Serbia To Buy Loss-Making U.S. Steel Plant

Dusan Stojanovic, Associated Press

BELGRADE, Serbia (AP) — Serbia's government has agreed with U.S. Steel to buy back its loss-making plant in the Balkan country for a symbolic $1, with a goal to avoid its closure and the layoff of 5,400 of its workers, the prime minister said Friday.

Mirko Cvetkovic said the formal agreement with the Pittsburgh-based giant will be signed next Tuesday. There was no immediate confirmation from U.S. Steel, which bought the plant in Smederevo, about 60 kilometers (37 miles) southeast of Belgrade, for $33 million (€25 million) in 2003.

U.S. Steel Serbia — the Balkan country's largest single exporter accounting for about 10 percent of its exports with $35 million (€27 million) in 2010 — was mulling turning off the second of its two blast furnaces because of mounting losses amid the economic crisis.

"We have no intention to remain the owners in a long run," Cvetkovic said. "We plan to start looking for a strategic partner" to buy the plant.

Cvetkovic said the Americans decided to pull out because of the global economic downturn. He said that they are leaving behind about $250 million (€190 million) in the factory's assets.

"U.S. Steel decided to leave Serbia and we realized it would be easier to find a new partner if the plant continues to work," he said.

Cvetkovic said the workers will not be fired, but did not specify what would happen with their salaries.

The Smederevo plant, which was operating far bellow its annual capacity of 2.2 million tons, recorded losses of $73 million (euro56 million) for the first nine months of last year.

U.S. Steel's management cited the global economic downturn, anemic economy in southeastern Europe, high raw material costs and pressure from imports as the causes of the problem.

To reduce costs, the Serbian plant's working week has already been cut to four days amid dropping global demand for its low grade steel.

U.S. Steel's other factory in Slovakia has been more profitable because it makes higher-grade steel for the car industry.

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