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Mine a Million

MARK MOBIUS CHECKS OUT A MINERAL-RICH CORNER OF ROMANIA AND FINDS THERE'S A LOT MORE TO TRANSYLVANIA THAN A CERTAIN FORMER RESIDENT

LANDING AT BAIJA MARE AIRPORT IS A pleasure. There are only a few flights a week, so when we landed there were no other planes around and no other passengers. I was greeted by the very hospitable airport manager and immigration officer with a variety of pastries and drinks, including Scotch whisky. The purpose of my visit was two-fold: to learn more about the region and businesses where we could invest, and to attend the wedding of one of our analysts, who was getting married here in his hometown.

Baia Mare means “big mine” in Romanian. It’s the capital of Maramures County, which borders Ukraine to the north and Hungary to the west. It’s a beautiful city encircled on all sides by hills and mountains, making for a Mediterranean climate, milder than the surrounding area – chestnut trees, which usually need Mediterranean weather to grow, are abundant here. But the temperature can still drop to 20 below zero in the winter.

With forests covering over four-fifths of Maramures, it’s not surprising that wood-working is well developed. The area is known for its unique wooden churches with tall spires and shingled roofs. Carved wooden gates, featuring traditional ornamental motifs such as the sun and a twisted rope, are common. Maramures is part of the mysterious Transylvania region made famous

by Bram Stoker’s 1897 horror novel *Dracula*. The region is also famous for the beauty of the Carpathian Mountains that border Maramures in the east and south. The Carpathians cover one of Europe’s richest mineral areas, stretching through Eastern Europe from Poland to Bulgaria via Slovakia, Ukraine, Hungary, Romania and Serbia. The region has several substantial mines producing gold, silver, copper and other minerals; lignite, iron ore, lead, manganese, copper, salt and sulphur have also been mined there since Roman times. The largest gold deposits have been found south-west of Baia Mare.

The region contains about seven million people, of whom about 140,000 live in Baia Mare. Through the ages, it has been controlled by a range of different peoples, from the Romans to the Visigoths to the Ottomans to the Austro-Hungarian Empire, and that, plus its location, means that today it is made up of a patchwork of ethnic groups. In addition to Romanians, there is a significant number of Hungarians and Germans as well as Bulgarians, Armenians, Jews and Roma. The area is richer than the rest of Romania, accounting for 35 per cent of the country’s GDP, with a per capita income of US\$12,000, about 10 per cent higher than the Romanian average.

The first part of our trip was the wedding, which took place at the home of the groom and

STONE STILL

Mark Mobius beside the Soldier Monument in Baia Mare

For a country that was Communist for decades, there are a lot of churches in Romania

then at the Romanian Orthodox Church of SS Peter and Paul. It was a beautiful and inspiring event, with the two priests and their assistant singing and speaking with a counterpoint female chorus of excellent singers. For a country that was Communist for decades, there are a lot of churches in Romania, including Catholic and Protestant as well as Orthodox ones. We also visited the partly completed Orthodox Holy Trinity Cathedral. It is expected that it will take about 20 years to finish what will be the tallest building in the region – a testament to the people's faith.

There is other development in Baia Mare, with several supermarkets recently built in the city and a shopping mall due to open this year. Nonetheless, the property rental market is soft; according to estate agents, in some areas prices have halved.

Romplumb is the only Romanian producer of purified lead; production involves the reduction smelting process of concentrated lead ore, imported mainly from Poland. The entire production is exported, at the rate of 5,000 tonnes a year. Although capacity is 7,000 tonnes, environmental requirements restrict production. The company is surviving on state subsidies, with 50 per cent of its revenues coming from the government, but there is local political and media pressure to close down the factory due to pollution concerns. While there is potential for sales of real estate owned by the company, rehabilitation of the land to purify it of lead could cost more than US\$15 million. With 650 workers, closure of the company would create hardship for many families.

In addition to the pollution problems, there is Chinese competition for the raw ore from Poland. Chinese companies are increasingly buying the concentrated lead ore delivered by the European mines for competitive prices, so that purified lead can be produced in China. But Romplumb's proximity to European markets remains a plus, and executives plan to produce more value-added products such as lead sheets, which can be sold for US\$4,000 per tonne, compared to lead bars, which sell for US\$2,000 per tonne.

The history of mining in Baia Mare has a dark side. In 2000 there were two major environmental accidents. The first was a cyanide and heavy metals spill caused by the bursting of a tailing



pond dam at a Romanian-Australian joint venture, Transgold (formerly Aurul Baia Mare). Over the years it had produced more than 138,000 ounces (3.9 tonnes) of gold and 700,000 ounces (19.8 tonnes) of silver by treating mine tailings with cyanide. More than 100,000 cubic metres of waste water containing toxic cyanide and heavy metals ran down the Lapus and Somes rivers into the Tisza river. More than 1,400 tonnes of fish died, destroying the livelihoods of hundreds of fishermen along the Tisza in Hungary. In some Hungarian towns the drinking water supply had to be cut, and in Romanian villages near the dam the drinking water and the soil were poisoned.

The other accident was a spill that occurred in a tailing dam at the state-owned company Remin at Baia Borsa, near Baia Mare. About 20,000 tonnes of heavy metal sludge ran down into the river system. These two accidents attracted international attention and condemnation by various environmental groups including Greenpeace. An EU task force and the World Bank undertook studies of the problem while the Dutch and Austrian governments financed some tailing dam rehabilitation work. In 2002, Greenpeace demanded urgent reduction of other pollution by mining operators in the area and targeted a number of hot spots where urgent action was needed. The WWF has environmental protection programmes covering the Tisza basin, which includes five countries. The group has worked with Romanian water-management authorities and local communities to restore upland landscape.

The improvements the local people of Baia Mare are making to their city are impressive and gratifying to witness. There may be issues with the region's economy, but the enterprising nature of Romanians in Baia Mare puts them in a good position to tackle them. **T**



STRONG UNION

FROM TOP

Wedding at the Romanian Orthodox Church of SS Peter and Paul; Mobius with a stone tribute to miners