The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Uralkali Chief Detained in Belarus

By Alexander Panin

August 26, 2013

Vladislav Baumgertner is suffering the fallout of his company's decision to abandon a sales partnership with Belarus's flagship potash producer.

The head of Russia's largest potash producer Uralkali has been detained in Belarus, a news report said Monday, exacerbating tensions between the two ex-Soviet neighbors after the dramatic collapse of a sales joint venture last month.

Vladislav Baumgertner was held by the Belarussian Investigative Committee on suspicion of abusing his position and official powers, RIA Novosti reported.

Four other top-executives at Uralkali were put on the international wanted list.

If convicted, Baumgertner could face up to 10 years in prison under Belarussian law, media reports said.

In July, Uralkali abruptly pulled out of Belarus Potash Company, or BPC, which managed sales of potash, a key ingredient in fertilizer, for both Belaruskali and Uralkali, following repeated

claims by the Russian company that its Belarussian partner was violating the agreement to sell exclusively through BPC.

The decision caused the Uralkali's share price to collapse — knocking 20 percent of capitalization — and raised the prospect of aggressive competition in a market where a few suppliers have long maintained a cartel-like grip on prices.

According to Reuters, before the break-up BPC, along with Canada's Canpotex, controlled 70 percent of global potash trade.

Some industry analysts at the time called the situation a revolution on the potash market.

Potash is a key foreign-currency earner for Belarus, meaning that cheaper prices could seriously undermine the value of the country's currency.

"The information at the prosecution's disposal sheds light on the hostile plans the management of Uralkali had for Israeli, German and Canadian potash producers," the Belarus Investigative Committee told Belarussian media, Itar-Tass reported.

The company's management and its shareholders, among them Suleiman Kerimov, planned to engineer a massive drop in the potash price back in 2011 to gain maximum gain for themselves, committee spokesman Pavel Traulko said.

Alexander Babinsky, a spokesperson for Uralkali, said the company is "outraged by the detention and consider[s] it a provocative action on the Belorussian part," Itar-Tass reported.

Baumgertner was detained while trying to depart from Minsk airport after a meeting with Belarus Prime Minister Mikhail Myasnikovich, who had invited him to come, Babinsky said.

"[These] actions could be an attempt to put pressure directly on Baumgertner and indirectly on Uralkali, but it is not likely that they will be able to force the company to change its plans," said Dmitri Baranov, a senior analytic at Finam.

"Chances are, the situation will resolve very soon, as the company and top Russian officials have enough muscle to influence decisions in Belarus," he added.

The reaction of the Russian government came soon after the first news of Baumgertner's detention surfaced.

Deputy Prime Minister Igor Shuvalov called the conflict absurd, adding that the government had no connection to the breakup of the joint trade channel and the scandal that followed.

"We think it is a strange situation, especially considering the nature of our relations," Shuvalov said, Itar-Tass reported. "We need to quickly resolve these difficulties and agree on a decent relationship or on a civilized divorce."

Belarus, led by President Alexander Lukashenko has, barring occasional tifs, long been a Russian ally.

The conflict could have a short-term negative effect on the price of Uralkali shares, said

Andrei Shenk, an analytic at Investcafe.

“However, if the situation is resolved quickly, the negative effect will soon fade,” he said.

Uralkali shares dropped slightly Monday, ending the day down by a little more than 3 percent.

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Original url: https://www.themoscowtimes.com/2013/08/26/uralkali-chief-detained-in-belarus-a27088