yugoslav army and INOS (a Bjelić company) mainly for lead, but also for accumulators. Of this money, 8 million dinars were financed by YU-Garant bank, the financier for military supplies.³⁸⁰ Trepča lead was also destined to meet an order confirmed on 27 January 2000 by the Yugoslav army for lead acid accumulators, to be completed by 28 April 2000. Finance was again to be provided by YU-Garant Bank, Belgrade.³⁸¹ On 14 April 2000, Trepča accepted under another military contract with the Defence Ministry, to supply materials for submarine batteries, but in June it admitted it lacked the necessary equipment and pleaded for more time. As it was still unable to set a delivery date, the army threatened to rescind the contract.³⁸² An undated internal memorandum calculates the price of “special submarine batteries”.³⁸³ In May, Bjelić negotiated with the Federal defence ministry over a supply of lead alloy, whose delivery it needed to postpone till June because of repairs to the lead smelting works at Zvečan.³⁸⁴ One wonders whether the UNMIK authorities had the least idea that Trepča’s continued smelting of lead at Zvečan under their tolerance was primarily linked to its delivery of strategic materials to the Milošević regime in Belgrade, both for the Merchandise Reserves and for military contracts. True, accumulators for the military would have to be manufactured in one of the Trepča battery factories in Serbia, but metal smelted and refined at Zvečan would have been its only supply source for the lead.

7.5. Bjelić’s insider contracts.

Trepča’s domestic contracts for metal supply in the period when its Zvečan site operated under UNMIK’s tolerance were signed, as we showed above, with state and

³⁷⁵ T3-1212. Trepča-Savezna direkcija za robne reserve, 20 Jan 2000.

³⁷⁶ T24-3985, contract 05-01-95/1.

³⁷⁷ T24-3985. Trepča-Savezna direkcija, 19 Jun 2000.

³⁷⁸ T3-1212. Trepča- Savezna direkcija za robne reserve, 6 March 2000.

³⁷⁹ T3-1212. Trepča- Savezna direkcija za robne reserve 14 Mar. 2000.

³⁸⁰ T3-1030. Pregled proizvoda Trepče ... signed by V. Golubović, 3 Aug. 1999.

³⁸¹ T3-991. Vojna pošta, Beograd, 27 Jan. 2000.

³⁸² T3-991. Savezno Ministarstvo za Odbranu – Trepča (Bjelić) 22 June 2000.

³⁸³ T7-1539. Handwritten calculation headed “Specijalne baterije – podmorničke”.

³⁸⁴ T3-1212. Trepča – Savezno ministarstvo za odbranu, 3 May 2000.

military institutions. We do not know why, or on whose initiative, the metal deliveries were deflected from foreign markets to the Yugoslav state. It is nonetheless clear that Bjelić was using his political influence in setting up these arrangements, and that he brought his “private” companies, FAGAR and INOS into these deals. A matrix of linkages evolved between Trepča, FAGAR, INOS, Jugobanka, the army, the State Merchandise Reserves and the Postal Savings Bank. The evidence is slippery (as it was clearly designed to be) but there must be suspicion that this architecture was constructed to siphon Trepča’s funds into FAGAR and INOS, with the connivance of Jugobanka and (probably) the state institutions themselves.

Bjelić demonstrated his political influence in his capacity as member of the Federal parliament, in December 1999, by inserting a last minute amendment into the federal budget for 2000, which granted Trepča a special subsidy of 100 million dinars (about \$9m. at the official reckoning). The money was needed, Bjelić claimed, to maintain Serb employment in Kosovo and to keep supplying the Merchandise Reserves.³⁸⁵

During this period, we pick up much more information than hitherto on Trepča’s dealings with INOS of Belgrade. We noted that INOS had become FAGAR’s biggest shareholder at the time Bjelić privatised it,³⁸⁶ and that it can reasonably be regarded, like FAGAR (GAPOS), as one of Bjelić’s private interests, and probably the most important among them. When Bjelić later lost his job at Trepča, it was to INOS that he retreated. Like FAGAR, INOS engaged in compensation trade with Trepča, and on sweetheart terms.³⁸⁷

Trepča’s dealings with INOS were diverse, but a somewhat confusing letter of June 2000 from Ivanović at INOS to Golubović and Radulović at Trepča refers to the sale of 25 tons of Trepča’s lead by INOS to the Jagodina cable factory, for which INOS’ giro account was paid 763,800 dinars. The Trepča officials had queried the transaction. Ivanović wrote that he had been trying to sell the lead at Trepča’s list price, but the state reserve had been auctioning off large quantities (which it would have bought from Trepča earlier) and had driven down the price. INOS urgently needed cash, as it faced imminent distraint or prosecution for unpaid debt, so it had disposed of the lead at the best price it could get in a hurry, which was clearly much lower than Trepča had understood from INOS that it was to receive. Golubović and Radulović were later to be pursued by Trepča together with Bjelić for abuse of office. So it appears the same people were involved at both sides of the bargain, and that Trepča was forced into selling cheap by using INOS’ intermediation.³⁸⁸

Trepča’s deliveries to the State Reserves were paid for in dinars, not foreign exchange, and in keeping with Bjelić’s earlier established practice such dealings involved FAGAR, INOS and the postal savings system. A letter by Bjelić from Trepča to Jugobanka Belgrade in March 2000 relates to deliveries of metal to the Merchandise Reserves, to which metal was being sold by Trepča since the beginning of the occupation. It contains the following table of metal deliveries to the reserves, and the payments made by the Reserves in respect of these deliveries.

³⁸⁵ T23-1989. Amendment to federal budget, 16 Dec. 1999.

³⁸⁶ See above, p. 25.

³⁸⁷ See above, p. 63.

³⁸⁸ MP “INOS” (Gavrilo Ivanović) – Trepča (Vesna Golubović and Vojislav Radulović) 2 June 2000. Internal Trepča document.

	Payee	000 dinars	commodity
14 Aug. 1999	INOS/Postal savings	6001	alloy
12 Oct. 1999	FAGAR/Postal savings	13165	lead
15 Oct. 1999	Postal savings	7162	lead
4 Nov. 1999	Postal savings	3792	lead
31 Dec. 1999	FAGAR payment of wages	7500	lead
8 Feb. 2000	Jugobanka/postal savings	5217	zinc

Source: T24-3989. Trepča-Jugobanka 15 Mar. 2000.

Jugobanka was the initial recipient of the funds paid for Trepča metal deliveries to the State Merchandise Reserves. This is made clear by a letter to the Reserves from Trepča, instructing the Reserves to assign payment to Jugobanka on a delivery of 74.2 tons of zinc which it invoiced on 31 Jan 2000.³⁸⁹ From the tabulation above, it would appear that the payee accounts were those to which Jugobanka had been instructed to pass on payments received by it from the State Reserves. Since Jugobanka was the payee, from the point of view of the State Reserve, the Reserve had no (formal) need to know what Jugobanka then did with the money. As is shown, all the tabulated payments ended up in various postal savings accounts, or in an account of FAGAR specifically designated for the payment of wages (presumably those of Trepča). Note also the first entry, in which payment is made through the postal savings bank to INOS. Bjelić wrote this letter to Jugobanka because “there is speculation external to this data (a certain Mr. Antić from the State Merchandise Reserves) so please take this as the source data.” Antić’s suspicions regarding these dealings can be taken seriously, because he was the signatory for the State Reserves to several of the contracts with Trepča and its private partners. “MP INOS” had been built in, as a recipient of 6.11 million dinars plus 87,500 dinars for transport costs for Trepča metals, under a contract signed by Antić for the state reserves with Trepča in August 1999.³⁹⁰ Since the postal savings system had been used as a tax–laundering device by Trepča, its personnel were probably corrupt too. It may be noted that when Trepča wanted to borrow from this system, Bjelić could do so on demand without furnishing either reasons or collateral.³⁹¹

There is also information about the way Bjelić looped FAGAR and INOS into Trepča’s state contracts, so as to channel Trepča funds into them. This activity seems to have been going on at least since 24 July 1998, when Jugobanka issued a guarantee for \$260,000 on behalf of Trepča. It appears that Trepča defaulted on the relevant payment, so Jugobanka had to meet the guarantee. Jugobanka therefore had to collect this sum from Trepča, which was out of funds. So Trepča told Jugobanka that the money “could be charged from the first foreign exchange inflow which Trepča creates through its account with Garant” (meaning presumably YU-Garant Bank). An

³⁸⁹ T24 3985 Trepča- merchandise reserve, 2 Feb. 2000.

³⁹⁰ T24 2000-3985, Extract from contract 04-01-1124/1 between State Merchandise Reserve and Trepča, dated 5 Aug. 1989. INOS’ giro number is conveniently included: 40812-601-5-2068076.

³⁹¹ Trepča (Vojislav Radulović) – Poštanska štedionica, Beograd, Sektor kredita, gosp. Pečanac, Beograd, 21 Mar. 2000. Document furnished by kindness of Tiosav Lazarević.

adjacent letter on the same file, signed by Bjelić, now in his capacity as General Director of FAGAR, Podujevo, instructed Jugobanka to transfer the same sum, \$260,000, arising from the same guarantee, to its own giro account, noting that the money “may not be used for any other purpose.”³⁹² Whatever the mechanism, FAGAR was collecting this large sum from Jugobanka at Trepča’s expense. The debt probably arose from the lateness of a payment due to Trepča, through YU-Garant, for military contract work, and the payment was late because the contract work had not been executed. But why should Trepča have guaranteed this sum on FAGAR’s behalf, so that FAGAR could obtain credit in order to execute a military order which FAGAR evidently did not deliver? (If FAGAR had not taken the credit, the guarantee would not have been raised). The sloppy, even casual, nature of the instructions, and the lack of a date attached to either, seems to signal a highly dubious transaction. More light on the transactions concerned appears to be shed by later correspondence.

In July 2000, Jugobanka lent GAPOS 500,000 dinars for 30 days. Trepča stood as guarantor.³⁹³ We do not know whether GAPOS repaid this debt, but subsequent dealings suggest it did not. On 13 August 1999, Bjelić’s INOS entered a contract to supply the Yugoslav army with military supplies, for which purpose it had been furnished with a short-term (probably 90-day) credit by YU-Garant Bank, probably of 8.25 million dinars. YU-Garant bank appears consistently as a vehicle for funding deals between the military and its suppliers. It required a guarantee for this loan. Evidently INOS was in no position to get a guarantee for itself, so Trepča obtained a guarantee for INOS’ debt from Beogradska banka, and provided security to Beogradska by mortgaging the Kumane agricultural estate to it.³⁹⁴ INOS did not repay the loan to YU-Garant Bank, and as a result, on 20 November 1999, the guarantee contract with Beogradska was rolled over, and extended to 26 March 2000. As INOS still did not repay, the guarantee was further extended to 10 May 2000, and finally to 10 July 2000.³⁹⁵ As far as the documents indicate, the debt never was repaid, so at some point Beogradska banka would have had to distrain on the Kumane property. In another deal, of 18 May 2000, which may have been linked with the former deal, since it was entered in the same file, Trepča stood security for GAPOS, (the former FAGAR, now trading in Serbia, under Bjelić’s direction) by putting up a 12.192 kg. gold bar (worth around \$110,000) to Jugobanka as collateral.³⁹⁶ Jugobanka then furnished a guarantee of GAPOS’ debt of 1.5 million dinars plus interest to Novi Sad bank as security for a short-term credit. GAPOS failed to return the credit, so on 29 June 2000, Jugobanka threatened GAPOS with distraint, because the Novi Sad bank had told Jugobanka it would demand payment against the Jugobanka guarantee.³⁹⁷ Jugobanka held Trepča’s gold bar as security against this risk.

³⁹² T3-1171. Golubović, asst. to Gen. Dir. For Finance and Banking, Trepča, - Jugobanka, undated; Jugobanka, Ovlašćenje. Undated, signed Bjelić.

³⁹³ T3-1115. Contract Jugobanka Beograd and GAPOS, 17 July 2000.

³⁹⁴ T3-1161. Zapisnik 131/99, 20 Aug 1999, court at Novi Bečej; Trepča-Beogradska banka 15 Feb. 2000.

³⁹⁵ T3-1161. Anex br. 2 of 8 Feb. 2000, anex br. 3 and anex br. 4 of 8 May 2000.

³⁹⁶ T3-1161. Ugovor o jemstvu no. 43, (Jugobanka, Trepča) 18 May 2000.

³⁹⁷ T3-1161. Jugobanka-GAPOS, 29 June 2000.

In short, it appears that Bjelić was mobilizing Trepča assets, in order to cover debts incurred by both of his “private” companies, INOS and GAPOS, which either could not, or would not discharge them from their own resources. He could do this without restraint since the deals were not sufficiently large to require him to seek clearance with the Trepča board. Neither deal offered any advantage or compensation to Trepča for the all too real risk of loss either of its agricultural property, or of its bar of bullion. As for the agricultural workers of Kumane, the estate on which they had drawn their livelihood would be liquidated by a bank, to settle a debt with which they had no connexion, no control, no benefit, and (probably) no awareness.

The links between Trepča, GAPOS and the army also emerge in connection with vehicle dealings by Bjelić. In May 2000 Bjelić wrote, as General Director of GAPOS, to Chief of General Staff, General Nebojša Pavković, pressing for release of two Priština registered trucks, an Iveco and a Mercedes, “which during June 1999 were warehoused on the site of our factory at Blace by the Priština corps...”. In December that year, he had asked the army to transfer the trucks into GAPOS’ property. It would appear that in shifting FAGAR assets from Podujevo to Blace during the war, Bjelić’s FAGAR made use of the two trucks, which were presumably Trepča’s, and that the army had impounded them, but nevertheless permitted them to remain on GAPOS’ site. It seems that the two trucks were Trepča’s because this letter, in which Trepča is never mentioned, lay in a Trepča file, which was concerned with dealings between Trepča and the military.³⁹⁸ According to this document, Bjelić had just “given” GAPOS two of Trepča’s trucks. In fact, it came to be a bit of a habit, since Trepča also sued GAPOS for return of three tractors and a Yugo “Tempo” car.³⁹⁹ And of course, there would also be Bjelić’s questionable transfer of Trepča’s Mercedes limousine to INOS.

Another incident during this period also suggests that Bjelić developed a keen interest in Trepča’s real estate assets, probably with a view to sequestering them for his own benefit. Trepča owned various sanatoria and company hotels, including one at Meljine near Hercegnovi in Montenegro. In September 1999, the hotel was occupied by 12 women and children, who were Serb refugees from Kosovo. Bjelić quickly tried to get a court order for their eviction. When this failed to give results he sent a “work group” down to Meljine, who discovered the refugees were under police protection. Nevertheless the “work group” managed to get the electricity and water cut off, and secured a new court order for eviction, without evidence being heard from the refugees themselves. This court order was going to take time to enforce, so the “work group” told Bjelić that they would have to engage in “additional activities” “to intensify the work of executing the ruling.” But Bjelić had to back down. In May, the refugees were still at the Meljine hotel. Bjelić came under pressure from the Federal government, which found the eviction of the refugees distasteful, so he offered to move them to Trepča’s Banjska sanatorium near Zvečan and to employ those who were able bodied.⁴⁰⁰ This offer was designed to make him look considerate, but the move would not have been attractive to the refugees. Whereas the Meljine hotel had

³⁹⁸ T3-991. GAPOS – Vojska Jugoslavije, 19 May 2000.

³⁹⁹ Holding RMHK “Trepča” AD Zvečan. Pregled aktivnih predmeta u kojima se RMHK “Trepča” pojavljuje kao tužilac/poverilac. 13 May 2002.

⁴⁰⁰ T3-1212. Trepča – Savezna Republika Jugoslavije, 3 May 2000, and attachment, “informacija sa službenog puta u Herceg Novi, 24 Mar. 2000.

been in decent condition and much used, “Banjska” (and other Trepča recreational assets) had been “left to the teeth of time and decay”, in other words Banjska was probably derelict.⁴⁰¹ The offer therefore cost nothing and liberated the potentially saleable asset of the hotel at Meljine. Moreover, Trepča also took out a civil suit against Slavica Dejanović and others at Meljine for hindrance of its possession of the hotel.⁴⁰²

8. The dispute over pollution, and closure by UNMIK, August 2000.

For most of its history, Trepča’s mining and metallurgical activities presented a health hazard. The most serious environment problem arose from the malfunctioning of the Zvečan lead roaster complex. The plant was built in 1967 and from the start had never worked satisfactorily. The sinter plant had been designed to recover the emissions of sulphur dioxide, which should then have been scrubbed clean of dust, and the hydrogen chloride content removed, to purify it for making concentrated sulphuric acid. But so inefficient had the sinter plant become, that the sulphur dioxide became diluted with too much air for concentrated acid to be produced from it. As they were therefore useless, the emission gases were discharged as waste. These left the plant too hot for the filters to work efficiently, so when they passed out into the atmosphere, they carried much of the lead dust with them. New filters were fitted in 1985, which cut down dust emissions for a few years, but the sulphur dioxide still had to be discharged as waste. The environmental problem was mitigated by the completion of a new and higher smokestack, but in 1990, an estimated 25,000 tons a year of sulphur were being discharged into the air as sulphur dioxide.⁴⁰³ Clearly the plant needed reconstruction, which would not only have reduced the environmental and health hazard, but would also have raised production of sinter, diminished waste, and improved the recovery of sulphur dioxide to enable the idle sulphuric acid plant to work, though this itself stood in need of reconstruction. A big reconstruction project had begun in 1987, but it was stopped in 1991 or 1992, with “the greater part of the equipment” made and awaiting assembly. It would not be the first instance of investment projects that resulted in the accumulation of unused equipment. In 1996, Bjelić was looking for foreign funding to complete this project, but the work was left undone, with baleful consequences.⁴⁰⁴

The environmental and health issue received intensive study by consultants working in co-operation with UNMIK. While a well operated modern lead smelter emits in one year 0.2 kg. or less of lead per ton of crude lead smelted, lead emissions from the Zvečan smelter in 1980-1984 (the earliest years providing data) ran at 10.3 kg. The 1984 refit of the filters brought emissions down to a still unacceptable 3.05 kg. but as nothing further was done, the control equipment and production facilities deteriorated again. The emission rate rose steadily every year till 1999, the last year in the series, when it reached 14.8 kg. This was the most serious problem, but was far from being

⁴⁰¹ T3-1076. Izveštaj o poslovanja RMHK “Trepča” za 1999 god.” Zvečan, Feb. 2000.

⁴⁰² Holding RMHK “Trepča” AD Zvečan. Pregled aktivnih predmeta u kojima se RMHK “Trepča” pojavljuje kao tužilac/poverilac. 13 May 2002.

⁴⁰³ Trepča, 12 Feb. 1990, p. 7; 26 Feb. 1990, p. 7.

⁴⁰⁴ Z12. Trepča-Metalchem, 6 May 1996.

the only shortcoming. Production waste was “dumped anywhere around the site, making it look more like a dumpsite than a smelter.”⁴⁰⁵

The pollution problem at the Trepča plants, especially the lead smelter at Zvečan, had long been an open secret, and had aroused press interest. A report of 1997 claims that workers were suffering lead poisoning because of the deterioration of equipment and the state of the filters.⁴⁰⁶ In Trepča’s plan for 2000, a review of the state of the equipment noted that “especial care must be addressed to the following items” of which the first priority was accorded to “cleansing of the worn out gas duct system and revitalisation of certain filter units,” and linked with this, repair to the production control system at the sinter plant.⁴⁰⁷ It is evident that the work was not carried out, and equally evident that Trepča management, despite its later denials, was well aware it should be.

As lead production at the Zvečan smelter increased in mid 2000, so too did lead pollution, because of the poor state of the equipment, especially the filters, and because of impaired operation and maintenance. As there was no net commercial gain from using filters to extract the dust from the emission gases, and as funds were very tight, the filters were not replaced, and the costly processing of the sinter emissions was abandoned altogether. The stream of sulphur dioxide, hydrogen chloride and lead dust poured out, partly through the factory roof, untreated. Lead levels in the air rose to about 125 times acceptable European Union standards. Mitrovica had become, so it was claimed by UNMIK, the most lead polluted city in Europe.⁴⁰⁸

The Trepča management had obviously been aware of the problem, since its plan for 2000 had accorded top priority to the rectification of the filters, but the priority had probably been set by government, not the enterprise. In June 2000, Bjelić had a telephone conversation with the Serbian minister for research and development, in which environmental problems were discussed, and proposals for importing monitoring equipment. He agreed that a survey should be carried out by an authorised institution on the state of the equipment for cleaning the process gases at the smelter.⁴⁰⁹ The response came in July in the form of a report by an industrial safety engineer, Šijak Idriz. It was addressed to Trepča’s general director, that is to say Bjelić. It was no literary masterpiece, but it provided a glimpse into conditions on site at Zvečan during the last month before its closure by KFOR.

⁴⁰⁵ I am grateful to Erik Solbu, expert on mine and metal industry pollution for a copy of his report, “Evaluation of the Environmental Impact of Trepča,” UNMIK. Provisional Institutions of Self Government, Ministry of Environment and Spatial Planning n.d. (2002) esp. p. 12 and Appendix 3.

⁴⁰⁶ Dnevni Telegraph, (Belgrade) 5 May 1997, p. 3; 9 May 1997, p. 3.

⁴⁰⁷ T3-1060 “Program ostvarivanja plana proizvodnje za 2000 godini u oblasti metalurgije, 7 Mar. 2000. There are further details in T-1060 “Plan remonta przionice i topionice olova” Zvečan, Mar. 2000.

⁴⁰⁸ EU. Trepča general information. Address to Zvečan workers, speech of Dr. Andrejew.

⁴⁰⁹ T3-1214. M. Barac, Trepča centar za istraživanje i razvoj – Ministarstvo za nauku i tehnologiju, Dr. B. Ivković, 9 June 2000.

Mr Šijak first addressed the lack of protective clothing worn by the workers on site. Most workers, even new recruits, wore their own civil clothing and footwear. Even those working with baths flowing with molten lead, which could easily spit and overflow, did not have leather aprons or protective footwear, and this made more or less serious injuries unavoidable. Above all, despite the problem of lead evaporation, noxious gases, and fine lead dust concentrated in the atmosphere, they were seldom given respirators, while such masks as were available were not efficient under these working conditions.

Because of the high concentrations of poisonous lead dust and gases that flowed untreated into the atmosphere, Mr. Šijak thought it essential that appropriate filters should be procured. He did not stop at the problem of poisonous emissions, for his survey was more wide ranging. He noted that the liquid ammonia station and the underground explosives magazine were usually unguarded. At the transformer stations, the state of electric isolation was doubtful, and there was a severe lack of testing equipment. "Also instruments at the transformer stations are not monitored, still less refilled with lubricant." Fire hazard too was worsened by the state of the extinguishers. These were not subject to regular checking, and at least at the power plant the extinguishers were empty.

Structures and equipment were in a variable state of repair. Platforms, staircases, and transporter bands were for the most part unprotected and in rickety condition. The cranes, especially those beside the smelter furnace, were in disrepair, and other building structures, for example steel-section load supporting pillars, were so badly corroded as to be in danger of collapsing.

All this, and especially the poisonous atmosphere, made for a serious health problem. Without proper respirators it was inevitable that every day more workers would sicken of lead poisoning. Exactly how many were affected at the lead smelter Šijak was unable to say. He felt sure the number was large, but he could not be specific, because the responsible supervisors were reluctant to inform him - "or else there are present other reasons for which I cannot obtain such data". He wanted to extend his survey to the mines and flotation at Leposavić, but he was obviously not wanted there, as Trepča would not supply him with transport.⁴¹⁰

Not only was there concern on the part of the authorities that workers and local residents were being poisoned by the lead dust emissions, but there was a substantial KFOR and UNMIK presence in the area, whose personnel were threatened by the pollution like everybody else.⁴¹¹ Mr. Šijak warned Trepča management that the pollution problem could not be concealed from them. "I was present several times when UNMIK and KFOR personnel took photographs from Partisan Hill and Miners' Street in Mitrovica of the smoke emitted from the chimneys into the atmosphere, and measured air concentrations from that spot, and I won't comment on their intentions."⁴¹² In the light of the information they gleaned, senior defence leaders urged UNMIK to close the plant, as Šijak had feared. On 21 July, the French Chief of

⁴¹⁰ Šijak's report is in T3-1214 as an internal Trepča, Belgrade, memorandum addressed by him to the General Director, and dated 10 July 2000.

⁴¹¹ EU. Article Trepča. Dana P Eyre, "Problem or potential? Revitalizing Trepča and building the peace in Kosovo.

⁴¹² Šijak, loc. cit.

Defence Staff called on UNMIK to deal with pollution levels.⁴¹³ Politically, closure was a delicate matter because of the employment implications, and the danger of courting a confrontation with the Serbs. Therefore UNMIK repeatedly requested the Trepča management for access to the site in order to assess pollution levels. At this stage, in the “current situation where the filters are bypassed” UNMIK wanted, not to close the plant, but to “assist in remedial action” by replacing them, a job which would require temporary closure of the smelter for about a month.⁴¹⁴

This estimate was probably unrealistic, and the Trepča managers feared that if UNMIK secured control of the plant, it would close it permanently. Therefore they denied the existence of pollution, refused co-operation, and rejected UNMIK’s requests for plant access.⁴¹⁵ In this they enjoyed the backing of the Yugoslav government, which on 10 July protested against UNMIK plans to take over the Zvečan site.⁴¹⁶ On 24 July, Bjelić wrote a typically mendacious and bombastic letter to UNMIK, denying the existence of pollution, and threatening “unforeseeable consequences if UNMIK were forcibly and illegally to take over the lead smelter”.⁴¹⁷ This uncompromising truculence had the (predictable) contrary effect of precipitating the very action he had hoped to avert. With KFOR assistance, UNMIK shut down the smelter on 14 August 2000, citing the environmental and health hazard, and placed the Zvečan complex under UNMIK administration. The action was carried out bloodlessly, by a combination of force and subterfuge.⁴¹⁸ To minimize the employment and political effects of closure, 1,000 Serbian employees retained their employment at UNMIK expense, on salaries of DM250 a month for carrying out maintenance work and cleaning up the site, while the remaining 2,200 or 2,500 Serbian workers were given “stipends” of DM70 a month in compensation for unemployment.⁴¹⁹ Compared with earnings at Zvečan at the end of 1999, the UNMIK financed pay rate was munificent.

Bjelić and Gavriilo Ivanović, it appears, were on site at the time of closure, whereupon they were ordered to exit, without taking away any documents (which suggests that this is what they were engaged in doing). They were barred access to all Trepča sites in Kosovo.⁴²⁰ They left the province and continued to manage the Trepča company from its office in Belgrade.

⁴¹³ EU. Article Trepča. Bullets on latest events in Trepča. Chronology, 2000.

⁴¹⁴ EU. Trepča general information. Addresses to Zvečan workers, speech of Vladimir Zimianin; Trepča smelter summary, 28 July 2000.

⁴¹⁵ EU. Trepča general information. Addresses to Zvečan workers, speech of Vladimir Zimianin; Trepča smelter summary, 28 July 2000.

⁴¹⁶ EU. Article Trepča. Bullets on latest events in Trepča. Chronology, 2000.

⁴¹⁷ EU. Article Trepča. Bullets on latest events in Trepča. Chronology, 2000.

⁴¹⁸ EU. Article. Trepča. Dana P Eyre, “Problem or potential? Revitalizing Trepča and building the peace in Kosovo”; oral information of former EU-UNMIK Trepča manager, Charles Carron Brown.

⁴¹⁹ EU. Trepča policy papers. UNMIK and Trepča status report, 26 Feb. 2001; Media stories. Koha ditore, 12 Oct. 2000.

⁴²⁰ EU. Takeover Process. UNMIK 25 Aug. 1999.

Unfortunately, the takeover had been anticipated by Trepča management. 403 tons of refined lead had been stored on site on 1 August, but by 10 August, this stock had shrunken to 22 tons, mainly by the export of 312 tons from it. Smaller deliveries went to Yugoslav recipients, though when new production of 74 tons is taken into account, a residual of 139 tons, neither on site nor booked out, seems to be unaccounted for.⁴²¹

The UN informed the population that the closure was only temporary, but as of December 2002, there seemed little prospect of the lead smelter re-opening. Environmental expert opinion is that it should never re-open, and anyway its technology is so antiquated and decrepit that there would be no economic justification for operating it. The Serbs chose to believe that pollution was an excuse for closing the plant as an anti-Serb measure. But whatever the case, the authorities could hardly be faulted for their action. Immediately following the UNMIK takeover, voluntary blood tests showed many people to have had excessive lead levels in their blood.⁴²²

Pollution problems were not confined to the Zvečan site. The zinc smelter complex at southern Mitrovica seems to have been run on similar lines. It was supposed to provide the phosphoric acid plant at the Trepča fertilizer factory with by-product sulphuric acid, but in 1989 the filters for the phosphoric acid plant failed and production stopped. Therefore the fertilizer factory stopped taking sulphuric acid, and the acid storage tanks at the zinc smelter filled to overflowing. Acid escaped to form “grey clouds” above the smelter, because nobody troubled to find a third party interested in buying the acid.⁴²³ The smelter continued to pollute, at least during those intermittent periods when it was running. In 1998, it was evidently leaking huge quantities of electrolyte.⁴²⁴ As noted above, after NATO entered Kosovo, the zinc smelter caused more pollution when in September 1999, an under-maintained acid tank failed and flooded the site with acid.

⁴²¹ T7-1628. Marketing Napro reports of 1 Aug., 2-3 Aug., 4-6 Aug., and 10 Aug. 2000.

⁴²² EU. Article Trepča. UNMIK Trepča brief, 7 Dec 2000.

⁴²³ Trepča, 30 Jan. 1989, p. 9.

⁴²⁴ See above p. 38.

PART THREE. Trepča's legacy.

9. Aftermath of the UNMIK takeover.

By closing the smelting plant and mines, KFOR and UNMIK were lumbered with Trepča's tortured legacy. Several key issues emerged, because there were still worthwhile Trepča assets there and the question arose as to whom they should belong. Taking his lead from Kouchner's ruling on state property, Bjelić contacted the shareholders to press their "private" claims with vigour, so as to reinforce this standpoint.

Bjelić, now administering RMHK "Trepča" from Belgrade, called a shareholders meeting on 23 October 2000. The UNMIK takeover had caused a huge fissure in the company. The management remaining in Zvečan had established a "Serbian negotiating team" which sought a modus vivendi with UNMIK, and this team was denounced as "illegal, illegitimate and self-appointed". The meeting called on the Yugoslav state organs to suppress it, and agreed that Trepča Belgrade should form its own negotiating team to deal with the situation. If this were not enough, all of Trepča's mines in Serbia were in the process of breaking away from RMHK "Trepča" and establishing themselves as independent enterprises. For example the Blagodot mine and flotation, which had brought into Trepča its heavy debt to "Trend" company, re-emerged as DP GROT. Other Serbian mines also sought separation, and the meeting condemned the "incomprehensible and impermissible" behaviour of these subsidiaries, claiming that Trepča had invested enormous funds in their equipment. Bjelić demanded legal measures to put a stop to this. Moreover, anybody doing any business with elements of Trepča which had passed out of the board's control – and that meant pretty much everything the company nominally owned and administered – would be sued, and their employees would be sacked unless they came into line.⁴²⁵

However, the fall of the Milošević regime in October 2000 was a greater blow to Bjelić's interests than was the UNMIK occupation of Kosovo, or even the closure of the Zvečan complex. For Bjelić was a creature of the Milošević system, and with its fall, his uncompromising stance toward UNMIK became irrelevant. On 23 January 2001, Bjelić was ousted by the Trepča management board and replaced by Jovan Dimkić, who accepted that Yugoslav interests in Trepča were best served by co-operating with UNMIK, rather than by empty confrontation. Bjelić's discharge was signed by former Jugobanka chairman and close colleague, Miloš Milosavljević.⁴²⁶ Bjelić remained however in control of INOS. In early January 2001, presumably anticipating his sacking, Bjelić drew up a compensation contract between Trepča and INOS under which INOS would receive the Mercedes car at a valuation, while the means for Trepča's compensation were left unstated. Trepča then sued INOS for return of the vehicle.⁴²⁷

The new board, which returned from Belgrade to Zvečan, did in fact press the suit started by Bjelić against the breakaway units in Serbia, and the Priština commercial

⁴²⁵ Internal Trepča document. Conclusions of the joint session of the shareholders meeting and management committee of Trepča Beograd, 23 Oct 2000; information from Nenad Veličković on the "Trend" dispute.

⁴²⁶ Trepča resolution of 23 Jan 2001, relieving Bjelić of his duties.

⁴²⁷ Holding RMHK "Trepča", Pregled aktivnih predmeta u kojima se RMHK Trepča pojavljuje kao tužilac/poverilac.

court sitting in Kraljevo forced them back into RMHK “Trepča”, though the same ruling did not touch on the Kosovo units.⁴²⁸

The dispute between Mytileneos and the debtors ground on. Jugobanka appealed against the Belgrade Economic Court decision of 9 February 2000 at the Superior Economic Court in Belgrade. But on 21 December 2000 the higher court upheld the lower court judgement.⁴²⁹ This left the Jugobanka directors panic stricken. They knew all too well that throughout the Milošević period Jugobanka had been trading in de facto bankruptcy, as most of its assets were the non-performing debts and problematic equities of “big systems” enterprises like Trepča. The in-coming régime was likely to be far less well disposed towards the bank. The Mytileneos judgement could lead to a blockading of Jugobanka’s clearing account, and that in turn would invite the central bank to bankrupt it and close it.

Of course, if Mytileneos succeeded in extracting a settlement from Jugobanka, as guarantor of Trepča’s debts, Jugobanka would need to pursue Trepča for restitution. Believing that UNMIK would be unhappy at Mytileneos getting satisfaction as a result of Jugobanka attempting to distrain on Trepča’s property in Kosovo, the Jugobanka board sought to enlist UNMIK as an ally in overturning this court decision. It informed UNMIK that the Belgrade court had ordered Jugobanka to pay \$46.93 million plus interest from 16 August to Mytileneos under the 19 guarantees. The bank had been given till 8 February 2001 to settle before judgement was enforced. So, “if you deem that the claims of Mytileneos as adjudged are groundless, incorrect and unjustified, we ask you to file legal means with the competent authorities including the Federal government of Yugoslavia, the government of Serbia and the government of Greece, to stop execution of the judgement that could cause damage in the final instance to Trepča.”⁴³⁰ Following receipt of the Jugobanka letter, Bernard Salomé immediately asked for legal advice on the issue and an urgent meeting.⁴³¹

Prospects for Mytileneos in any dealings with UNMIK must have looked rather bleak. An Albanian press report of August 2000, just after the closure of the Zvečan plant, alleged it had been informed by UNMIK officials that claims by Mytileneos and SCMM would eventually be resolved by a Kosovo court, which as yet did not exist. Trepča was being treated as state property, and until the administration had privatised it, its income “will be directed to the Kosovo budget and nowhere else.” Moreover, no Serbian court would be allowed to interfere in any present or future decisions.⁴³²

According to information from Trepča’s legal department, Jugobanka took its dispute with Mytileneos up to the Supreme Court of Serbia. This appeal was heard about the end of 2001, and the Supreme Court overturned the first level judgement. Unfortunately Trepča’s Zvečan office did not hold documents on this.

⁴²⁸ Information supplied by Mr. Veličković.

⁴²⁹ EU. Trepča negotiation brief. Judgement at Superior Economic Court, 21 Dec 2000, Pž 4990/2000.

⁴³⁰ EU. Trepča ownership and debt. Milosavljević, Jugobanka – Salomé, UNMIK 2 Feb. 2001.

⁴³¹ EU. Trepča ownership and debt. Milosavljević, Jugobanka – Salomé, UNMIK 2 Feb. 2001.

⁴³² EU. Media Stories. Zëri, 18 Aug. 2000.

Because of the weakness of their case in confronting Mytileneos' claims against them, the Yugoslav enterprises he was suing resorted to further delaying tactics. RMHK "Trepča" sued Mytileneos at the Commercial court in Belgrade on 13 February 2001. In this it was successful. Judgement upheld Trepča's rights in the contract of 1997, by confirming that the contract had not been broken, and that Trepča consequently suffered damage. But it also confirmed that Mytileneos' rights had not been respected, since his demands for payment of the guarantees by Jugobanka on 4. August 1999 and 16. August 1999 had activated the charging of the guarantees. So it was Jugobanka that had to pay, not Trepča. But the court accepted a resolution to terminate proceedings, meaning in effect that Jugobanka could postpone procedure until the court had come to a decision. The aim of this suit, as interpreted to me by Trepča lawyer Nenad Veličković, was to leave judgement in limbo, avoiding the blocking of Jugobanka's giro account – so avoiding (or rather deferring) its bankruptcy. This tactic could be renewed, because a further court resolution was obtained on 22 April 2002 ruling that procedure be stopped (temporarily) because force majeure conditions had prevented the workers of Trepča from working regularly, because of constant interruptions in the provision of inputs to the plant. Force majeure was again being used to defer outcomes.

On 21 February 2002, RMHK "Trepča" took out three criminal indictments with the Belgrade provincial prosecutors office against Magister Bjelić, and against two senior Trepča finance officials, Vojislav Radulović and Vesna Golubović, for the criminal abuse of official position. A further charge included the signing of contracts damaging to the company and the state, and that this charge centred on the alienation of Trepča's Mercedes to INOS by Bjelić, as well as a property transaction in Belgrade about which there is no information available. As of 13 May 2002, according to Trepča's legal department, the proceedings had not reached completion, as far as was known to it.⁴³³

10. Trepča's share capital, debts, and assets.

Little change of substance occurred within the ownership structure of RMHK "Trepča" between its establishment as a para-statal joint stock company in 1992,⁴³⁴ and 1995. However, in May 1996, the shares held by the Serbian development fund were transferred to the two biggest state banks (Beogradska banka and Jugobanka) and to four other corporate enterprises.

Trepča shareholdings were never issued as shares, but were only shown as nominal values and percentages of the company.⁴³⁵ This makes it unlikely that they were ever treated as negotiable securities. The percentage breakdown of the distribution of the former development fund holding was as shown in Table 6 below:

⁴³³ Pregled krivičnih predmeta u kojima se RMHK "Trepča" pojavljuje kao podnosilac krivičnih pojava. Working group for Nenad Veličković, Zvečan, 13 May 2002.

⁴³⁴ See above, p. 22.

⁴³⁵ T3-1045 Report to Bjelić by working group on proposed takeover of "Dinara", Belgrade.

Table 6. Trepča share redistribution in May 1996.

	percent
Jugobanka, Belgrade	24.4
Beogradska banka, Belgrade	19.5
Progres	17.0
Dunav	17.0
Goša	11.0
14 Oktobar, Kruševac	11.0
Total	100.0

Source: EU. Trepča ownership and debt background info. Transformations – notes 8 May 2001.

Note: these are proportions of the former development fund shareholding, which probably comprised around 67 percent of the company, not of the company as a whole, and they were to be added to existing holdings of these shareholders.

No information was ever offered to explain this transfer of ownership.⁴³⁶ In planning for the “revitalisation programme” of 1995-1996, it was intended to restore solvency by “offering” suppliers with claims dating before February 1995 the conversion of debt into shares, and forcing “suppliers whose business depends on Trepča” to convert half their claims on unpaid invoices into share capital, the remainder to be settled after three years. But this form of debt-equity conversion was expected only to involve the transfer of 5.7 million dinars. Bank debt was not expected similarly to be converted, but to be transformed into low interest bonds. As for the state shareholding, so far from disappearing, it was expected to rise, through the conversion of 5.3 million dinars of outstanding debt to the development fund into shares.⁴³⁷ Clearly, this did not happen. Given the highly positive stance of the state towards RMHK “Trepča” at that time, it seems probable that the state shareholding and the debt to the development fund were both written off in order to make it more attractive for the creditors to swap Trepča debt for equity, and to encourage these creditors of Trepča to continue supporting it financially. But no explicit statement of such an arrangement was ever volunteered. It appears that a further reorganisation took place in June 1996, but again, no explanation was available.⁴³⁸

A further table of shareholdings in the company was drawn up for the end of 2001. This attaches a value of €107 million to the enterprise. The former 1992 63.7% holding by the state vanished and the “social” share had been whittled down from 25.7% to 11.7%, without any distribution of shares to the workforce. Conversely, the share of the state banks jumped from 2.8% to 36.0%. Progres and Geneks shares advanced from 3.6% to 14.4% and from 2.3% to 8.2% respectively, despite their failure to pay up their original stakes. The Geneks shares may have resulted from a debt-equity swap. According to a damaged Trepča document of July 1997, the Geneks board proposed to Trepča that obligations stemming from a delivery of zinc

⁴³⁶ EU. Trepča ownership and debt background info. Transformations – notes 8 May 2001.

⁴³⁷ Z7. Program revitalizacije, p. 22.

⁴³⁸ EU. This is RMHK “Trepča.” EU-UNMIK brief. A view on the future for Trepča, 6 Aug. 2001.

concentrate in April 1991, and those of a contract of 31 December 1996, with interest, amounted to \$3.98 million, and that these should be converted to Trepča shares of nominal amount \$3.88 million. It is not clear whether this proposal was accepted, because 3½ months later, Geneks re-estimated Trepča's debt to it at \$3.24 million.⁴³⁹

But Trepča has to show that the transfer of ownership was carried out on the basis of debt to equity swaps. This it never specifically demonstrated, nor did the company state that this was so. According to RMHK "Trepča", the changes in ownership were "thanks to the market interest of the shareholders to sell their shares ... and of new owners to buy these shares."⁴⁴⁰ No evidence of such transactions has come to light, nor is there a single reference to the market price of this security.

Under the revised 1997 Serbian law on privatisation, it was necessary for 10% of the total share capital of enterprises in transition to be issued to the Republic Fund for Pensions and Invalidity Insurance. This was not done. After this, eligible employees were to be registered for the purpose of issue of shares to them, and then in a second round, shares were to be sold externally.⁴⁴¹ Of course, being acutely aware of the potential significance of Trepča's avowed private status, Novak Bjelić reacted fast after UNMIK took over to emphasise that the company was owned by its shareholders.⁴⁴² His management was subsequently to declare that it had every intention of executing privatisation according to the 1997 law, but that the "exceptionally bad economic and political ambient" in the late 1990s had frustrated this intention.⁴⁴³

Additionally, RMHK "Trepča" may well hold shares in other semi-privatised former social sector enterprises, through exchanging financial claims on them for shares. It acquired 100 million dinars of shares in Zastava, Kragujevac, Serbia's automobile, truck and munitions complex, in or before 1992, as well as an interest in two Kosovo banks.⁴⁴⁴ The shares in Zastava are probably worthless, but then so are those of Trepča, and for the same reason: both enterprises have long been bankrupt and semi-moribund.

Despite the various alleged debt-equity swaps, RMHK "Trepča" remained hugely indebted. According to the Lazarević paper, Trepča's current debt liabilities in 2001 (in thousand €) stand as in Table 7 below.

⁴³⁹ T1-799. Proposal of Geneks board, 30 July 1997; T1-799. Geneks-Trepča 11 Nov. 1997.

⁴⁴⁰ Z15. Geneza i tok vlasničke transformacije RMHK Trepča DD; EU. This is RMHK Trepča. Memorandum: "The origin and course of ownership transformation of ... "Trepča ..." Undated, 2001 or later.

⁴⁴¹ Republika Srbija. Zakon o svojinskoj transformaciji. Reforme '97. (Ministarstvo za ekonomsku i svojinsku transformaciju, Belgrade, 1997, art. 22.

⁴⁴² EU. Trepča ownership and debt, Bjelić, confidential memorandum "Project: survival of a united Trepča under new circumstances."

⁴⁴³ Z15. Geneza i tok vlasničke transformacije RMHK "Trepča" DD.

⁴⁴⁴ Trepča, 29 Jun. 1992, p. 2.

Table 7. Trepča's current debt liabilities in 2001 (in thousand €)

LIABILITY	PRINCIPAL	INTEREST	TOTAL
Tax	5,047	9,420	14,466
Suppliers	28,002		28,002
Court decisions	10,488	2,983	13,471
Banks	7,780	12,977	20,757
Total	51,317	25,381	76,697

Source: Lazarević, *Brief History*, pp. 8-9.

The biggest tax debt was mainly to the Republic of Serbia in respect of unpaid payroll taxes and contributions to the pension and healthcare funds. This, with accumulated interest to the end of 2000 amounted to 697.3 million dinars or about €11.6 million. However, the aggregate debt figure of €76.7 million is far smaller than the true total of Trepča's liabilities. At the beginning of 2001, Trepča lawyer Nenad Veličković compiled a list of some 113 current court disputes in which Trepča was being sued for debt, damages and compensation for non-execution of contracts.⁴⁴⁵ Lazarević makes clear that these claims are not included in the above table.⁴⁴⁶ As these claims were expressed in various currencies, and on the basis of documents served at different times, and as some were expressed in terms of commodities, mainly metals, it is not possible to aggregate them with precision, and it cannot be assumed that all the claims were legitimate. However, one could estimate that they aggregated to about €84.2 million. Of these debts a small number of very large creditors accounted for most of the money claimed. The claim of Mytileneos for €53.2 million accounts for 63.2% of the total, while that of SCMM accounts for \$3.865 million or 4.6%. Three suits by Jugobanka amount to €4.3 million, (5.1%).

RMHK "Trepča" also appears as petitioner in twelve court actions. Of these however, only four are quantified, and one of them is against Mytileneos, for \$46.9 million. This however was merely a move in a tactical battle to win time against Mytileneos' efforts at recovering his debt from Trepča.⁴⁴⁷ Leaving this aside identifiable claims amount to about €813,000, reducing the net off-balance sheet debt to €83.4 million.

Figures of the magnitude of \$5 billion have been bandied about as the value of Trepča,⁴⁴⁸ but they are not worth taking seriously. They come about, and will no doubt re-surface, because under Yugoslav accounting practice, depreciation arose only through wear and tear, with no account taken of obsolescence. Plant was only written off when finally decommissioned. If investments were not made to rectify wear and tear, even this source of depreciation was not deducted from the company's book value. Lazarević's list of shareholdings of Trepča, which presumably represents the nominal residual value of the enterprise, totals their book value at €106.73 million. Allowance for net off-balance sheet debt would reduce this to €23.3 million, compared with gross debt of €160.9 million. On this basis, RMHK "Trepča" would have a modest net worth, provided that the valuations of its assets were realistic. It

⁴⁴⁵ Holding RMHK "Trepča" AD Zvečan. Pregled aktivnih predmeta u kojima se RMHK "Trepča" pojavljuje kao tužilac/poverilac. 13 May 2002. Entry 104.

⁴⁴⁶ Lazarević, *Brief History*, p. 9.

⁴⁴⁷ See above, p. 85.

⁴⁴⁸ *New York Times*, 8 Jul 1998, p. A4.

must be noted that under Yugoslav law, the company did not own the subsoil rights, potentially the most valuable aspect of the enterprise, and its built assets and machinery have for a long time been in a depreciated, even ruinous state, while most of the technology must be similarly outdated. Lazarević's figure seems modest compared with the figures generated in the 1997 accounts audited by KPMG which showed shareholders assets at 829.7 million dinars, or about €130 million equivalent at the official 3.3 dinar to the mark rate at which they were reckoned.⁴⁴⁹ This of course takes no account of off balance sheet debt, which was huge even then, with the 160 court orders out against it.

11. Summary and conclusions.

Though Trepča was founded on the pre-war assets of an efficient and profitable British owned mining enterprise, the Yugoslav regime of 1945-1991 did not manage this state asset efficiently or profitably. It poured huge sums into it, upward of \$5 billion, partly in investment but partly also in subsidising its deficits. As we have shown, Trepča was already in decline from as early as the mid 1960s, but the most ruinous investments, the incomplete new lead refinery and the reconstruction of the sinter plant, also abandoned in mid-stream, and the largest deficits, occurred from the late 1970s to the fall of Tito's Yugoslavia. Expansion took two forms – grandiose projects for updating and expanding Trepča's basic mining and metallurgical capacities, and projects for integrating its metal and chemical outputs downstream to create a vertically integrated combine. The latter reflected the protectionist stance of Yugoslavia in the 1970s, and the drive by the administration to industrialise Kosovo. The effect was further to remove Trepča from the discipline of competitive market pressures, and to insulate it from the effects of its worsening inefficiency. Trepča investment and deficits were mainly financed by the Federal development fund, and it was probably by far the largest recipient of the Fund's money. Indeed the story of Trepča in this period forms part of the story of the economic decline of Yugoslavia, not merely as a case study of entrepreneurial failure, but as a significant aggregate in the overall explanation of Yugoslavia's economic decline, and that of Kosovo in particular.

For as long as funds were available to it, Trepča could, after a fashion, prosper, but when this funding melted away, as it did in the late 1980s, Trepča was quickly exposed as a deficit ridden enterprise which could not pay its way, and therefore was forced to shrink its activities for want of the credit to sustain them. Shrinkage was also forced by the mass dismissals of the Albanian labour force from the mines and smelters. In the early 1990s, Trepča was kept in existence (but little more than that) by such meagre fund inflows from the state and the state banks as could be raised within Milošević's impoverished Third Yugoslavia. Trepča, like rest of the bankrupt "big systems" of Milošević's Yugoslavia, was probably indifferent to the terms on which it borrowed, or its capacity to repay. To sustain some semblance of credit-worthiness, Trepča was restructured in 1992 as a joint stock company, in which the state (and "society") owned 89% of the shares. Of the residual, the shares issued to Mirko Marjanović's Progres enterprise are probably invalid since they seem not to have been paid for.

By 1994 Trepča was moribund. The efforts to revive it in 1995 were based on a new departure. Before that, Trepča had sold some of its metal on the international market,

⁴⁴⁹ EU. Trepča ownership and debt. Trepča 1997 audited accounts, p. 5.

but greater priority had been accorded to domestic sales and deliveries to the Soviet bloc. Now it was to export its metal on market terms, and earn foreign exchange both from its exports and from investments in its rehabilitation which were to be financed by the international metal trade. Novak Bjelić was appointed General Director on the strength of his political connexions as the man to lead the combine on the path to recovery and re-expansion. To give him credit, the task set was formidable and he worked extremely hard in turning the combine round, as is testified to not only by his associates but also by the sheer volume of paper work which bears his signature and minuting. Central to his effort was the enlisting of finance from the international metal trade, most notably though the relationship he established with the Mytileneos company. These relationships provided most of the substantial funds - \$60 million plus, he claimed - for re-equipping the mines and refitting the metallurgical plant. But because the combine could not work profitably, this merely resulted in a corresponding engorgement of Trepča's debts. Mytileneos, it seems, was willing to let this happen, because his aim was to acquire control of the combine's assets. It is also clear that Bjelić alienated, perhaps embezzled, Trepča funds for the advantage of FAGAR, his "private" business, and that FAGAR was also involved in the processes which enabled Trepča to avoid paying its payroll taxes and contributions to the state.

The edifice Bjelić created was also weakened by the collapse during the period Trepča was under his control of the metallic content of the ore that was raised from Trepča's mines. This collapse was probably caused by using mining methods that maximized short-term output at the expense of future extraction. The problem at the mines was exacerbated in 1998 by the loss of mining assistance from Poland, the deterioration of political conditions in Kosovo, and the low morale of the mining labour force. Repeated breakdowns in the antiquated and poorly maintained metallurgy equipment also contributed to Trepča's perennial inability to meet its delivery obligations. These obligations were too demanding both because of the need through them to service investment debt, and also because Bjelić consistently overestimated Trepča's productive capacities when taking on new business. The attraction of signing up new foreign partners, for the sake of the up-front payments they were willing to provide, led him into the moral hazard of signing more business than Trepča could execute, and also to the temptation to alienate newly arrived investment funds for purposes unconnected with Trepča's mining business.

By the end of 1998, inability to meet Trepča's obligations led to the prospective alienation of Trepča's fixed assets and those of Geneks, its exporter, to a foreign creditor – Mytileneos. But Bjelić could not accept the prospect of losing control of his combine, and seeing it broken up, nor was Geneks prepared to surrender its flagship asset, the Belgrade Intercontinental Hotel. So they brought Trepča close to default, and it is difficult to see how they expected 1999 to yield sufficient new finance to keep Trepča in business. If anything, NATO's bombing campaign masked and deferred the incipient downfall of the Trepča system.

The period September 1999 to August 2000, during which UNMIK tolerated continued Trepča activity at Zvečan, saw several new departures. Bjelić's main aim seems to have been the extraction of funds from the Kosovo assets still under Trepča control for the benefit of his interests in unoccupied Yugoslavia. Of the foreign claimants against Trepča, only Jean-Pierre Rozan's SCMM was kept on side, with all the deliveries of silver that Trepča could provide. This was in order to reap benefit from Rozan's believed political influence with the French government, while his relatively small claims on Trepča assets and ownership were much less threatening

than those of Mytileneos. For the rest, business was orientated to servicing the needs of the Yugoslav Merchandise Reserves and the army, under the nose of UNMIK. The diversion of Trepča resources also assumed a personal dimension. By making Trepča stand security for Bjelić's insider companies, FAGAR (now GAPOS) and INOS, Trepča sustained heavy asset losses for the benefit of the insider companies, without visible compensation, even prospectively. FAGAR and GAPOS also interposed themselves, to their advantage more obviously than that of Trepča, in a complex of compensation dealings that were facilitated by Trepča's own lack of creditworthiness. These compensation trades were used not only to create positional profits for FAGAR and INOS, but also to evade taxation, (and possibly divert the proceeds to these firms).

It was not these issues, rather the stark environmental pollution caused by Bjelić's inability or unwillingness to rectify the glaring technological shortcomings of Trepča's operations at Zvečan, and his truculent refusal to concede to UNMIK any measure of co-operation, that led to UNMIK's takeover of the Zvečan site and closure of its smelter, and the expulsion of Bjelić and his closest collaborator Gavriilo Ivanović. In taking over Trepča, UNMIK inherited the problems of what to do with the assets now placed in its trust, and how and whether to try to satisfy the claimants against these assets.

Appendix A. Tables

Table A 1. Lead Zinc mining and metallurgy output of Kosovo, 1979-1998

	MINING			FLOTATION		LEAD SMELTER				ZINC SMELTER		
	Pb-Zn ore	Pb content	Zn content	Pb conc	Zn conc	raw Pb	Refin. Pb	Ag	Bi	Zn	Cd	Au
	tons	Tons	tons	tons	tons	tons	tons	kg	Kg	tons	Kg	Kg.
1979	1824000	62919	43333	77087	69767	83436	69544	96697	23026	27465	70067	256
1980	1927000	61226	40853	73322	67964	76147	63060	83328	82821	18768		124
1981	1919000	60332	37682	72457	61098	72861	61071	81781	101972	22129	52337	159
1982	1882000	55659	36120	65810	60994	68000	59059	56785	49477	20315	48133	125
1983	1738000	52793	35270	62179	57146	76809	68927	76686	45336	20518	46100	169
1984	1786521	50078	34051	60271	52803	73205	57459	77799	30408	18535	39852	129
1985	1610048	45483	30398	55564	48629	77500	73171	93811	68070	14810	9023	215
1986	1466191	43814	28008	51499	44329	95045	86405	118811	21008	16394	0	278
1987	1432146	43427	29974	52837	49371	92871	86475	97948	73266	47558	47223	227
1988	1312617	38198	26761	44949	41690	97021	83448	95491	23272	52265	161577	242
1989	1018845	30053	20699	36113	33886	88135	70146	86009	39988	49003	132871	230
1990	723133	21288	14296	25300	22415	64242	47575	51726		39010	78932	110
1991	503293	17601	13143	23176	21520	49397	44091	36630		21536	59636	66
1992	286539	9500	6476	11891	11066	29836	23263	31364		2987	8136	62
1993	90957	3047	2388	4327	3578	8309	6494	11500		2437	6301	8
1994	61253	2024	1493	2571	2909	9526	4458	4613		144	0	8
1995	260599	8017	6227	10404	11194	16816	12186	19051		5447	11079	23
1996	395394	12078	11420	17319	20678	41112	32764	42461		22368	79195	103
1997	449888	13720	11587	15699	20285	36131	23632	26605		16369	45265	28
1998	615359	17759	12426	21674	20843	30732	23756	18375		7668	17320	44

Sources: Industrija SR Srbije 1979-81. (Bilten 222 of [Serbia] Republički zavod za statistiku), and similar titles for 1982-1998. (no. 272 for 1982-83; no. 294 for 1984; no. 304 for 1985; no. 312 for 1986; no. 324 for 1987; no. 330 for 1988; no. 334 for 1989; no. 340 for 1990; no. 347 for 1991; no. 353 for 1992; no. 361 for 1993; no. 369 for 1994; no. 377 for 1995; no. 383 for 1996; no. 392 for 1997; no. 398 for 1998.

Table A 2. Trepča mine output in Kosovo, 1975- 2000.

	Stari Trg	Kišnica	Kopaonik	Trepča Kosovo		
	& Novo brdo			Ore content		
	tons of ore mined			lead (%)	zinc (%)	
1975	636,700	717,398	353,226	1,707,324	4.57%	4.43%
1976	658,355	734,706	359,656	1,752,717	4.30%	4.39%
1977	671,758	821,322	374,591	1,867,671	4.32%	4.18%
1978	603,187	796,003	359,052	1,758,242	4.27%	4.08%
1979	674,801	786,654	362,586	1,824,041	4.23%	3.82%
1980	668,418	882,605	376,031	1,927,054	3.82%	3.54%
1981	696,216	840,508	383,285	1,920,009	3.77%	3.18%
1982	628,037	852,979	402,606	1,883,622	3.49%	3.24%
1983	672,262	710,797	354,907	1,737,966	3.58%	3.29%
1984	702,724	718,708	371,089	1,792,521	3.36%	2.95%
1985	687,558	582,002	340,388	1,609,948	3.45%	3.02%
1986	647,078	523,351	297,409	1,467,838	3.51%	3.03%
1987	636,935	527,930	267,281	1,432,146	3.73%	3.00%
1988	571,618	442,664	264,857	1,279,139	3.51%	3.26%
1989	368,573	413,244	237,028	1,018,845	3.54%	3.33%
1990	204,570	298,143	217,755	720,468	3.03%	3.16%
1991	206,489	177,553	105,322	489,364	3.84%	4.14%
1992	134,946	62,449	90,020	287,415	4.15%	3.79%
1993	48,612	22,953	26,437	98,002	4.04%	4.39%
1994	32,475	26,125	13,663	72,263	3.24%	3.89%
1995	125,761	47,566	86,448	259,775	4.02%	4.35%
1996	181,809	102,641	111,225	395,675	4.39%	5.25%
1997	257,888	117,201	138,881	513,970	3.27%	4.37%
1998	311,315	143,178	178,365	632,858	3.00%	2.97%
1999	87,296	49,490	105,640	242,426	2.60%	1.72%
2000	0		28,321	28,321	6.92%	3.43%

Source: Lazarević. Brief History of Trepča.

Table A 3. Ownership structure of RMHK "Trepča" shares, 1992-2001

	10.7.92	31.12.94	Pre-1996	1.1.96	6.3.96	31.12.99	31.12.00	31.12.01
Owner	Percentage of company stock							
Social capital (undistributed)	25.87	26.96	23.2	N/a	29.6	31.27	30.61	11.71
Fund for the dev. of Serbia	63.38	65.49	67.7	0.0	0.0	0.00	0.00	0.00
Progres	3.42	2.47	2.5	18.2	12.8	12.01	11.77	14.42
Jugobanka	2.51	0.00	0.0	20.4	15.8	14.79	14.48	17.76
Geneks	2.28	0.00	0.0	0.0	0.0	2.00	4.04	8.21
Elektroprivreda Srbije	1.85	1.92	1.9	0.0	0.0	0.00	0.00	0.00
Beobanka	0.27	0.00	0.0	0.0	0.0	0.00	0.00	0.00
Ibar-Lepenac, Belgrade	0.11	0.12	0.0	0.0	0.0	0.00	0.00	0.00
Termoelektro, Belgrade	0.09	0.09	0.0	0.1	0.1	0.06	0.06	0.08
Stočarpromet, Požega	0.09	0.09	0.0	0.0	0.0	0.00	0.00	0.00
Grading, Priština	0.07	0.02	0.0	0.0	0.0	0.00	0.00	0.02
Dunav (Insurance co) Belgrade	0.04	0.04	0.0	15.8	11.1	10.37	10.16	12.45
Kontaktburo, Priština	0.02	0.02	0.0	0.0	0.0	0.00	0.00	0.02
Beogradska banka – Beograd	0.00	0.00	0.0	18.0	12.6	11.83	11.58	14.22
"14 Oktobar" Kruševac	0.00	0.00	0.0	0.0	7.2	0.00	0.00	8.14
"Goša" Smed. Palanka	0.00	0.00	0.0	0.0	7.1	6.65	6.51	7.98
Jugobanka Jubanka K.Mitrovica	0.00	2.50	2.7	2.7	1.9	1.91	1.87	2.27
Kos.Metohijska banka Priština	0.00	0.00	0.0	0.0	0.0	0.00	0.00	1.79
"Zorka" Šabac	0.00	0.00	0.0	0.0	0.0	0.67	0.65	0.80
"Ratko Mitrović" Požega	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.08
DDOR Novi Sad	0.00	0.00	0.0	0.0	0.0	0.02	0.02	0.03
Radnici "Ikaterm" Zemun	0.00	0.00	0.0	0.0	0.0	0.02	0.01	0.02
Luka Bar	0.00	0.00	0.0	0.0	0.0	0.00	0.00	0.02
Beobanka, Priština	0.00	0.28	0.3	2.3	1.6	1.49	1.46	0.00
14 Oktobar, Kruševac	0.00	0.00	0.2	10.3	0.0	6.78	6.64	0.00
INOS, Belgrade	0.00	0.00	0.0	0.1	0.1	0.09	0.09	0.00
Employees Jedinstvo, Kumane	0.00	0.00	0.0	0.0	0.0	0.04	0.03	0.00
Other	0.00	0.00	0.0	0.0	0.0	0.02	0.00	0.00
Total stock capital	74.13	73.04	n/a	100.0	70.4	68.73	69.39	88.29
Social capital	25.87	26.96	n/a	n/a	29.6	31.27	30.61	11.71
Total, million dinars	43911	208	716	n/a	633	2541	5536	6262

Sources:

1992: Trepča, 30 Jul. 1992, p. 2.

1994: Z7. Program revitalizacije, p. 3.

1 Jan. 1996: EU. Trepča ownership and debt, Bjelić confidential memorandum, Oct. 1999.

“before 1996”: Trepča annual report for 31 Dec. 1997, p. 21.

6 Mar. 1996: Z15. Geneza i tok vlasničke transformacije RMHK Trepča DD. (Zvečan).

1999 and 2000: EU. This is RMHK “Trepča”. Memorandum: Origin and course of ownership.

2001: Tiosav Lazarević, A Brief History of Trepča, p. 8.

Notes: For 1996, “other”, is residual to 100%. For “before 1996” column, the dating in this KPMG audit report indicates 31 Dec. 1997, but like so much else in this report, this is erroneous: it has to relate to an earlier date before conversion of the state shareholding. Geneks shares in 1999 and 2000 were foreign currency shares, of value \$4,344,623, see, "Origin and course" document above. "Other" in 1999 and 2000 is a second Beogradska Banka, Beograd holding.

Sources:

Documents.

“EU” files held at the offices of the EU Pillar of UNMIK in Priština. They are not numbered.

“Z” files held at the Zvečan head office of RMHK “Trepča”. They are not easy to identify, and the numbering below is mine. Unless identified “burned archive” they are held in the southern office suite on the 3rd floor.

Z1. Blue lever arch marked “Mytileneos, Trafigura, SDPR, ...”.

Z2. Mauve lever arch in blue boxfile marked “Rudolf Wolff, Uvozni poslovi ...”.

Z3. Yellow spine clear plastic binder marked “Mytileneos – 99”.

Z4. Mauve lever arch marked “Genex”.

Z5. White unmarked file, name “Goran Todorović” inside front cover.

Z6. Loose blue folder “Hala sportova Toplica” with “Mytileneos” handwritten on it.

Z7. RMHK “Trepča”, Program revitalizacije poslovanja RMHK Trepča d.d. – Kosovska Mitrovica u 1995 i 1996 god. pp. 4, 9. (Zvečan internal document).

Z8. Burnt archive. Brown envelope marked “Internacional Geneks Banka”.

Z9. Burnt archive. White file, “Direkcija za finansije ekonomiku i organizaciju”.

Z10. Burnt archive. File in booklet titled “Tržiste rada i zaposljavanja”.

Z11. File marked “NEWCO AG”.

Z12. Lever arch marked “Sogem – Belg”.

Z13. Red file headed “Niprom; Zastava-Impex”.

Z14. File labelled “1998 plaćanja prema inostranstvo”.

Z15. Geneza i tok vlasničke transformacije RMHK “Trepča” DD. (Zvečan internal document).

CD-Rom files - held at EU office at Priština, on disks marked T1 through to T25. File references, T1, T2 etc. follow the file numbers of the disk contents.

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