



# The Same Place, the Right Time

*The first eight months of work of the Belarusian Universal Commodity Exchange have witnessed 5,160 transactions worth of Br180 billion*



A trading hall of the Belarusian Universal Commodity Exchange

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## Stock Exchange Mechanism Set in Motion

**T**he auctions at the Belarusian Universal Commodity Exchange (BUCE) started in June of 2005. By February of 2006 some 5,160 transactions were concluded totaling Br180 billion. Of them 3,776 transactions (worth of Br65 billion) featured metal goods, 1,319 (Br111 billion) – timber products. The biggest exports transactions – the aggregate sum was Br92 billion – were concluded in the sec-

tion of timber products. The section of agricultural goods has been recently sent into service. The transactions in the new section have already topped Br4 billion.

So, the mechanism of stock Exchange in Belarus has been kick-started. In August of 2005 the Government adopted a new wording of the resolution on measures to develop stock Exchange trading. The improvement invigorated the auctions and added efficiency to the process. A spiraling activity in the metal section triggered a solution to divide the related trading sessions in two parts. BUCE already has its permanent members – big Belarusian and foreign companies.

Shortly after it had been sent in operation, BUCE introduced an automatic system “Stock Exchange Electronic Trading”; three specially assigned areas with 150 working places were equipped with top-notch gear. The BUCE administration and staff made business trips to Lithuania, Latvia, Austria, Moldova and presented BUCE at the annual Moscow exhibition Metal-Expo 2005. So, the Belarusian Universal Commodity Exchange has become a reality and an important element of the economic life of the country.

## Market Charge Falls

Notwithstanding the fact that the BUCE membership duty and market



charge (the latter is equal to 0.4 per cent of the sum of the transaction) are the only profit-bringing vehicles for the Exchange, since August 1, 2005 the Exchange administration has significantly trimmed them. That step immediately encouraged a large spectrum of economic entities, both residents and non-residents of Belarus, to partake in the trade execution process.

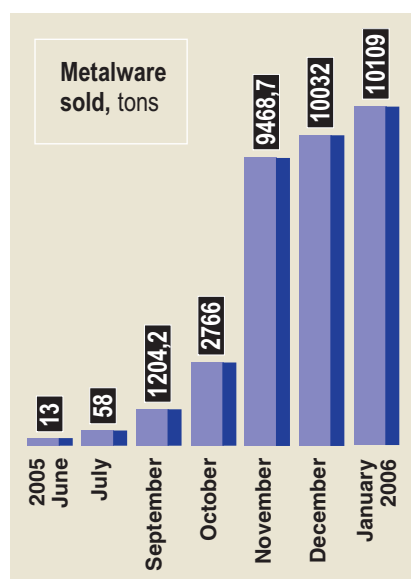
Besides from trading financial activity, the Exchange carries out organizational, rule-making and advertising efforts to boost trading.

The BUCE legal department has collaborated with heads of the trading sections of the Exchange to develop the BUCE regulations – a new BUCE Charter, BUCE trading rules and regulations for each section. The BUCE experience and expertise were put to good use by the Government during a law-making process which culminated, in particular, in a resolution of the Council of Ministers of Belarus of December 8, 2005 “On Extending the List of Goods for Stock Trading”.

### More Goods, Less Exclusions

In line with the afore-mentioned document, the number of goods to be traded via the Exchange was enlarged. At the same time, the number of stipulations and trading restrictions, including those in regard to mixed ownership enterprises, has been cut down. The list of goods for trading has been supplemented with converted timber, firewood and sleepers, condensed milk and cream, casein for industrial purposes and cattle rawhide. The list of metal products has also been enlarged. The minimal sums of off-the-Exchange transactions have been downsized to EUR 2 thousand (for metal goods), and to EUR 1 thousand (for other goods).

In January 2006 the Exchange recorded transactions in fat-free dried milk, industrial casein and cattle rawhides. However, though painstakingly prepared (information has been collected about foreign companies who constitute potential buyers of agricultural products, seminars have been held for Belarusian sellers, top managers,



representatives of processing companies and oblast associations) transactions in agricultural goods have been hampered by the problems similar to those encountered in metal and timber sections as the BUCE was just kicked off. The problem is that agricultural entities have been reluctant to challenge their traditional working patterns and to collaborate with the Exchange. Public auctions and open transactions failed to fire enthusiasm even with heads of state-run enterprises. But the Exchange administration is confident, the agricultural section will report ever increasing activity and bring generous profit to the budget. The confidence is well-grounded: the number of applications for fat-free dried milk transactions has been trending upward from session to session, and some 170,5 tons of I-III class

cattle rawhide worth of USD 233,7 thousand have been sold on January 24, 2006 alone. By the way, a tense competition at the auction propelled the final price by 10-15 per cent above the bid.

One of the BUCE priority areas is trading timber. The afore-mentioned resolution has not just extended the list of timber products to be sold via the Exchange, but also modified the rules for timber bargains. State-run entities, including agricultural organizations, farming enterprises, housing development companies and natural persons are entitled to buying timber in the Belarusian market on the off-the-Exchange platform. Moreover, they enjoy the privilege of purchasing timber at fixed prices. Other roundwood customers have to attend auctions. The exclusion here is made for customers who effect

### The biggest exports transactions – Br92 billion – are in the timber section

direct purchases of timber in forestries at free prices with the sum not exceeding EUR 1 thousand.

The resolution is not effective for timber products put on the above-mentioned list in the following case: the product is made by the seller; the product is sold on a foreign market by a profit-making company with an over-30-per cent share of foreign capital in its authorized fund; the seller is a resident of a Belarusian free econom-

## BELARUS IN THE WORLD: ANALYSIS

Belarus has the lowest jobless rate in the CIS and Europe.

As of the end of 2005 the unemployment rate (unemployed registered at the state employment agencies) made 1.5 per cent against the total amount of population in prime working years. As of the end of November 2005 the index was 1.6 per cent in Belarus, 7.6 per cent in Armenia, 3.2 per cent in Kyrgyzstan, 2.9 per cent in Ukraine and 2.3 per cent in Russia. The unemployment in Belgium in 2003 accounted for 12.3 per cent, Germany – 11.2 per cent, Czech Republic – 10.3 per cent, Lithuania – 9.8 per cent, Latvia – 8.6 per cent, Romania – 7.2 per cent, Austria – 7 per cent and in Estonia – 5.3 per cent.

As of the end of 2005 some 68 thousand unemployed were registered with state employment agencies. Their number fell by 48 per cent compared to 1995 and by 18 per cent as against 2004. As of the end of 1995, the unemployment rate was 2.9 per cent while in 2004 – 1.9 per cent.

Information provided by the Ministry of Statistics and Analysis of the Republic of Belarus, annual year-book of statistics “The Commonwealth of Independent States in 2004” and collected articles “Portrait of the European Union” (Luxemburg, 2004).



## Selected BUCE Quotes for Metalware. Day of trading 25.01.2006

Item, Type and Size	Steel Grade	State Standard Specifi- cation	Terms of Delivery	Terms of Payment	Price Br, VAT included		Change, %
					Price*	Settle**	
Armature A1, 10	CT3	5781-82	EW	PO	1 360 000	1 360 000	0,37
Armature A1, 16	CT3	5781-82	CF	PO	1 300 000	1 298 000	
Armature A240C, 16	CT3nc	7566-94	EW	PO	1 438 420	1 438 420	-0,08
Armature A3, 10	A500C	5781-82	EW	PR	1 366 146	1 339 359	
Armature A3, 20	A500C	5781-82	EW	PR	1 295 400	1 270 000	
Girder 40K2	CT3cn/nc	CTO-AC4M 20-93	CF	PO	2 280 000	2 455 446	-3,17
Girder 40Ш1	CT3cn/nc	CTO AC4M 20-93	EW	PO	2 348 200	2 348 200	
Disk 10	CT3	4543-71	EW	PO	1 419 000	1 419 000	0,00
Disk 12	CT3	2590-88	CF	PO	1 370 000	1 368 800	
Disk 20	CT3	4543-71	EW	PO	1 500 000	1 319 000	
Disk 50	50	2590-88; 1050-88	EXW	PO	RUR 17005	RUR 15910	
Disk 53	35	2590-88; 1050-88	EXW	PO	RUR 17005	RUR 15910	
Disk 60	35	2590-88; 1050-88	EXW	PO	RUR 17005	RUR 14526	
Hot-rolled sheet 4,0x1500x6000	09Г2C	19903-74	EW	PO	1 590 000	1 535 000	
Hot-rolled sheet 6,0x1500x6000	CT3	14637-89	EW	PO	1 542 000	1 539 000	-11,12
Hot-rolled sheet 8,0x1500x6000	CT3	14637-89	EW	PO	1 492 000	1 380 000	
Hot-rolled sheet 9,0x1500x6000	10	1577-93	CF	PO	1 652 000	1 640 200	
Hot-rolled sheet 10,0x1500x6000	CT3	14637-89	EW	PO	1 439 600	1 400 660	-0,41
Hot-rolled sheet 12,0x1500x6000	CT3	19903-74, 14637-89	EW	PO	1 435 000	1 400 000	-0,36
Hot-rolled sheet 12,0x1500x6000	CT3	14637-89	EW	PR	1 475 000	1 440 000	2,37
Galvanized sheet (rolls) 0,55x1000	08кп	14918-80	EW	PO	2 470 000	2 424 900	-7,66
Galvanized sheet (rolls) 1,0x1250	08nc	14918-80	EW	PO	2 500 000	2 498 000	
Cold-rolled sheet 1,5x1250x2500	08кп	16523-97	EW	PO	1 630 000	1 680 000	-10,45
Cold-rolled sheet 2,0x1250x2500	08nc	19903-90	CF	PO	1 765 000	1 758 200	
Cold-rolled sheet 2,0x1250x2500	08кп	16523-97	EW	PO	1 613 060	1 680 000	-4,15
Cold-rolled sheet 3,0x1250x2500	08nc6	19903-90	CF	PO	1 750 000	1 746 400	
Water-gas pipe 15x2,8	CT3	3262-75	CF	PO	1 607 000	1 660 000	-0,60
Water-gas pipe 20x2,8	CT2nc	3262-75	CF	PO	1 660 000	1 660 000	
Water-gas pipe 25x3,2	CT2nc	3262-75	CF	PO	1 580 020	1 600 000	-1,26
Galvaniz. water-gas pipe 32x3,2	CT2	3262-75	CF	PO	2 495 000	2 495 000	
Shaped electric- welded pipe 140x60x4,0	CT3	30245-03	EW	PR	1 999 900	1 850 000	
Shaped electric- welded pipe 160x160x8,0	09Г2C	30245-94	CF	PO	2 840 000	2 800 000	
Electric-welded pipe 108x3,5	CT3	10704-91	CF	PO	1 540 000	1 640 090	
Electric-welded pipe 152x4,0	1-3 nc	10705-80	EW	PO	2 100 000	2 030 000	
Electric-welded pipe 325x6,0	20	10705-80	EW	PO	2 171 200	2 171 200	
Electric-welded pipe 426x6,0	CT3	10704-91	CF	PR	2 302 000	2 302 000	
Electric-welded pipe 426x8,0	20	20295-85	EW	PO	1 800 727	1 800 727	
Electric-welded pipe 630x8,0	20	10704-91	CF	PO	2 080 000	2 079 927	0,00
Corner 63x63x5	CT3	8509-93	CF	PO	1 211 000	1 235 000	2,76
Corner 70x70x5	CT3nc5	8509-93	EW	PO	1 315 000	1 300 000	
Corner 75x75x6	CT3	535-88	EW	PO	13650	13150	0,38
Corner 125x125x8	CT3	8509-93	CF	PO	1 469 000	1 423 800	-0,98
Channel 12	CT3	8240-89	CF	PO	1 375 000	1 374 700	
Channel 16	CT3	8240-89	CF	PO	1 440 000	1 439 600	
Hexahedron 27	20	2879-88	CF	PO	1 695 000	1 687 400	

\*Price – the opening price. \*\*Settle – the closing price.

Terms of Delivery: EW – ex warehouse, CF – carriage-free. Terms of Payment: PO – postponement, PR – prepayment.

ic zone. At the same time such transactions are a subject to mandatory registration with the Exchange within a month following the bargain day.

### Who's to Earn at the Exchange?

From the very beginning the Belarusian Universal Commodity Exchange has received high profile and mixed reviews. What have been the “contra” arguments?

The main one, they say, is that trading via the Exchange does not bring big and easy money. At least it is not that easy to rake in as fast and as well as it used to be for the previous patrons of the timber market. However, a long time ago the advent of special experts on this market marked an end to the “easy money” rule there. The home timber market was also uninteresting in terms of “easy” and big money and the situation became even tougher with the advent of the Exchange. But the worst hitch for the mediators is that the trade in metal products has been harmonized. Earlier, the biggest Belarusian companies, who could pur-

### JSC Bobruiskagromash stroke 82 deals at BUCE totaling Br3,9 billion

chase metal directly from the manufacturers, consumed no more than 40 per cent of the total metal imported to Belarus. All other business entities in the republic – medium-size and small factories – used to buy metal from mediators who, in turn, missed no chance to pull in.

What can we say about it? When setting up the Belarusian Universal Commodity Exchange the last thing the Government was worrying about was middlemen's revenues. The basic idea of the Exchange is to give the state and the manufactures the chance to earn money without overpaying to mediators.

There is another opinion. They say that the Universal Commodity Exchange cannot yet be a full-fledged market tool. In order to become one, it should turn from a market regulator (as is the case of

many sustainable economies) into a place of market price formation. Only after that, they say, everybody will benefit from it: mediators will have an opportunity to earn some money and buyers will have a rich choice of addresses and plenty of space for saving.

However, it does not happen like this in real life. The modern commodity markets (both domestic and foreign) have already been divided between producers and consumers. And if our producer fails to keep up with the price pole fixed by the market, sooner or later he will be forced out. The final price for ready-made goods, especially that for the metal-intensive goods, depends on the price for raw materials. If a mediator wins a lot from selling it, the final product cannot be competitive. So, either wolves sated or sheep intact, there is no other option.

## Residents Choose Exchange

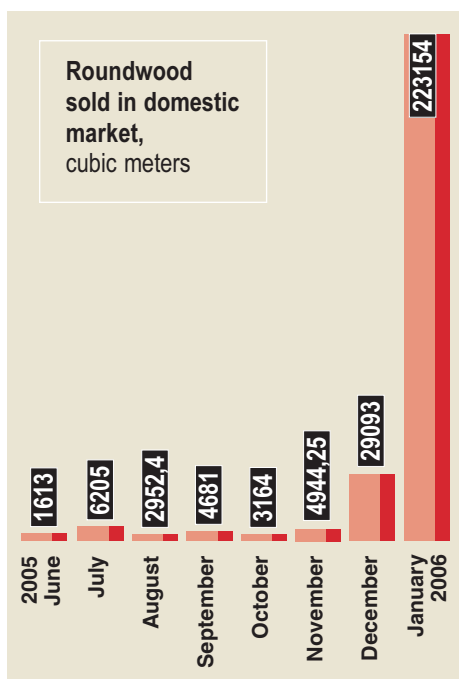
Today among state agencies accredited to trade at the Exchange there are those subordinate to the Ministry of Energy, Belresursy Concern, Ministry of Industry, Forestry Ministry, Belarusian Railways, Ministry for Agriculture and Foodstuffs, Ministry of Construction and Architecture. What do their representatives think about the new trading system? Have they already derived sizeable benefits from it?

Bobruiskagromash was accredited at the Exchange in September 2005 and has been partaking in all trading sessions ever since. So far, it has concluded 82 agreements to buy 2689,9 tons of metal-roll at the total amount of Br3,9 billion. The company's administration is unanimous in that the Exchange toughened the competition among the stock suppliers, hence leading to reduction in purchasing prices. Apart from that, auctions facilitate activity of the company's logistics service, increase efficiency of metal-roll purchase and exclude unnecessary mediators.

According to the administration of another trader Minoity Repair Plant, the terms of acquisition and the amount of paperwork necessary for purchase have been consid-

erably reduced at the Exchange. Fair and transparent competition between the metal-roll suppliers, who, in order to attract customers, try to offer the best combination of price and quality, gave an opportunity to medium manufactures to buy stock at lower prices which positively affected the prime cost of the ultimate products.

There are dozens of similar comments in this respect. This means that our producers (both state-run and with mixed form of ownership) regardless their size and needed volumes of raw materials have finally received the opportunity to buy stock directly from suppliers rather than from mediators. Being able to produce cheaper com-



## Selected BUCE Quotes for Timber (domestic market). Day of trading 26.01.2006

Item	Wood	Diameter, cm	Sort	Terms of Delivery	Dates of Delivery in 2006 (after signing the contract)	Price Br , VAT included	
						Price*	Settle**
Soft-leaved clean wood	Birch		2	FFB	within 30 days	40 000	40 000
Coniferous pulpwood	Pine	6-13	3	FS	within 2 months	47 000	47 000
Coniferous pulpwood	Pine	6-13	1	FFB	within 2 months	38 232	38 232
Coniferous roundwood	Pine	14-24	1	FOR	within 30 days	92 400	97 114
Coniferous roundwood	Pine	14-24	2	FOR	within 30 days	77 000	90 000
Coniferous roundwood	Pine	14-24	3	EXW	within 30 days	49 500	57 490
Coniferous roundwood	Spruce	14-24	2	FFB	first 6 months of the year	67 260	80 500
Coniferous roundwood	Spruce	14-24	3	FFB	within 3 months	55 000	76 500
Coniferous roundwood	Pine	26 & more	1	FOR	within 3 months	110 000	140 420
Coniferous roundwood	Pine	26 & more	2	FOR	within 3 months	95 000	120 000
Coniferous roundwood	Spruce	26 & more	3	FOR	within 2 months	67 000	77 000
Coniferous roundwood	Spruce	26 & more	2	FFB	within 3 months	83 000	82 000
Coniferous roundwood	Spruce	26 & more	3	FOR	within 2 months	67 000	77 000
Soft-leaved roundwood	Birch	14-24	2	EXW	within 2 months	46 000	46 000
Soft-leaved roundwood	Alder	14-24	1	FFB	within 3 months	41 300	65 280
Soft-leaved roundwood	Alder	14-24	2	FFB	within 3 months	35 400	54400
Soft-leaved roundwood	Alder	14-24	3	FFB	within 3 months	43 188	43 520
Soft-leaved roundwood	Birch	26 & more	1	FOR	within 30 days	85 200	85 200
Soft-leaved roundwood	Alder	26 & more	2	FFB	within 3 months	40 120	75 000
Hardwood roundwood	Oak	26 & more	1	EXW	within 30 days	390 816	390 816
Plywood for peeling	Alder	26 & more	1	EXW	within 30 days	116 664	116 664
Firewood	Aspen	3 & more	-	FFB	within 3 months	22 421	22 421

\*Price – the opening price. \*\*Settle – the closing price.





petitive commodities they are now able to both replenish the budget and invest significant funds in the development of the social infrastructure. To put this another way, they would rather spend their hard-earned money on workers and their families, not on middlemen.

### BUCE Sprigs Subsidiaries

BUCE has started a step-by-step formation of its subsidiaries in oblast centres. The first branches will be set up in Brest and Gomel. The short-term plans include on-site auctions and trading sessions from remote locations. Thus, the Exchange site itself will approach its buyers and sellers.

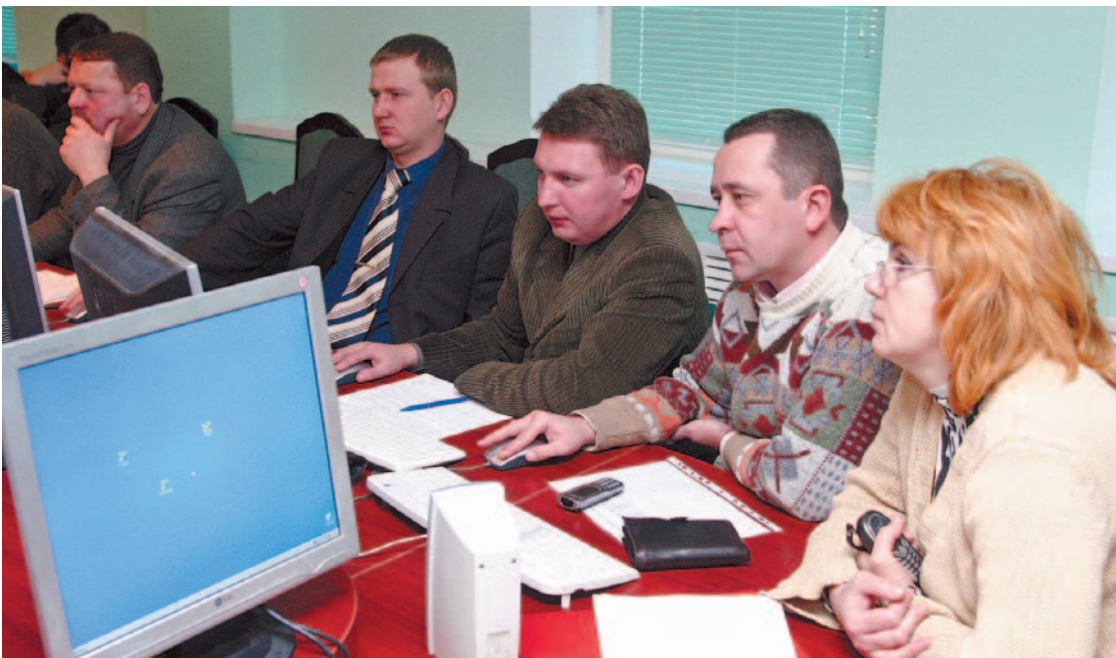
When settling momentary issues, the Exchange does not forget about the future either. On the instructions of the Belarusian Government, BUCE has been planning to launch large-scale auctions to

learn to appreciate the advantages of the formal market and see the difference between "wild" and well-organized trade.

BUCE is very attentive to the wishes of its traders as well. Many of them have already been satisfied.

### In the near future BUCE intends to launch its filial branches in Brest and Gomel

Thus, trading sessions on metal-roll are united in one, clients are allowed to use BUCE computers after the auctions to conclude and sign deals, which saves a lot of time. Among the plans for the near future there is extension of the metal-roll offering range, launch of e-auctions in Internet, reduction of the amount of paperwork necessary for concluding the deals.



As a rule there are no vacant places at BUCE notwithstanding a newly opened trading hall

satisfy annual demands of metal manufactures in order to attract major suppliers to the Belarusian market.

Training of national buyers and sellers to carry on commerce at the Exchange is of paramount importance. For this purpose BUCE employees have been organizing various seminars, meetings, workshops. In rooms equipped with cutting-edge computer gear traders

More frequent are the calls to attract new suppliers of metal production, especially non-residents of Belarus and the Commonwealth that satisfy the country's demand for goods which are not made here.

Another aspiration is to extend the number of working places. BUCE is getting rather cramped, which attests to the fact that more and more companies find it trustworthy. ■

## MADE IN BELARUS

### Mineral Wool Cubes

Within the framework of a regional scientific-technical program the Institute of Mechanics of Metal-Polymeric Systems of the National Academy of Sciences of Belarus (Gomel) has been assigned Br260 million to develop in two years a production technology of mineral wool substratum to plant out vegetables.

Mineral wool cubes to grow seedlings are used by all hothouses of the republic today. Every year this country spends several hundreds of thousands of US dollars to import this material from Russia and other states.



The project on creating national mineral wool "beds" is rather expensive. However, the agrarians assure that the project will pay back in 3,5 months.

This import-substituting production will be set up at the JSC Gomelstroimaterialy.

### Wastewater Treater

**Belarusian National Technical University (BNTU) has come up with special equipment to treat refinery wastewater.**

The three-stage equipment comprises a gravitation separator with a ceramic filter, a set of membranes and a sorption filter with the openings of 5-30 micron. The wastewater is processed to the maximum permissible norms. The multilevel treatment system and the use of mineral materials based on charcoal and natural clay distinguishes the BNTU novelty from the existing analogues.

The equipment can be used at industrial facilities, filling stations and maintenance service centers. All the processes are automated.