

THE MINERAL INDUSTRY OF BELARUS

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In Belarus, mineral production consisted primarily of the mining of potash from the Starobinsk deposit, peat at deposits throughout the country, the production of steel at one minimill in Zhlobin with a capacity of over 1.1 million metric tons per year (Mt/yr) of crude steel, and steel pipe at a plant in Mohilyov (formerly Mogilev). The country has a large diamond cutting and synthetic diamond production industry as well as a large nitrogen production enterprise. Belarus also produced some oil, natural gas, and construction materials and has a large petroleum refining sector with refineries at Mazyr (formerly Mozyr) and Navapolatsk (formerly Novopolotsk) with a combined capacity of 40 Mt/yr of petroleum products.

According to a report from the Interstate Statistical Committee of the Commonwealth of Independent States (CIS), 1996 was the first year since the breakup of the Soviet Union that Belarus registered growth in its gross domestic product and industrial output, which increased 3% and 3.2%, respectively, compared with 1995. In the mineral production sector, reported results were mixed; 1996 cement production increased by almost 19% and crude steel production and rolled steel production by almost 37%. However, reported production of potash fell by almost 16%, peat production by almost 13%, natural gas and refinery products by about 6%, and crude oil production by almost 4%. Nitrogen production appeared to remain at about its 1996 level (Interfax Statistical Report, 1997; U.S. Geological Survey Minerals Questionnaire, 1996). Among Belarus' major exports were nitrogen and nitrogenous fertilizers, potash, petroleum refinery products, steel, and synthetic and cut diamonds. The Belarus Government approved 1997 export quotas for 183,500 metric tons (t) of nitrogenous fertilizer, 30,000 metric tons (t) of phosphate fertilizer, and 3 million metric tons (Mt) of potash (Interfax Business Report, 1997). Belarus was the largest importer in the former Soviet Union (FSU) of Russian oil, importing 10.5 Mt. Belarus also imported 13.42 billion cubic meters of natural gas from Russia. By yearend 1996, Belarus owed Russia 1.15 trillion rubles (approximately \$270 million) for natural gas and 20.1 billion rubles (approximately \$3.6 million) for crude oil (Interfax Petroleum Report, 1997a).

In 1996, Belarus reportedly transhipped 62.23 Mt of Russian oil products along its section of the Druzhba export pipeline, which runs from West Siberia in Russia through Belarus and then Ukraine, to export markets outside the FSU (Interfax Petroleum Report, 1997b). In October, the first joint of a pipeline was welded for a project designed to transport gas from the Yamal field in Russia in West Siberia through Belarus to customers in Western Europe. The pipeline is being built by firms from Belarus, Russia, and Ukraine with pipe being

supplied by Germany's Mannesmann AG. About 1,000 workers are employed in constructing the Belarus portion of the pipeline. The project will consist of two 1.4-meter (m) pipelines stretching 575 kilometers able to handle 68 billion cubic meters of gas per year. Belarus will have five of the pipeline's compressor stations. The commissioning of the pipeline project will enable Russia's Gazprom to have another access route to Germany, France, and the Netherlands, and will make it easier for Gazprom to fulfill its contractual obligation to Italy and to provide additional supplies to Portugal and Spain (Interfax Petroleum Report, 1997c).

Belarus was a major potash producer and had been producing 50% of the Soviet Union's production of potash. Potash production in Belarus in 1996 reportedly decreased to 2.7 Mt. Reported potash exports for the first 9 months of 1996 totaled 1,753 Mt, which was 75% of potash production for that period. China was a major recipient of Belarus potash in 1996, importing 690,000 t (Interfax Agricultural Report, 1997).

Potash mining was conducted by the Belaruskaliy production association which operates the Soligorsk mining complex located in Minsk oblast. The potash-bearing layers are at a depth ranging from 300 to 1,340 m. Potash had been mined from four horizons.

In 1996, the first horizon was not being mined. The second horizon, at a depth of 370 to 700 m, was being worked at full capacity. It has two sylvinitic layers separated by a layer of rock salt. The thickness of the seam for the second horizon ranges from 1 to 4 m with a potassium chloride (KCl) content ranging from 27% to 32%. The third horizon, at 350 to 1,200 m, consists of three layers with the upper layer sylvinitic, the middle layer carnallite, and the lower layer sylvinitic; only the lower layer has commercial significance. The fourth horizon is at a depth of 600 to 1,335 m, with the thickness of the seam in the middle part ranging from 25 to 35 m and the KCl content ranging from 15% to 20%.

Because of changes in the economics of mining and marketing potash with the breakup of the Soviet Union and the loss of many traditional sources of revenues, Belaruskaliy was seeking additional ways to earn profits from its potash mines besides potash mining. In 1994, Belaruskaliy began mining table salt and plans to increase production of high-quality output. It also has organized a special health sanatorium in a mine and was experimenting with growing mushrooms in the mines (Gornyy Zhurnal, 1996).

Potash mining in Belarus has left a wake of environmental problems. As a result of the activities of potash mining, over 600 Mt of waste were accumulated in dumps on an area of 15,000 square kilometers, and this figure does not include waste

stored in abandoned mines (Foreign Broadcast Information Service, 1996).

In 1996, petroleum refinery throughput in Belarus reportedly decreased by 6.8% compared with 1995 to 11.96 Mt. Refinery throughput decreased by 7.9% at the Naftan refinery in Navapolatsk to 6.6 Mt and by 5.4% at the Mazyr refinery to 5.3 Mt. The decline was attributed to a decrease in shipments from Russia, particularly from October to December (Minsk Belapan, 1996).

Russian companies own a large portion of the Belarus refineries. The Naftan refinery is part of the Russian-Belarus joint-venture, Rosbelnafta, of which 74% is owned by Russian companies. The Mazyr oil refinery is part of the Russian-Belarus joint-venture, Slavneft. Slavneft plans to spend \$150 million renovating the Mazyr oil refinery. Work on renovating the refinery was scheduled to start in the first quarter of 1997 (Interfax Petroleum Report, 1997e).

An agreement was signed in October 1996 between the Belarus and Russian Governments regarding supplies of Russian uncut diamonds for the Belarus diamond cutting and polishing plant Kristall in Homyel (formerly Gomel). The plant was at a near standstill. The Yakut/Sakha-based mining company Almazy Rossii-Sakha (ARS), Russia's biggest producer and sole authorized exporter of rough diamonds, would, according to the agreement, have supplied Belarus with 150,000 carats of gem diamonds and 350,000 carats of industrial diamonds. However, Belarus refused to buy the diamonds because of their cost, which included the 20% value-added tax (VAT). Belarus stated that the VAT would price the rough diamonds for Belarus above world prices, and products made from them would be too expensive and uncompetitive (Interfax Mining and Metals Report, 1996a).

ARS's first vice president stated that the diamonds for export to Belarus were overpriced, but stressed that the company had, before the trade agreement was signed, offered to lobby the Russian parliament to abolish the 20% VAT for these diamonds. However, the lobbying attempt was unsuccessful. Then, ARS's first vice president stated that the problem could be resolved only within the framework of closer economic integration between the two countries. The breakdown in supply from ARS resulted in Kristall working instead on imported rough diamonds (mainly from Belgium) which are believed to be cheaper than Russian rough diamonds (Interfax Mining and Metals Report, 1996).

In December, Boston Trade Connections, a United States company, signed an agreement to acquire a 38.8% share in the Mogilev metallurgical plant, an iron- and steel-pipe-producing enterprise in the city of Mohilyov. In 1997-98, Boston Trade Connections is to invest the equivalent of about \$4 million, and, according to its agreement, released 15% of the sum before the document was signed. Up to 50% of the total investment was to be received by December 1, 1997, and the remainder by May 1, 1998. The money will be used mainly to augment working capital and to upgrade production capacity. In 1996, plant output totaled 15,889 t of electric-welded circular and section piping, caliber 20-76 millimeters. In 1995, the plant produced 15,000 t of iron and 10,000 t of steel pipes, while in Soviet times the plant produced 145,000 metric tons per year (t/yr) of iron and 82,000 t/yr of steel pipe (Interfax Mining and Metals

Report, 1997b).

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TABLE 1
BELARUS: PRODUCTION OF MINERAL COMMODITIES 1/

(Thousand metric tons unless otherwise specified)

Commodity	1992	1993	1994	1995	1996
Cement	2,300	1,900	1,500	1,235 r/	1,467
Nitrogen, N content of ammonia e/	700	600 r/	550 r/	670 r/	680
Peat (fuel use)	NA	NA	3,482 r/	3,145 r/	2,793
Petroleum:					
Crude	2,000	2,000	2,000	1,932 r/	1,860
Refined e/	20,000	14,200	12,700	12,800 r/	11,960
Potash, K ₂ O content	3,300	1,900	3,000	3,200	2,700 e/
Salt	360 e/	300 e/	263	219	200 e/
Steel:					
Crude	1,105	947	880	744	886
Pipe	80 e/	44	10 e/	12	15 e/
Rolled	500	600	700	586	800
Natural gas million cubic meters	300	300	295	266	249

e/ Estimated. r/ Revised. NA Not available.

1/ Table includes data and estimates based on information available through Nov. 1997.

TABLE 2
BELARUS: STRUCTURE OF THE MINERAL INDUSTRY FOR 1996

(Thousand metric tons unless otherwise specified)

Commodity	Major operating company	Location of main facilities	Annual capacity e/
Cement	Volkovysskiy plant	Wawkavysk (Volkovsky)	2,200, total both plants
	Krichevskiy plant	Mogilev region	
Nitrogen, N content of ammonia	Grodno "Azot" Association	Hrodna (Grodno) region	1,000
Peat, fuel use	Production at 37 enterprises producing mainly briquettes	All regions of country	5,000 1/
Petroleum, crude	Belarusneft Association	Hrodna region	2,000
Petroleum, refining	Mazyr refinery	Mazyr (Mozyr)	40,000 2/
	Do.	Navapolatsk (Novopolotsk)	
Potash, K ₂ O content	Belaruskaliy Association	Soligorsk area	5,000
Steel, crude	Belarus electric steelworks	Zhlobin	1,100
Steel, pipes	Mohilyov metallurgical works	Mohilyov	80

e/ Estimated.

1/ Total peat for fuel use production.

2/ Total for both refineries.