Miners at Serbia’s state-owned RTB Bor copper pit are worried. Their equipment is crumbling, the workforce has been diminished and it costs them more to produce the metal than they can sell it for.

“Some of our machines are older than our oldest workers,” Vlada Stefanovic, a union leader, said Thursday from his office near the huge canyon’s rose-colored terraces, carved by years of mining the mountains four hours from the capital, Belgrade. “If we had five new trucks, one dredge and a drill, there would be more work for all of us.”

That’s probably not going to happen. Bor, once the pride of Socialist Yugoslavia, is at the center of a struggle to retool a $38 billion economy that missed out on the transformation that has lifted living standards in much of former communist eastern Europe. Prime Minister Aleksandar Vucic, seeking re-election on April 24, has promised the International Monetary Fund he will sell, shut down or restructure around 500 state companies that drain as much as $1 billion from the budget a year as he readies Serbia for European Union membership by 2020.

“Serbia is probably the last country in Europe to make these reforms that other countries did two or three decades ago,” Milojko Arsic, the head of the Foundation for the Advancement of Economics in Belgrade, said by phone. “It will certainly be unpopular.”

A former ally of late President Slobodan Milosevic, who led Serbia in the wars that tore Yugoslavia apart in the 1990s, Vucic is set for a decisive victory in the Sunday election. He is leading despite pledges to undertake reforms that may wipe out tens of thousands of jobs and crush local economies in places like Bor, where four-fifths of the town’s 35,000 people depend on the mine’s operation for their livelihood.

Vucic’s Progressive Party had 50.9 percent support at the start of the month, compared with 12.3 percent for the second-placed Socialists, according to an April 3-10 poll by Belgrade-based Faktor Plus.

The yield on Serbia’s dollar bonds maturing in 2021 fell four basis points to 4.536 percent at 11:17 a.m. in Belgrade on Wednesday, the lowest since Apr. 7, according to data compiled by Bloomberg. The dinar traded little changed at 122.999 against the euro.

Playing Catchup

Like leaders in other former Yugoslav republics including EU members Slovenia and Croatia, Vucic is trying to help Serbia catch up to richer ex-Communist countries after years of political foot-dragging and public opposition to economic change. He’s up against resurgent nationalist candidates, including acquitted war-crimes suspect Vojislav Seselj, who advocates shunning the EU and rekindling closer ties with Russia.

The EU accounts for almost 69 percent of Serbia’s exports and 63.3 percent of its imports. It

also accounted for 83 percent of all foreign investments in Serbia last year, with the trading bloc's members investing 1.5 billion euros in the country in 2015, according to data provided by the National Bank of Serbia.
Vucic has held on to his popularity even after raising taxes and cutting public wages and pensions, which narrowed Serbia's fiscal deficit by almost a half to 3.7 percent of annual output last year. He's also made some progress in thinning out state companies, selling 44 of them for 50 million euros ($56 million). This month, he announced the sale of unprofitable steelmaker Zelezara Smederevo, which was due to receive $34 million in state aid, to China's Hebei Iron & Steel for 46 million euros.
Needed Overhaul
Bor, which will file for pre-packaged bankruptcy by the end of next month looking for debt writedowns or a maturity extension, is not likely to receive an offer like the steelmaker's. After two abandoned sale attempts, a workforce reduction by three-quarters to about 5,000, a failed World Bank revitalization program, and the installation of a $251 million smelter, it's still producing copper at about $5,000 a ton, above the market price of about $4,828 on Monday. The company lost 2.4 billion dinars ($22 million) in 2014, and last year it submitted a plan to restructure its 700 million euros in debt.
"This is going to be a hard year, especially in the context of downsizing the public sector, where thousands will be fired," said Deanie Jensen, an emerging-markets economist at ING Groep NV in London.
Protecting Jobs
Still, Vucic has vowed to keep Bor afloat. He's declared it and 16 other companies strategic enterprises to protect them from creditors as the government tries to turn them around. His cabinet has set aside 6 billion dinars ($55 million) this year to help workers whose jobs will be eliminated there and at other state companies, according to the Economy Ministry.
That will be expensive, with the cost of assisting the 11 biggest state companies estimated at around 200 million euros, according to the Fiscal Council, an independent body tasked with watching public finances. While low by western standards, average salaries of 60,000 dinars a month ($550) are nearly a third higher than the national average. Bor is now asking many of its workforce to accept voluntary buyouts to cut costs, but many know that taking them will mean more pain.
"People are frightened," said Jelka Gvozednovic, a 63-year-old housewife as she bought vegetables near the sprawling mining complex. "There's no alternative in Bor. They are done if they lose their jobs."
source: bloomberg.com