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HOW CAN NOVI SAD COMMODITY EXCHANGE IMPACT ON ENVIROMENTAL PROTECTION?

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Abstract: *Environmental protection is a very complex process that includes a large number of interrelated elements, measures and activities. In addition, it also refers to analyzing and predicting the scope of future activities in order to implement the prevention of potentially negative impacts that would threaten and degrade the environment. The changes in the rules of the game on the world market were caused by the dynamism of changes in the international business environment. The modern market imposes more and more serious demands placed on commodity exchanges in terms of connected and globalized processes of their business, then through the implementation of internationally valid standards (as an integral part of socially responsible business), which enables but also facilitates the free flow of goods on the global market. In the paper, we will consider potential actions and activities of Commodity Exchange Novi Sad, which could result not only in raising awareness, but also in concrete actions that will have results in preservation of the environment.*

Keywords: *sustainable environment development, commodity exchange, ISO 14001, legislation framework, government intervention*

JEL classification*: G28, K00, K20, Q01, Q02*

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KAKO PRODUKTNA BERZA NOVI SAD MOŽE UTICATI NA OČUVANJE ŽIVOTNE SREDINE

Sažetak: *Zaštita životne sredine je voema složen proces koji obuhvata velik broj uzajamno povezanih elemenata, mera i aktivnosti. Pored toga, odnosi se i na analiziranje i predviđanje obima budućih aktivnosti kako bi se sprovela prevencija potencijalno negativnih uticaja koji mogu ugroziti i degradirati životnu sredinu. Promene pravila igre na svetskom tržištu nastale su ulsed dinamičnosti promena međunarodnog poslovnog okruženja. Savremena tržišta postavljaju sve ozbiljnije zahteve pred robne berze u smislu povezanih i globalizovanih procesa njihovog poslovanja, zatim kroz primenu međunarodno važećih standarda (kao sastavnog dela društveno odgovornog poslovanja), čime se omogućava, ali i olakšava slobodan protok roba na globalnom tržištu. U radu se razmatraju potencijalane akcije i tekuće aktivnosti Produktne berze Novi Sad, koje mogu dovesti ne samo do podizanje svesti, već i do konkretnih rezultata u kontekstu očuvanja životne sredine.*

Ključne reči*: održivi razvoj, produktna berza, ISO 14001, pravni okvir, državna intervencija*

1. INTRODUCTION

The implementation of ISO standards is becoming more frequent, since the advantages of that implementation are visible on micro and macro level. On the micro level, we may notice as result of ISO implementation increase in competitiveness of the company as well as the product improvements, while on the macro level, observed both on national or international level, results are creating solid foundations for of healthier, safer and more environmentally conscious framework.

According to the International Organization for Standardization (ISO), standards are defined as standardized agreements, based on the consensus of experts in the required field, approved by competent institutions, which contain all the necessary characteristics of technical applicability and precisely determined standards, which the manufacturer must strictly adhere to.

There is a wide range of issues concerning the introduction and implementation of ISO standards.[1] Starting with issues related to the quality of goods or services provided, then issues of ensuring the safety of goods, especially intended for food,

[1] More about the importance of ISO standards from the perspective of regulating commodity exchanges in Anđelić, G., Đaković, V. & Tot, V. (2016). New directions for the development of commodity markets through the prism of modern standards. *Journal of Business Economics, Entrepreneurship and Finance, 10*(2), 1-27.

technical requirements for the performance of specific activities in the production processes, as well as the processes of packaging and shipping of goods, and so on to concrete doubts related to the major issue of modern age, and that is environmental protection, an issue to which we will emphasize in this paper, in correlation with the issue of further development of the Commodity exchange in our country.

Thus, "respecting the characteristics, nature and specifics of trading on commodity exchanges, the application of the ISO 14000 series standards has a significant place, role and importance in the standardization of trading on commodity exchanges" (Anđelić, Đaković & Tot, 2016). However, in practice, unfortunately, time and time again, it is shown that end users do not have a sufficient awareness of the importance, and adequate knowledge for proper implementation of ISO standards.

Due to climate changes and related challenges, in order to protect the environment, we understand very clearly that the danger is no longer just part of an unwanted distant scenario. We are currently faced with agricultural products that can become of increasingly poor quality, or available in smaller and insufficient quantities, extremely unreliable for human use or even dangerous due to a high treatment with pesticides, drastically polluted air, water, land, environment. As a result of such scenario we would certainly have a market collapse first, but it can be accompanied by a health crisis as well.

2. ISO STANDARDS

ISO (International Organization for Standardization) is an international organization founded in 1946, considered to be independent, non-governmental organization made up of members from national standards bodies of 172 countries, with rule one country – one member. The organization is financed through the annual membership fees of the member states, as well as from the sale of standards. The subscription paid by each member is in proportion to the country’s gross national income and trade figures (International Organization for Standardization, https://www.iso.org/standard/60857.html). It is important to note that the adaptation of ISO standards is still based on voluntary basis where each country retains the right to make a decision on their implementation.

In every modern society, ISO standards are recognized as one of the inevitable market conditions for standardization, acceleration, safety and normalization of the business operations of companies and corporations, through acting in accordance with the awareness of social and environmental responsibility.

Further in the paper, we will pay attention to the issue of management and protection of the environment, which is directly related to a specific and often neglected type of goods in our society that can be listed on the stock exchange.

ISO 14001 is internationally recognized standard for environmental management system[2], dedicated to controlling and reducing the risk of environmental pollution. By adhering to this standard, organization can ensure they are taking proactive measures to minimize their environmental footprint, comply with relevant legal requirements, and achieve their environmental objectives.[3]

The adaptation of the standard could take an important place in the standardization of trading on Commodity Exchange, with the purpose of:

- Reducing negative impacts on the environment (with instructions and suggestions).
- Achieve continuous improvement in performance (related to environmental protection).

Respecting the characteristics, nature and specifics of trading on Commodity Exchange, the adaptation of ISO 14000 series standards takes an important place in the standardization of trading on commodity exchanges precisely through the following activities:

- Method of production of goods and disposal of waste materials;
- Recycling and return to the re-production process, as opposed to disposal in a landfill and in nature;
- Method of packing and transporting goods in biodegradable material;
- The way of storing goods by reducing the use of plastic materials and keeping them natural as opposed to numerous chemical solutions;
- Method of redistribution to end users by means of transport that are recognized as minor polluters.

Therefore, adhering to, and respecting clear criteria, guidelines and technical support systems[4], starting from the admission to the listing, and all through the mentioned transport, storage and further distribution of commodity exchange goods, every responsible company, as a participant in trading, will contribute to the preservation of the environment.

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[2] First this standard ISO 14001 was issued in 1996, the latest version is from 2015
[3] ISO 14001:2015 - Environmental management systems, https://www.iso.org/standard/60857.html
[4] The series of ISO standards, in addition to 14001, also has standard 14004, which provides all the necessary guidelines and technical support systems. In terms of content, it is similar to ISO 14001, but it is more applicable in practice, since guidelines and numerous illustrations have been added to each chapter to facilitate the practical application of ISO 14001.

Although it is a very powerful management tool, there are rare domestic authors that believe that the standards of the 14000 series can be directly incorporated into the system of Commodity exchanges. Main reason is that implementation of standards fully relies on voluntary basis of participants. However, perhaps at this point it is not even necessary to consider the direct position, if indirect involvement is already possible. Through a detailed assessment in the process of identification and taking in consideration of all ecological aspects, manufacturers should determine what waste is generated during their production activities, as well as how they will further treat the waste.

Currently, the most prevalent method of treating industrial waste is temporary storage within the business complex, at a pre-determined, separate location of the company where it was usually generated, so that it would later be delivered with other municipal solid waste to city landfills. Precisely because of this, and in order to achieve all the correct goals, both economic and ecological, it is very important that certain waste, treated as a type of commodity, always finds its buyer and does not end up in a landfill or in nature.

3. THE ROLE OF COMMODITY EXCHANGE IN ENVIRONMENTAL PROTECTION

In March 2019, Commodity Exchange Novi Sad signed a Memorandum of Cooperation with the Environmental Protection Agency, with the aim of trading waste as secondary raw materials on the stock exchange[5], which created the legal framework for expanding the listing of goods received on the stock exchange, primarily in the form of metal, glass and plastic, paper, etc. Taking an active part in the development of this new service would make our commodity exchange truly unique in the region.

The Project development was started in cooperation with UNDP, through the support of environmental experts, primarily in the field of promotion and education among all potential participants in the market, in order to perform a thorough analysis and to show actual need for that kind of services in our country and in the region. Such analysis should show which companies would appear as sellers and which as buyers, and what kind of goods would be most in demand, in order to see the potential size of the market.

[5] Waste that is used as a secondary raw material is waste that can be used again for the reuse in products for the same or another purpose, for recycling, i.e. waste treatment, and /or in order to obtain raw materials for the production of the same or another product (paper and cardboard, metal, glass, plastic, construction and demolition waste, ash and slag from coal combustion from thermal power plants, gypsum and sulfur from flue gas desulfurization).

By expanding the activity through the inclusion of these goods on the listing, through the creation of new required standards for the reception and trading with those goods on Commodity Exchange Novi Sad, followed by amendments and changes of the current rulebook, all participants on our Commodity exchange would have appropriate benefits that they cannot find in another place, in the region.

Following the above-mentioned directions, first contacts were made with companies that are dealing with recycling and/or processing of secondary raw materials, not only from the metal and plastic industry, but also from the paper and chemical industry, so that the stock exchange could introduce a large amount of available secondary goods into legal trading flows and to be able to provide the domestic recycling industry with enough material for work. In addition to the obvious, this kind of development would also achieve a far-reaching goal - the recycling coefficient would be increased, as well as the activity of the circular economy, which implies the reduction, reuse and recycling of waste. Harmful effects of raw materials left in nature are influencing on the life and health of people, soil, water, air, climate and finally the landscape itself. Those harmful effects to a certain extent can be prevented or eliminated as part of the conceptual progress of Commodity exchange Novi Sad.

This kind of project activity would have at least two key advantages. The first is the long-term preservation of the environment. If every secondary raw material would be recycled again, and not piled up in a landfill or ended up in nature, environmental protection would be ensured to a considerable extent, especially when we consider that the decomposition process in nature for certain raw materials such as metal or glass, lasts for several dozen and even hundreds of years.

Another reason for trading waste on commodity exchange lies in opportunity for making a profit both to companies and to the government and to the society. By moving waste trade from the gray zone to legal and regulated flows, the profit of all parties is expected, and environmental impact is incalculable.

Clear written criteria for entrance to commodity exchange listing and necessary amendments to the Rulebook on the Standardization of Market Material (as well as the storage of goods that are traded on commodity exchanges), would have significant direct and indirect effects on the entire system environment. Development and progress of commodity exchange in the world, so even in our country, cannot be imagined without an increase in the number of items traded on them, both in terms of value and quantity. In order for this to be possible, it is necessary to constantly strive for greater inclusion of goods in trading on commodity exchanges.

In Serbia, that task cannot be accomplished without amending existing standardization of commodity exchange goods described in Rulebook. That would be an important step towards taking action to expand current stock market activity. Additionally, with the standardization prescribed by the state, and for our topic, the important inclusion of secondary raw materials on the listing of the Novi Sad Commodity Exchange, those goals would become much easier to achieve. Achieving that goal through a single system arrangement is important, first of all, if we take into account the fact that has been confirmed in the decades-long practice of commodity exchanges that the activities carried out on them "multiply and diversify to the entire socio-economic community and thus to the environment" (Anđelić, Đaković & Tot, 2016).

4. LEGISLATION FRAMEWORK AND SYSTEMATIC ARRANGEMENT OF COMMODITY EXCHANGE GOODS

Commodity exchange in our country has many challenges and unresolved issues, such as the importance of derivatives trading, the establishment of clearing houses, amendments and appendix to existing legal frameworks, the introduction and application of ISO standards, and all challenges can be combined under one issue - the issue of system organization. Understanding and correctly asking this question is of vital importance for further healthy process development of commodity exchange. As such, it represents one of the main demands of the farmers who organized the protests in previous years, the demand for systematic regulation of the commodity exchange market. In order not to continue to misuse the term (the meaning of which becomes silent under the cover of sonority), it is important to define systematic regulation as the way in which the relevant issues are regulated through institutional, legal and technical infrastructure, in our case the work of Commodity exchange.

Applied to our problem, systemic regulation would have to mean correct action in the already adopted legal frameworks, their additional changes and the adoption of new, appropriate, non-pretentious legal provisions that would be implemented in Law on Commodity Exchanges, Law on Public Warehouses, Law on Obligations better and more applicable, giving them strength on the ground and not only on paper. Thus, the first step would lead to the next stage in raising the functionality of the state institutions responsible for implementing these laws, and consequently controlling their implementation through ubiquitous monitoring. All of this will lead to the formation of an environment in which it is feasible and only possible to establish a fair market system, by applying all the listed corrective activities, which prove to be necessary if the economy.

The role of the state in creating the most efficient infrastructure for commodity exchange trading is extremely important, since the creation of such a market, consequently affects the entire economic system and the economic policy of the state. This is precisely why "the creation of an environment for the efficient functioning of the financial market cannot be left to spontaneous development and private initiative." The costs of infrastructure such as information systems for trading, clearing and balancing, the register, are too high to be left to market participants and private initiative, especially since it is necessary that they be made with quality" (Jeremić, 2009). However, we can see that the prescribed and foreseen activities are not of a linear character, nor are their executors in a linear setting (Štimac, 1998).

5. CONCLUSION

The literature shows that commodity prices are affected by various factors including the demand for commodities, exchange rates, financialization of commodities markets, futures markets, expected inflation, investors’ risk aversion, supply of commodities, and interest rates (Gruber, 2011; Gruber & Vigfusson, 2018), but also their impact on the environment in all stages of creation, transportation, sale and storage of stock exchange products. Increased pollution of the environment, including natural resources, has become a serious global problem, and its protection is a necessary and primary aspect of all human activities and business (Đurić & Ilić, 2023).

Of course, treating waste as secondary raw material on commodity exchange has its limitations. First of all, waste cannot be treated as other commodity exchange goods, due to many characteristics of the different type of waste, it’s not possible to categorize it as for example existing agricultural commodities. Commodity exchange Novi Sad was interested to organized trading with waste as secondary raw material on separate platform, that will be under their supervision, but will allow participant more transparency and clear instructions in the relation to the specific of those goods. Anyway, amendments of current regulations and legal frame work are first steps in order to start this actions that may have great impact on the environment. Commodity exchange Novi Sad has prepared relevant suggests to organize platform for trading with organic products, but still they are waiting on answers from relevant Government institutions (ministries).

Institutions of commodity exchanges in the world, to a large extent, help participants to manage different types of risks, but they also improve the operations of economic entities (Kovačević, 2015) through requirements for standardization and transparent operations. State intervention through the adoption of the legal framework, its amendments and additions, as well as through the formation of important regulatory institutions influences and organizes the work of the commodity exchange, and the question rightly arises, where is the state itself in this movement and what positions it can and should occupy. It is clear that without the state and legal frameworks, commodity exchange in Serbia, or anywhere in the world cannot develop.

We wrote it for capital markets, but it can apply on any market, that regulated mechanism is one of the key prerequisites for an efficient market. This regulation of the market mechanism implies that all actors, all processes and the way of trading are clearly legally regulated, and that there are regulatory bodies that can monitor and control the way of working and the implementation of trading within the market. Legislators must provide a legal framework that will protect and guarantee both the rights and freedoms, but also the responsibility of all actors, on the one hand, and on the other hand, they must closely monitor all novelties that appear and legally to regulate them, so that all participating parties have the same information at their disposal and have an equal market position (Bejatović & Vapa-Tankosić, 2024).

Once clear rules are established on commodity exchanges and compliance with them begins, it is easy to achieve "maximum efficiency of trading on them, through demonstrated trust and security, but what is even more significant - critical points in these processes are identified in time and corrective actions are taken" (Anđelić, Đaković & Tot, 2016).

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