

EAST Europe & C.I.S CHEMICALS BRIEFING

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CENTRAL EUROPE

Feedstocks/Olefins

Refinery divisions are concerned that rising oil prices are, if sustained, could affect throughput margins. Russia has stated that it intends to cut domestic oil production in line with OPEC agreements, which may have an effect on international oil prices. However, the cutbacks, if implemented, are unlikely to affect supplies to the major recipients in Central Europe, such as Petrochemia Plock and Slovnaft. Petrochemia Plock refined 11.15 million tons of crude in 1998, about 75% of which came from Russia. In total, Poland refined 16.04 million tons in 1998 against 14.89 million tons in 1997.

The engineering company M.W. Kellogg has undertaken a feasibility study for expanding and modernising the ethylene plant at Slovnaft's Bratislava complex. The existing plant, originally designed by Lummus, has been functioning for over twenty years and has a capacity of 200,000 tpa. The modernisation project aims to increase production to up to 300,000 tpa. Regarding company ownership, the European Bank for Reconstruction and Development (EBRD) stated in late March that it wishes Slovakia's state privatisation agency (NPF) to buy back the 10.5% stake it sold to the EBRD in Slovnaft in 1995.

Slovnaft showed a pre-tax profit of Sk 909.6 million last year, which was two thirds lower than the year before. Slovnaft failed to reach its planned level of profit due in part to a steep drop in world oil prices. A more important factor is attributed by Slovnaft to the devaluation of the Slovak crown last October. Slovnaft's management views the acquisition of a foreign partner as important for the company's future, and has appointed Salomon, Smith, Barney consulting firm with finding a suitable match.

In 1998, Slovnaft increased sales of refinery, petrochemical and plastic products by more than 4%, but in financial terms sales of goods and services fell by more than 20% to Sk 31.5 billion. Exports accounted for 18.18 billion crowns, which was 57.7%. Slovnaft processed 5.34 million tons of oil, which was 15,300 tons more than planned and 2.2% more than in 1997.

Olefin capacity expansion and modernisation are major priorities for Central European petrochemical producers, in order to meet demand and also to improve production costs. Apart from a regional imbalance in olefin monomers, developments at BSL in eastern Germany have contributed to the impetus for other producers in the region to upgrade existing facilities and to build new units. Olefin and derivative investments in the Czech Republic are perceived with extreme importance to Chemopetrol and its 100% owner Unipetrol. For 1998, Unipetrol posted a consolidated after-tax profit of Kc 1.81 billion (against Kc 1.1 billion in 1997) on overall operating revenues of Kc 54.45 billion. The plans for expansion of ethylene and propylene, together with polyolefins, in the period 2000-2003 are aimed at not only meeting increased Czech demand but also new opportunities in Central Europe and the European Union, for which preparations are being made for the Czech Republic and the other Central European countries to join.

At the end of March the Polish Treasury Ministry stated that it is likely to float 30% of Petrochemia Plock SA in the fourth quarter of 1999. Petrochemia Plock is expected to merge with CPN in May, under the terms of the government's oil sector privatisation programme. The merged company's issue prospectus is to be presented in August and flotation could take place in the fourth quarter this year. A hindering issue until now

has been the rivalry between Petrochemia Plock and CPN over which would have a stronger say in the merged firm, to be called Koncern Naftowy. Thus, an independent candidate has been nominated as the merged firm's chief executive, aimed at ending the rivalry.

Petrochemia Plock SA is in the midst of major investment programme which will run up to 2003, although it should be stressed that most of the emphasis thus far has been on the refinery complex. Once the refinery operations will be completed attention will switch to petrochemicals, including plans to increase capacity of ethylene from 360,000 tpa eventually to 600,000 tpa and propylene from 200,000 tpa to 460,000 tpa. More modest expansion plans are being undertaken in Hungary. For the CEFTA nations of Central Europe if all the project plans are implemented regional ethylene capacity will increase from 1.38 million tpa at the end of 1998 to 1.87 million tpa by 2004-2005.

Olefin derivatives Demand for polystyrene in Central Europe is putting pressure on the feedstock supply/demand balance in the region. In Hungary, BorsodChem is planning an expansion of its polystyrene capacity from 4,000 tpa to 10,000 tpa. In Poland, a 50,000 tpa polystyrene unit at the Dwory complex in southern Poland is currently under construction and should be completed later this year. In October last year Kaucuk completed the assembly operations of a Kc 700 million production unit for block crystalline polystyrene, increasing capacity output to 130,000 tpa. Styrene monomer capacity is being increased from 105,000 tpa to 130,000 tpa which will put pressure on existing ethylbenzene exports from the Czech Republic to Poland.

As a result of these downstream expansions Unipetrol is considering the construction of a new ethylbenzene plant at Litvinov. The US Trade and Development Agency recently approved funding for a 'Definitional Mission' to investigate such a project. The 'Definitional Mission' has been conducted by US company Advanced Engineering Associates International. The final report was expected to be available by late March.

PVC In addition to the increase in PVC capacity last year in Hungary and the proposed further expansion, Anwil in Poland is investing substantial funds in the enlargement of VCM and PVC capacity at Wloclawek. VCM capacity at Wloclawek is planned to be increased by more than 100,000 tpa, to 300,000 tpa, whilst there will be an additional 100,000 tpa of PVC suspension capacity to the existing 200,000 tpa plant. Petrochemia Plock, which is Anwil's main shareholder, will logically supply the necessary ethylene feedstock from the planned 600,000 tpa cracker which is under review at Plock.

Both the VCM and PVC projects could be completed by 2001, although whether this will coincide with the completion of the cracker at Plock is uncertain under current circumstances. The project at Wloclawek has been agreed with Raytheon under which the existing EDC/VCM facility will undergo a replacement of the oxychlorination unit. The Geon technology being installed by Raytheon is considered to be one of the most cost effective and efficient processes available.

In the Czech Republic, Spolana a.s. states that it has not been affected directly by the bankruptcy of Chemapol Group and has itself been pressing ahead with a restructuring programme. This has involved the adoption of a Responsible Care programme, a reduction in the workforce and the increased output of alpha olefins, 75% of which are exported. PVC sales from Spolana currently account for 38% of revenues, with caprolactam 36%, industrial chemistry 12%, and linear alpha olefins 8%.

Polish and Hungarian PVC Output (unit kilo tons)		
<i>Product</i>	<i>Jan-Dec 98</i>	<i>Jan-Dec 97</i>
Poland	266	284
Hungary	249	241

The changes that have been made are predicted by the management to return the company to a state of profitability in 2000. This would be after several consecutive years of losses. Spolana a.s. is owned by the National Property Fund (37%), Bankovni Holding a.s.(29%), and Chemapol Group a.s. (20%).

Aromatics Competition has been intensifying for the tender in Deza a.s. at Valasske Mezirici, with three blue-chip private equity funds participating. The Czech Direct Equity Fund has stated that if it is successful in securing a majority stake in Deza restructuring can be expected of both the management and the production operations, including the closure of unprofitable non-core businesses. Deza has now been a buy-out target for more than a year, attracting the interest of both strategic investors and a growing number of private equity and financial investors. Advent International of the USA appears to be joining the race for Deza, in addition to Argus which is a subsidiary of Prudential. Other prospective buyers include the US Bancroft Eastern Europe Fund LP, J&T Finance, and Budapest-based Croesus. Croesus took a minority stake in TVK in Hungary last year. Agrofert remains interested in Deza despite being unable to agree terms last year (see issue no 95, November 1998).

The main problem facing the sale of Deza is that the share price has fallen noticeably over the past year. Moreover, the 1998 unconsolidated results for Deza showed a decline in profits by 79% against 1997 to Kc

29 million. Production fell back 2% to Kc 3.344 billion in 1998. Deza currently sells 25% of its production to AliaChem, which has been treading water since the bankruptcy of its majority owner, Chemapol. AliaChem reported a loss of Kc 62 million for January 1999 alone. Deza is considered widely to represent an attractive opportunity for a potential investor, not only in relation to the existing production portfolio but also the new products which the company is developing.

Plastics Developments at Pannonplast's subsidiaries are playing an important role in the expansion of polymer demand in Hungary. Increased processing at the polyethylene foam unit at Polifoam Ltd in Budapest has taken place, leading to an increase in capacity by more than 100% and facilitating a substantial extension of the product range. Polifoam, founded in 1984, was the first Hungarian-Japanese joint venture manufacturing company. Due to the competitive properties of foam structure the amount of industrial applications is growing. The new developments that have been introduced in the company in the past year provide a substantial range of products enabling intensive expansion in the Central European markets, in addition as a solid basis for domestic companies converting foam sheets into end products.

TVK's plastics' processing has been expanding gradually with the four plastics' divisions increasing operating income by 28.7% in 1998 against 1997. In recent years it has been a policy of the Hungarian government to encourage joint venture activity in plastics' processing in the form of tax shields. For example, Pannonplast joint ventures Pannonpipe and LG Pannon enjoy such benefits which overall lowers the average tax rate for Pannonplast. Another joint venture includes BorsodMarley Gemenc-Plast which is Hungary's leading supplier of extruded plastic products, principally for the building & construction markets. This is a joint venture at Szekszárd between Marley and BorsodChem, with Marley being the majority shareholder.

Energy BC Eromu Kft, a company created to manage BorsodChem's industrial power plant building project, signed a construction and maintenance contract with ABB Stahl at the end of February. BorsodChem owns 26% of BC Eromu, with Emasz Rt owning 44%, and MOL 30%. The power plant, to be completed at a cost of Ft 12 billion by October 2000, will have the capacity to generate 50MW of electricity and 160 tons per hour in steam. The plant is expected to supply over 50% of BorsodChem's electricity energy needs and fully cover its steam energy demands.

Company news Now in the hands of the administrators Chemapol Group a.s posted an unconsolidated net 1998 loss of Kc 8.8 billion, after a Kc 3.9 billion loss in 1997. Chemapol's balance sheet showed that total assets shrank dramatically to Kc 4.2 billion from Kc 12.4 billion. Total shareholders' equity swung to minus Kc 7.1 billion from plus Kc 1.7 billion. Chemapol's operating loss was Kc 2.83 billion from a total loss of Kc 541 million. In addition to AliaChem, Chemapol Group's subsidiaries include a retail gasoline chain, hotels and a football club. Interest is building in the possibility of taking over the ownership of the individual AliaChem companies although the administrators are keen to sell the company as a whole, should it be necessary.

Polish Chemical Output 1998 (unit-kilo tons)				
<i>Product</i>	<i>Dec-98</i>	<i>Dec-97</i>	<i>Jan-Dec 98</i>	<i>Jan-Dec 97</i>
Plastics	66.5	73.3	891.7	847.1
PVC	18.3	27.5	265.6	284.5
LDPE	14.3	25.8	170.6	168.1
Caustic Soda	29.5	35.5	362.7	363.4
Pesticides	0.9	1.3	25.6	27.2
Lacquers	11.9	11.8	298.8	251.6
Detergents	19.8	22.7	334.5	312.1
Nitrogen Fertilisers	121.0	136.0	1,399.2	1,602.0
Phosphate Fertilisers	42.2	39.8	628.3	592.9
Synthetic Fibres	3.6	9.2	88.5	109.7
Synthetic Rubber	6.3	7.2	93.9	100.4
Total Oil Processed	1,463	1,249	16,039	14,886

The future of AliaChem's subsidiaries has been under much speculation the past few weeks and several ideas have been put forward as a way of tackling the issue of Chemapol Group's bankruptcy. There have been reports that Credit Lyonnais is prepared to invest \$70 million on a long-term basis of up to 15 years in the Czech chemical industry under Chemapol Group, on condition of state guarantees. According to some sources, talks were initiated by the government with Credit Lyonnais, with the aim of transferring the debt of Chemapol

Group in the bank to the state.

As another future alternative shareholders of Chemapol Group are considering the formation of a new holding company called Unichem. Unichem's ownership would consist of three banks which are owed by Chemapol Group but there are doubts whether the banks will be prepared to support this undertaking.

Another interesting rumour that has emerged in the past few weeks is that BorsodChem is considering a possible way of acquiring 50% of Moravske chemicke zavody a.s. (MCHZ) from AliaChem. MCHZ is BorsodChem's chief supplier of aniline for MDI production. MCHZ is assessed as the fourth largest producer of aniline in Europe. In seeking a stake BorsodChem could avoid dealing with the bankruptcy receiver and

Chemapol's existing shareholders. Of course, it is not inconceivable that AliaChem in its new formation, as from January 1, 1999, could survive and develop. According to AliaChem efforts are being examined on how to revitalise chemical operations.

Central Europe-currencies Mar 22nd 1999

Country	Currency	\$1=	EURO =
Czech Republic	Koruna	34.095	38.0012
Hungary	Forint	232.250	253.745
Poland	Zloty	3.8940	4.2544
Slovakia	Koruna	40.8655	44.6476

In Hungary, BorsodChem is in the throes of introducing a modified commercial strategy. This is aimed at product diversification, particularly towards higher added value products in an effort to reduce its dependency on cyclical commodities. Formative plans are expected to be made public before the second half of the year. BorsodChem has been in talks with TVK

and MOL, the outcome of which be announced at the end of April. The share of the company's PVC division in total sales, which currently represents over 50%, is expected to drop to between 35% and 40% by 2002.

BorsodChem's results for 1998 consisted of sales' revenues at Ft 70,173.8 million (domestic sales Ft 18,979.8 million, 27% of total sales; export sales Ft 51,194.0 million, 73% of total sales). Operating profit was Ft 9,910 million, the pre-tax profit was 10,130 million Ft, and net income Ft 9,864 million. Apart from PVC and MDI, good profits were made on caustic soda sales due to strong pricing. BorsodChem has decided to dissolve its PVC bottle venture, together with the co-owners in Akropolisz Kft, due to the decline in market opportunities. BorsodChem's stake in the venture was 33.2%.

SOUTH EAST EUROPE

Oil refining

Neftochim made a gross profit of 88 billion leva in 1998 from refinery and petrochemical operations. LUKoil has signalled that it would bid for a 60% stake in Neftochim.

Accordingly, LUKoil has submitted a "letter of interest" to the Bulgarian Privatisation Agency for a controlling stake in Neftochim, which supplies 85% of the market for refined products.

Croatian Chemical Output 1998 (unit-tons)		
Product	Jan-Dec 98	Jan-Dec 97
Ammonia	301,770	402,420
Nitric Acid	220,511	292,909
Other Inorganic Acids	209,291	261,925
VCM	41,085	35,488
Carbon Black	22,075	24,214
Plant Protection Agents	7,250	8,813
Urea	279,378	375,425
Compound Fertilisers	456,557	432,913
Polyethylene	148,479	145,413
Synthetic Resins	123,151	121,188
Commercial Medicines	1,326	1,333
Detergents	40,630	39,791
Printing Inks	1,071	1,426
Other coating materials	27,516	28,398
Natural & synthetic glue	9,724	10,874

Sales' agents Arthur Andersen have said that more than ten companies had shown interest in bidding for a majority stake in Neftochim. LUKoil's Bulgarian subsidiary had an offer of \$61 million rejected for oil product retailer Petrol.

In Romania, LUKoil has won a tender from SOCAR in Azerbaijan to process 1 million tpa of Caspian crude at the Petrotel refinery. According to sources inside the State Ownership Fund (SOF) the RAFO refinery at Onesti could be privatised in the near future. A decision was expected to be made towards the end of March.

Three Romanian investors are claimed to be interested in purchasing the share stock put on sale. They are interested in the value of the refinery, in its strategic position and in the facilities that are expected once the shares purchased. The Rafo refinery uses

only locally produced crude for refining.

Chlorine

Upsom at Ocna-Mures in Romania is seeking a strategic investor to take a shareholding in the company of 36%. Upsom produces soda ash, caustic soda, sodium bicarbonate, sodium silicate, magnesium oxide, and calcium chloride. The address is Upsom, Mihai Eminescu Str, 3340 Ocna-Mures, Romania, Tel +40 58 87 0654, Fax +40 58 871077.

BorsodChem's proposed bid of DM23.5 million for an 82% controlling share in the Croatian PVC producer Adriavinil at Kastelai, near Split, appears to be in some degree of doubt. Extreme pressure from local residents against the sale of Adriavinil, due to environmental concerns, threatens the future production of PVC at the plant. There are reports that the local authorities have ruled out BorsodChem's purchase. Adriavinil is currently owned by INA. However, the deal is not finished yet as Adriavinil's management is still keen on BorsodChem's involvement as without support the unit will be forced to close due to economic factors. Adriavinil requires an estimated DM5 million to continue operations.

Methanol & fertilisers

Epic of Austria has made a bid for a 75.06% stake in Viromet at Victoria in the Brasov region of Romania. Discussions are underway with the State

Ownership Fund. Viromet is a major producer of methanol. Other products include formic aldehyde, paraformaldehyde, hexamethylenetetramine, synthetic resins, alkyd resins, melamine-formaldehyde resins, and nitrocellulose based products, etc.

Chimco at Varna has started to increase production of urea in response to new orders from the domestic farming sector. This is despite having to enforce redundancies due to the economic situation facing the company. Over the second half of last year Chimco was operating at about 12.5% of total capacity for ammonia and urea production. However, from the start of February Chimco increased urea production levels by 50% and sales for this year are forecast to reach \$36.7 million. The major aim of the company's management is to retain Chimco's presence in the market and to attract the attention of foreign investors.

International prices for urea have been improving, providing hope for Chimco's privatisation prospects for a 57% stake. These have diminished and stagnated after a promising outlook a couple of years ago. Chimco is gradually regaining its traditional markets in Serbia, Macedonia, Greece and Turkey.

Norsk Hydro's acquisition of Agropolychim at Devnya for a nominal \$1, plus \$34 million in new investment, is favoured by the trade unions and the government is being encouraged to conclude the deal quickly. The main stumbling block is gas.

Romanian Oil and Processing Output (unit-kilo tons)		
<i>Product</i>	<i>Jan-Dec 98</i>	<i>Jan-Dec 97</i>
Oil Extracted	6,287	6,516
Total Oil Processed	12,393	12,394
Gasoline	3,277	3,627
Gas Oil	2,939	3,953

Romanian Chemical Output (unit-tons)		
<i>Product</i>	<i>Jan-Dec 98</i>	<i>Jan-Dec 97</i>
Dyes/Pigments	655	739
Synthetic Pigments	4,584	1,196
Zinc Oxide	1,839	2,770
Hydrochloric Acid	178,034	83,624
Sulphuric Acid	228,812	328,920
Soda Ash	482,754	548,087
Caustic Soda	304,862	321,959
Nitrogen Fertilisers	392,050	668,600
Phosphate Fertiliser	99,360	135,600
Synthetic Rubber	22,154	29,042
Ethylene	153,145	147,106
Propylene	137,458	149,697
Pesticides	5,182	8,346
PVC	123,144	132,289
Polyethylene	80,932	70,109
Varnishes & Paints	32,095	33,127
Detergents	58,580	30,715
Synthetic Fibres	22,368	17,396

Bulgargaz is complaining against the proposals of Norsk Hydro to pipe in cheaper sources of gas from the North Sea. The term for concluding the privatisation deal with Norsk Hydro expires on July 1. If no conclusion is reached by this date Agropolychim will be decommissioned. Apart from Norsk Hydro the Tunisian Phosphate Company has been linked as a potential buyer, but it lacks the resources to invest in the plant.

Agrobiochim at Stara Zagora has been making efforts to retrieve outstanding debts which at the end of last year totalled 4 billion leva. Vidachim at Vidin is the largest debtor, whilst Agrobiochim owes Neftochim for phenol supplies used in the production of caprolactam. Agrobiochim has agreed with the Bulgarian Privatisation Agency that the individual production units should be sold separately as opposed to selling the company as a sole block.

Last year, 68% of the company was put up for privatisation but no offers came forward. Only the Spanish company Paliseda showed interest in buying the caprolactam unit. Measures agreed with the government in late 1998 were that Agrobiochim should close the nitrogen fertiliser and plastics' units at Stara Zagora, whilst maintaining production of caprolactam, methyl methacrylate, and technical phosphate.

Intermediates

A feasibility study has been carried out by Petron-Sciencetech of the US for the construction of a 10,000 tpa maleic anhydride unit at the Chimcomplex chemical plant at Borzesti in Romania. A grant was awarded by the US Trade and Development Agency for the feasibility study in 1998.

South East Europe-currencies Mar 22nd 1999

Country	Currency	\$1=	EURO =
Bulgaria	Lev	1781.25	1946.10
Croatia	Kunar	6.9960	7.6140
Macedonia	Dinar	55.6515	60.8020
Romania	Lei	14900.0	16279.1
Slovenia	Tolar	174.355	190.492
Yugoslavia	New Dinar	10.7140	11.7012

Petron Sciencetech is a competitor to Scientific Design and it is not inconceivable that Scientific Design will eventually be awarded the project. In terms of feedstocks butanes are available mainly from the RAFO refinery at Onesti, plus one other source. Chimcomplex is at present a buyer of maleic anhydride, largely for the production of n-methyl pyrrolidone. Approximately half of the output would be intended for captive

consumption, with the remainder being exported. Turkey is seen as a potential export market.

Fibres

Due to outstanding debts stage by stage decommissioning of Yambolen's production facilities for polyester fibre at Yambol started in February. About 2,000 workers will be made redundant.

Those who wish to wait for the decision of the privatisation intermediary RES & Co regarding the sale of the company's assets can go on unpaid leave. Accordingly, RES is undertaking negotiations with a potential investor and the term for finalising the deal has been extended until July this year.

Yambolen's liabilities are estimated to be 4.8 billion leva and employees have not been paid for several months. The company's poor performance is attributed to outdated technologies and the falling price of rayon in the international market. The government holds 77.45% of Yambolen's assets, about 18% is owned by the Central Privatisation Fund, with the balance held by individuals.

Privatisation negotiations are underway regarding the fibre producer Fibrex at Savinesti and an Italian company. There is reported to be another interested party in the event that negotiations between SOF and the Italian company are not successful.

Detergents Hayat Kimya, a Turkish holding company, is planning to build a \$10 million detergents' plant in Varna in Bulgaria. The plant is scheduled to be onstream by late 1999 and is expected to employ 500 workers. Unilever has re-entered the Bulgarian market after withdrawing two years ago. The new company Unilever Bulgaria will focus on imported detergents, in addition to perfumery and cosmetic products.

COMMONWEALTH OF INDEPENDENT STATES

Russia

In 1998, Russia's revenue from chemical and petrochemical exports amounted to \$4.7 billion, an 8% decline against 1997. This figure published by the Russian Ministry of Economics does not indicate the level of physical volume exported, but merely confirms what might have been expected in a global climate where chemical prices have been falling. After the devaluation of last year the Russian chemical industry is estimated to have encountered a 7.5% decline in output against 1997, falling to 95.7 billion roubles. However, the Ministry of Economics forecasts that the sector will achieve an improvement in 1999, with growth in areas such as mineral fertilisers, polyethylene, PVC and chemical fibres.

The problems of declining oil output and declining revenue from oil exports due to low world prices represents a major challenge for the government. Restructuring of the sector has become a priority to avert the further weakening of oil extraction volumes and to stimulate investment in drilling and exploration.

Oil refining/energy Prices of oil products are expected to climb in the near term due to shortages of refined oil. Russian oil refining throughput fell to 163 million tons in 1998, a 13% decline against 1997. A major reason for the decline in refining is the exceedingly low price of oil in the domestic market, between the range of \$17-\$28 per ton. This is deterring oil companies from selling product domestically. The price for domestic crude has not altered since devaluation last year which has meant that in dollar terms the price has fallen almost fourfold.

Despite the problems of project financing in Russia ABB Lummus Global has reached agreement in Tatarstan for the construction of the planned new refinery of 12 million tpa at Nizhnekamsk. Ten versions of feasibility studies were offered to Nizhnekamskneftekhim by ABB, with one eventually being approved by the board of directors of the new enterprise.

The Giprokauchuk Institute of Moscow has been invited to work on the final version of the project. Tatneft will own 51% of the Nizhnekamsk oil refinery, with the remaining 49% owned by Nizhnekamskneftekhim. At present, there is only a small refinery at Nizhnekamsk which has meant that Tatarstan has depended on external processing for its locally produced crude, at Kremenchug in Ukraine and more latterly the Moscow refinery. No formative dates have been listed for start-up but construction on the first line of the complex is expected to commence before the middle of this year.

In the Barnaul region of West Siberia an initiative has been made to construct a 4 million tpa oil refinery in the town of Zarinsk. A pipeline will be laid between the refinery and the town of Cherepanovo in the Novosibirsk region. The main barriers to implementing this project are likely to be the lack of investment funds, which tends to suggest that construction could be some way off.

In the gas sector, the closed joint stock gas and petrochemical company (GNK), based in Liechtenstein, has won a tender for a 50% minus one share stake in the Siberian Urals Petrochemical and Gas Company (SIBUR). There is a question mark over the origins of this company and a suggestion that Gazprom might be behind the acquisition. Gazprom has been targeting SIBUR, which has seven gas processing plants in West Siberia, in the past two years with a view of transforming its gas into downstream petrochemicals. SIBUR was established in 1995 and was being promoted by the government as a potential future petrochemical producer.

However, only Gazprom of the vertically integrated companies showed interest in this opportunity but lacked the cash to support investments. By last year Gazprom had managed to acquire 20.22% of SIBUR through Bonus-Invest, a private company controlled by Gazprom. This was followed by GNK's purchase at the end of last year for a 50% minus one share. The opinion from some circles now is that Gazprom will try to focus on petrochemicals but attracting loans may prohibit progress.

OAO "CHOC" (Salavatnefteorgsintez) is seeking supplies of gas condensate for processing at Salavat. Further details from Pavel Silantyev, Director, OOO "SKS", Tel +7 347 902-2234, Fax +7 34763 33859, E-mail: pasha@salavat.bashnet.ru.

BASF stated at the end of March that it would expand its co-operation with Gazprom and participate in natural gas and oil exploration and extraction in Russia. Under the agreement BASF's fully owned subsidiary Wintershall would start exploration of natural gas and oil, gaining access to the world's largest deposits. BASF stated that thus far its co-operation with Gazprom had concentrated on deliveries and sales of natural gas in Germany and East Europe through their two joint ventures WINGAS GmbH and WIEH.

Isobutylene Shares are being offered for a 100% sale in OAO "Kautschuk" at Vozhskiy in the Volgograd region, which can be tendered for on April 9th at 10.00 hours. The tender will take place in the offices of OAO "Kautschuk". The value of each share is placed at 100 roubles, with the volume of shares available 1,621,880 required to be bought in one block. The sale will be conducted by Brokerskiy Dom "Centre of Financial Investment", Tel +7 8443 31 87 01, Fax +7 8443 31 87 02, E-mail: cfi@vlink.ru.

		Russian Chemical/Oil Commodity Exports			
		Total 1998	Total 1997		
		Volume	Value	Volume	Value
		(000 tns)	(Mil \$)	(000 tns)	(Mil \$)
Crude	Total	137	10,276	127	14,773
	non-CIS	118	8,790	110	13,017
	CIS	19	1,486	17	1,756
Ammonia	Total	2,570	214	3,240	365
	non-CIS	2,559	213	3,037	343
	CIS	11	2	203	22
Methanol	Total	440	38	780	93
	non-CIS	414	38	743	87
	CIS	27	0	37	7
Nitrogen Fertilisers	Total	6,593	394	6,439	596
	non-CIS	6,278	366	5,902	533
	CIS	315	28	537	64
Synthetic Rubber	Total	301	309	327	420
	non-CIS	255	240	251	285
	CIS	2	1	76	136
		(bcm)	(Mil \$)	(bcm)	(Mil \$)
Natural Gas	Total	201	13,347	201	16,419
	non-CIS	125	9,024	121	10,707
	CIS	76	4,323	80	5,713

The main fields where the plant production is targeted include the tyre industry (Volzhskiy Tyre Plant is located adjacently), the production of rubber technical goods of vacuum performance, the production of dielectric rubber for cable industry, and the production of rubber technical goods with thin walls, etc. The company produces isoprene and isobutylene. In 1996, as part of the modernisation programme, the plant started to introduce new energy saving technology, designed by the Russian institute "Lenneftekhim".

The management of the company has been striving to be incorporated into the regional programme of the Economic Development Zone. This scheme

gives the company a tax-free regime from local and regional taxes and payments. The intended share package proposed for sale will allow full control over the company.

In the markets polyisoprene prices in Russia are in the range of 11,500-12,000 roubles per ton on an FOB basis. Rosavto is seeking a supplier of butyl rubber, which is produced in Russia at Nizhnekamskneftekhim and Sintezkautschuk at Togliatti, in volumes of 200 tons per month. Total consumption by Rosavto of butyl rubber is approximately 500 tons per month. Further details can be obtained from Aleksey S Salynikov, ZAO "ROSAVTO", Tel +7 095 924-9358, Fax +7 095 924-9917, E-mail: alexey@rosavto.transit.ru.

AO "Kautschuk" at Sterlitamak is offering supplies of isoprene and butadiene-methylstyrene. Further details: Marat R. Galiev, Deputy Head of Marketing, AO "Kautschuk", Tel +7 3473 29-42-65, Fax +7 3473 33 42 06, E-mail: kauchuk@str.bashnet.ru. Prices for 100% prepayment are being quoted currently by Kautschuk for polyisoprene at 13,500 roubles per ton and methylstyrene-butadiene rubber at 8,100 roubles per ton. ZAO "Khimproming" is seeking regular supplies of butanes, isobutane and isobutylene for delivery to Nizhnekamskneftekhim. Further details from Andrey Suslov, Commercial Director, ZAO "Khimproming", Tel +7 095 946 63 95, Fax +7 095 191 98 76, E-mail: flex@netto.ru.

ZAO "Volgopromkhim" is offering wide fractions of light hydrocarbons, concentrated isobutylene, isobutane and isobutane-isobutylene fractions. Further details from Mr V. Postnikov, Deputy General Director, ZAO "Volgopromkhim", Tel +7 8462 32 26 37, Fax +7 8462 32 46 25, E-mail: vph@vis.infotel.ru.

Polyolefins

HDPE and LDPE prices have risen in the past few weeks by 10-15% although prices are still below the levels seen in West Europe. HDPE prices were being offered at levels of around 12,000 roubles per ton against an average 10,000 roubles in February, whilst LDPE had risen to around 11,000 roubles against an average of 9,900 roubles. Traders SKS in Bashkortostan were offering HDPE prices at 12,200-12,700 roubles per ton, LDPE at 10,300-10,400 roubles per ton, and polystyrene at 15,800-16,000 roubles per ton. Further details from OOO "SKS", Tel +7 347 902 2234, Fax +7 34763 3 38 59, E-mail: pasha@salavat.bashnet.ru.

For export, Fobos is still offering HDPE at prices between \$490 to \$530 per ton on an FCA basis. Further details from Aidar R Gafurov, Director, OOO "Fobos", Tel +7 8432 93-15-43, 93-15-33, Fax +7 8432 93-15-43, 93-15-33. Other products being offered include MEG at \$225 per ton and butyl rubber at \$950 per ton. Trading company Agrigazpolimer has been in the market for polypropylene copolymers, which are produced in Russia at Tomsk Petrochemical Combine and Ufaorgsintez. Regular shipments are required on a monthly basis of block copolymers and static copolymers. Further details : Andrey V. Varanovskiy, OOO "Agrigazpolimer", Tel +7 8439 3 72 03, Fax +7 8439 3 72 03.

PVC

ZAO "LUKoil-Nizhniy Novgorod" is offering PVC resins at 9,000 roubles per ton. Further details can be obtained from Edmund Lisov, ZAO "LUKoil-Nizhniy Novgorod", Tel +7 8312 34 12 37, 30 43 48, Fax +7 8312 30-26-43, E-mail: ed@lukoil.nnov.ru. LUKoil-Nizhniy Novgorod is also offering LDPE at 12,000 roubles per ton, inclusive of VAT. ZAO "LUKoil-Nizhniy Novgorod" is able to provide chemical and petrochemical products from Nizhnekamskneftekhim, Kaprolactam and companies in the Dzerzhinsk region, and Ufaneftekhim in Bashkortostan.

OAO "Sayanskkhimprom" at Zima in the Irkutsk Oblast continues to promote PVC suspension grade availability for export. Conditions being offered are in the range of \$350 to \$395 per ton EXW, prior to VAT. The contact is Ms Tatyana A. Kulichenko, Head of Marketing Dept, OAO "Sayanskkhimprom", Tel +7 39513-33185, Fax +7 39513-33185, E-mail: himprom@sayansk.irtel.ru.

Rosnafko is offering PVC from the Kaustik plants at Sterlitamak and Volgograd for domestic and export sales. Further details from Yury Zhilinskiy, Rosnafko, Tel +7 17 211 34 78, Fax + 7 17 211 34 79, E-mail: pb7268@belsonet.net.

Olefin derivatives

Polystyrene remains in short supply from domestic producers which is helping to keep prices strong. Imports are required to supplement domestic output. High impact polystyrene of imported origin is being offered by ISP-Kemikals at \$1.45 per kg. Further details from Aleksander A. Timofeev, ISP-Kemikals, Tel +7 812 326 65 75, Fax +7 812 326 65 53, E-mail: alexander.timofeev@algol.fi.

The long standing project to construct an acrylic acid plant at Dzerzhinsk is scheduled to come onstream in May or June 2000. The project is being managed by the company Akriat which was established in 1991. Reportedly, the construction is about 80% complete with the plant based on Mitsubishi technology. Akriat has received financial support from the financial institution Sberbank, which agreed to help finance part of the \$16 million the company needs for commissioning the facility. At a rough estimate, Akriat expects annual turnover to reach \$50 million. The price of Sberbank's support is a wish to own shares in Akriat, of which the main shareholder is AOOT "Orgsteklo" with a 46.7% stakeholding.

AOOT "Orgsteklo" was reorganised from a state-owned enterprise in 1994. The main types of products produced by Orgsteklo include phenol, acetone, methyl methacrylate butyl acrylate, methyl acrylate, polymethyl methacrylate in sheets and granules, and other products where acrylic acid is a major intermediate.

ZAO "Land" is offering products from Nizhnekamskneftekhim, including styrene, neonol, polyisoprene, ethyl cellulose, DEG, MEG, ethylene oxide, propylene oxide and propylene. Further details from Nataliya V. Renold, Deputy Director, ZAO "Land", Tel/Fax +7 8432 68 84 43, E-mail: land@kai.ru. ZAO "LUKoil-Nizhniy Novgorod" is offering MEG produced at Nizhnekamsk at 4,900 roubles per ton FOB, inclusive of VAT. Further details can be obtained from Edmund Lisov, ZAO "LUKoil-Nizhniy Novgorod", Tel +7 8312 34 12 37, 30 43 48, Fax +7 8312 30-26-43, E-mail: ed@lukoil.nnov.ru.

Stavrolita in Lithuania is offering vinyl acetate monomer produced at the Stavropolpolimer complex for delivery to Russia, Belarus and Kazakhstan. Further details from Mr V Baranauskas, Stavrolita, E-mail: stavrolita@yahoo.com.

Chinese interest in Russian products is continuing to be received, in particular from north Chinese trading companies. For example, MCC Chemical & Plastics is interested in buying Russian polymers via the Manzhouli railway connection. The products include PVC, LDPE, HDPE, and polypropylene. Further details

from William Zhang, MCC Chemical & Plastics HENAN CO.,LTD, Tel 00 86-371-5997281, Fax 00 86-371-5997284, E-mail: mcc.chem@371.net.

China Manzhouli inter.trading co has also been working in the Russian market for several years. In March, the company posted enquiries for VCM (2000 tons), orthoxylene (1,000-5,000 tons), caprolactam (500 tons), LDPE (500 tons), HDPE (500 tons), n-butanol (500-1,000 tons), polyamide 6 (200 tons per month), polypropylene (500 tons), VCM (200 tons per month CIF port Dalian), adipic acid (1,000 tons), phthalic anhydride (2,000 tons), tricresol (200 tons per month) and monochlorobenzene (1,000 tons per month). Prices required are mainly on a DAF Zabaikalsk-Manzhouli basis. Further details : Zhen Ri Liang, China Manzhouli inter.trading co, Tel 86-0432-3906287, Fax 00 86-0432-3906287, E-mail: zhen98@mail.jihua-comm.com.cn.

Detergents

The Russian detergent producer Pemos, based at Perm, produced 22,300 tons of detergent in 1998, a 40.9% increase from 1997. The company plans to increase production to more than 60,000 tons in 1999. Pemos's revenue rose to 160 million roubles in 1998, from 120 million roubles in 1997. In the September-December period monthly production rose from 1,000 tons to 4,000 tons, with monthly pre-tax profit at 5 million roubles. The plant, which is fitted with Italian, German and Swiss equipment, has a 10,000 ton per month capacity, and Pemos intends to increase monthly production to 8,000-9,000 tons from March this year. The company's charter capital is 61,309,000 roubles; of which 86% of the shares are owned by Alfa Consortium.

Proinkom is seeking supplies of soda ash, detergents and other cleaning substances. Further details from Proinkom, Tel +7 742 77 68 93, Fax +7 842 77 68 93, E-mail: proincom@lipetsk.ru. Traders Serial are offering trisodium phosphate at 4,500 roubles per ton, inclusive of VAT (NDS). Further details from A.G. Pobutov, Serial, Tel +7 8313 53 43 14, E-mail: serial@kis.ru.

Methanol & fertilisers

An increase in Russian mineral fertiliser output of 3.5% was recorded in January this year against December, and 16.5% measured against January 1998. Sulphuric acid output also increased in the early part of this year.

Methanol prices for the domestic market are now ranging below \$50 per ton. Azot at Novomoskovsk is currently offering methanol at \$43 per ton on an FOB basis. Tomsk Petrochemical Combine is offering methanol, formaldehyde, urea-formaldehyde resins, polypropylene, polyethylene (HDPE), high molecular polyethylene, processed plastics and products from polypropylene fibres. Further details from OAO "Tomskiy Neftekhimicheskiy Kombinat", E-mail: tnk@mail.tomsknet.ru. Tomsk Petrochemical Combine has undergone restructuring in the past few months which has helped clear up some of the outstanding debt problems. For the methanol division the involvement of Gazprom has been important.

The Institute for Agriculture in Bashkortostan has introduced a new fertiliser product at OAO "Minudobrenia" at Meleuz based on nitrogen-phosphate called Tsefos. This product is expected to increase yields by 15-25%, whilst reducing production costs by 30-40%.

Azot at Novomoskovsk in the Tula region produced 1.2 billion roubles worth of fertiliser in 1998, down 12.2% from 1997. Ammonia production was down 11.7%, mineral fertiliser production was down 22.9% and methanol production was down 9.4%. However, caustic soda production was up 33.1%, whilst plastics and resins' were up 22.6%.

Intermediates

IS Alpina Corporation AG is offering PET resin (Coca-Cola approved IV.0.82) at a price of \$710 per ton C&F St Petersburg. Further details from Olga V. Pavlova, IS ALPINA CORPORATION AG, Tel +7 812 235 54 66, Fax +7 812 - 235 54 66, E-mail: alpina@neva.spb.ru.

FS "Derzhavniy" is offering polyisocyanate in volumes of up to 45 tons per month. Market prices are in the range of 22,000 roubles per ton, inclusive of VAT (NDS). The polyisocyanate is produced by OAO "Korund" in the Dzerzhinsk region. Further details from Konstantin Mikhailovskiy, FS "Derzhavniy", Tel +7 812 114-29-26, Fax +7 812 114-64-24, E-mail: kostya_fa@hotmail.com. Derzhavniy is also seeking supplies of polyols in volumes of 30 tons per month, produced by OAO "Blokform" at Vladimir.

CIS-currencies Mar 22nd 1999

Country	Currency	\$1=	EURO =
Azerbaijan	Manat	3950	4315.17
Belarus	Rouble	220000	240381
Kazakhstan	Tenge	87.6750	.95.7894
Russia	Rouble	24.1745	28.3573
Ukraine	Hryvnia	3.9850	4.3538
Uzbekistan	Sum	582.5	636.41

Trading company OOO "Paritet" is offering products from Khimprom at Ufa. These include resins, compounds, chlorobenzene, DOP, etc. For further details contact Kiril V. Vadikov, General Director, OOO "Paritet", Tel +7 3472 37-33-20, Fax +7 3472 37-33-20, E-mail: paritet@ufa.ru. OAO "Orgsintez" at Novomoskovsk is offering oxalic acid, maleic anhydride and fumaric acid for sale. Further details from Irina Viktorovna Evyagina, OAO "Orgsintez", Tel/Fax +7 8762 4-95-70, E-mail: orgsing@newmsk.tula.net.

A possible joint venture for the production of linoleum between the Saratov region and an Indian company has been under discussion. The Indian company Royal Kushan Vinyl Products is prepared to provide some of the technology and equipment for such a project, with the plant being connected with the local chemical industry in the Saratov region.

A company called Finkon is offering over 100 tons of maleic anhydride at prices of \$630/ton FOB Tula. Further details: A.V. Komolov, Deputy General Director, FinKon, Tel +7 095 232 5472, Fax +7 095 916 6160, E-mail: nxrfinco@cityline.ru.

OOO "Khemo-Trading", which is part of the Polichim group, is offering regular supplies of sodium sulphate at a current price of 1,190 roubles per ton, inclusive of VAT (NDS) EXW. The product is from Volzhskorgsintez at Volgograd. Further details from : A Vasilenko, Polichim, Tel +7 812 327 10 00, Fax +7 812 542 14 34.

OAO "Pigment" at Tambov is offering dyestuffs for the fibre industry, further details from Liliya F Kadikova, Marketing Dept, OAO "Pigment", Tel +7 21-13-98 29-50-26 29-51-26 29-54-14, Fax +7 21-13-98 21-46-67, E-mail: kim_sbt@krata.tambov.ru. The intermediates are mainly used in pigments and dye-stuffs production, in addition to textile-auxiliaries, pharmaceuticals, for leather and paper finishing.

Aromatics & compounds Benzene produced by OAO "CHOC" (Salavatnefteorgsintez) was being offered in February by SKS at 3,300 roubles per ton. By late March prices had moved up slightly to 3,450 roubles per ton for minimum quantities of 500 tons. Further details from Pavel Silantsev, Director, OOO "SKS", Tel +7 347 902-2234, Fax +7 34763 33859, E-mail: pasha@salavat.bashnet.ru.

Phenol prices in Russia are in the range of 7,000 roubles per ton. The Perm Arbitration Court has declared Gubakha coal tar chemical plant bankrupt and has appointed external management at the plant for one year. The Gubakha plant produces monoatomic compounds of benzene series and their derivatives; compounds with condensed benzene rings (naphthalene group), and naphthalene. The main export commodity is crude benzene. The company owed 260 million roubles as of December 1, 1998. The company's charter capital amounts to 129,662,000 roubles, split into 1,037,296 common shares with a face value of 125 roubles. A 39.7% share packet is held by individual investors, including 26% by employees.

Fibres On March 21st the first Vice President of the Russian government confirmed that questions regarding the financing of the construction of the PTA and polyester plants at Blagoveshchensk would in the near future be resolved. The projects being undertaken at AO "Polief" have assumed priority, with the potential demand for the products from the plant considered to be significant. Speculatively, the government has stated that output from the plant could start in April-May 2001.

Formash, an industrial financial group uniting 45 companies in Russia, Belarus and Ukraine plans to launch a new generation of equipment to produce chemical fibres by 2000. The project, valued at 135 million roubles, was confirmed in December 1997 by the Russia-Belarus Union. The project received 5.3 million roubles in 1998, which was 37% of the planned amount for the year, from the Union. Nevertheless, the group carried out 10 million roubles in work. Twenty scientific institutes and eight factories took part in the development of the new machine. A trial machine is currently producing chemical fibres at plants in Grodno, Mogilev, and Svetlogorsk in Belarus.

It is in both the interest of Russia and Belarus to develop this project as soon as possible. The new equipment will allow Russian chemical fibre plants to increase production from current capacity utilisation levels of 20%-40%. Plants in Belarus, where 90% of equipment has been in operation for more than 30 years, will receive new technology. For this reason Formash has approached the Russia-Belarus Union with a request for increased financing.

Chlorine Usolyekhimprom is being forced into abandoning exports to Kazakhstan and Uzbekistan, due to high railway costs that have been imposed by the Russian railways since the financial crisis erupted last year. Charges are now being made in dollars which has made freight transport excessively expensive. Until last year, Usolyekhimprom was selling up to 40% of its caustic soda output to Kazakhstan and Uzbekistan but since the imposition of dollar rates for rail transport the price of the final product has almost doubled. Market sources suggest that Usolyekhimprom's business in Central Asia has been taken over by suppliers from Ukraine and China.

Kaustik at Volgograd has recently started the production of solid chloroparaffins. Until now Russia has imported most of the chloroparaffins from Latin America, with production having been banned in Europe due to environmental concerns. A new production unit was designed at Volgograd last year and in early 1999 a 6,000 tpa unit started production. Kaustik is now in discussions with Volzhskrezninotekhnika at Volgograd and

Kurskrezinotekhnika at Kursk concerning deliveries of the product. The major shareholder in Kaustik is Yugo-Vostochnaya (South Eastern) Chemicals Company with 52.14% of the shares.

Industrial gases

BOC Group's joint venture at Volgograd increased output to 51.6 million roubles, a 16.7% increase from 44.2 million roubles in 1997. BOC hopes to beat this figure this year by producing more liquid and gaseous oxygen, liquid nitrogen, argon, acetylene, helium and carbon dioxide. The Volgograd Oxygen Factory now plans to increase production, which began last August, of non-flammable gas mixtures based on argon which are used in high quality welding. BOC Group has invested \$1.2 million in the project since it first took an equity stake in the factory in 1996 (see issue no 68, September 1996) and is the largest producer of medical and industrial gases in southern Russia. The controlling stake is held by BOC with the employees holding 37%.

Company news

Shareholders at Zarya at Dzerzhinsk are considering a merger with Volga Petrochemical Company at an extraordinary shareholders' meeting which is scheduled to take place on April 2. The results of a proxy vote have shown 18% of shareholders to be in favour of the merger. The government, which owns 60% of the company's shares, is also supporting the merger. The final results of the voting will be released at the shareholders' meeting. In the event of a 'yes' vote, the merger will probably take the form of an exchange of Zarya shares for Volga Petrochemical Company shares. Once it becomes a member of the holding company Zarya hopes to be able to increase production and reduce costs. Zarya is currently working at 25% of capacity.

The Volga Petrochemical Company was established in 1998 to unite the petrochemical companies Neftekhim, Kaprolaktam, Korund, Orgsteklo and Zarya, with the aim of increasing efficiency. Volga Petrochemical Company's charter capital is 84,000 roubles, split into 8,400 common shares with a par value of 10 roubles. It is planned to increase the charter capital in the near future through a re-evaluation of fixed assets. Norsi Oil owns 51% of Volga Petrochemical Company, with 25% being held by Volgo-Oksky Vneshtorgbank, 18% by Nizhnov energo energy company, and 3% each being held by the Nizhniy Novgorod and Dzerzhinsk administrations. Zarya's charter capital is 335,984 roubles split into 2,519,880 common shares and 839,960 preferred shares with a par value of 10 kopecks.

Belarus

Trading volumes in chemical products with Ukraine have been in decline against the general background of worsening trade between the two countries. Both chemical exports and imports from Ukraine fell in 1998 against 1997. The Belarus government has exempted petrochemical holding company Belneftekhim and its daughter companies from compulsory sale of its foreign exchange reserves (forex). The foreign currency will instead be used by the holding company's subsidiaries to purchase crude for refining and other raw materials and will be used to service company debt.. Forex not used for these purposes within 30 days of its receipt by the company will be subject to compulsory sale.

Regarding projects, Brown & Root has undertaken a feasibility study, financed by the US Trade and Development Agency, for an upgrade of the ethylene complex at Novopolotsk. The main project consists of the construction of a ethylene-polyethylene complex comprising an ethylene unit with capacity of 250,000 tpa of ethylene and a plant for LDPE/LLDPE with a capacity up to 150,000 tpa. The second, but more questionable, project involves the construction of an MTBE plant. The raw material for this MTBE plant will be by-product of cracking butylene-butadiene fraction. Approximate investment is estimated at about \$20 million.

Another project, which is of more immediate concern, is to revamp the existing olefin and polyethylene plants, enabling the cracking of a wider range of hydrocarbons (from ethane to gas oil). Essentially, the revamping provides for replacement of the existing block of furnaces by 4 modern furnaces with high efficiency of heat recuperation. Polimir is also considering a revamp of the acrylonitrile plant at Novopolotsk, including modernisation of the reactor block, turbo-compressor and column facilities. It will allow the company to expand the production capacity to 100,000 tpa (currently 86,000 tpa) and to substantially reduce energy consumption.

Increased domestic oil extraction has helped marginally to reduce the import bill for crude from Russia. Accordingly, due to the development of new sources the annual domestic extraction has increased by 600,000 tons, enabling the total production to stabilise at 1.9 million tpa. Significantly, the new sources are high quality low sulphur oil.

Belaruskali increased fertiliser production 6.3% to 450,934 tons in 1998. Production capacity is listed at 8 million tpa of potassium fertiliser but is currently working well below capacity due to shrinking markets in the CIS and East Europe. Belaruskali currently produces industrial grade potassium chloride, powdered and granulated potassium chloride, composite potassium salt, industrial grade sodium chloride, table salt,

agricultural salt, brine and halide. Potassium fertilisers account for around 90% of production, of which about 80% of production is exported.

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Further information can be obtained from :

JSC FIKO, 5, Druzhby Narodiv , 252 042 KYIV Ukraine.

Export Department : Tel/Fax + 380 44 268 33 79, Fax +380 44 268 3513

E-mail: Fedorov@fiko.ru.kiev.ua.

Central Asia

Krebs of France has highlighted plans to invest about \$30 million to rebuild a sodium chlorate and magnesium chlorate defoliant plant at the Azot plant at Fergana in Uzbekistan. The Uzbekistan government has passed a resolution on the reconstruction of the plant in which the state has guaranteed the necessary foreign credits for Azot.

According to the resolution, the technology, which will account for 85% of the cost of the contract with Krebs, will be financed by the French Societe Generale with 15% being supplied by the Uzbekistan National Bank for International Trade. The contract with Krebs was to be signed at the beginning of March and the project will be carried out within 24 months. The plant will produce 11,800 tons of magnesium chlorate defoliant, which is used in Uzbekistan cotton plantations, whilst roughly 6,500 tons will be exported.

The Uzbek State Property Committee has called an international tender for the sale of the state owned 100% stake in the Almalyk Household Chemicals Plant. The starting price is \$3 million. The fixed assets have been appraised by KMPG, the project leader.

Montell has licensed its Spheripol polypropylene process to Turkmenneftgaz through JGC Corp for the project to build a 90,000 tpa polypropylene plant at Turkmenbashi. The project is scheduled for completion in 2001. Montell will also supply catalysts for the plant. It is expected that the Japanese consortium will market most of the output in Europe and other regions.

● FORTHCOMING EVENTS

✧ 7th Central European Chemicals Congress, April 14-15 1999, Budapest. For further details please visit <http://www.firstconf.com/cenchem99>.