



Ministry of Foreign Affairs of the Republic of Belarus • Ministry of Economy of the Republic of Belarus



ECONOMIC AND INVESTMENT REVIEW

REPUBLIC OF BELARUS—2009

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UDC 330.322(476) «2009» (048.8)

Bulletin

**ECONOMIC AND INVESTMENT REVIEW
REPUBLIC OF BELARUS – 2009**

ISBN 978-985-6802-32-7

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State system. The Republic of Belarus is a unitary, democratic, social and rule-of-law state. The state power in the Republic of Belarus is divided into the legislative, executive and judicial branches.

The country's **official languages** are Belarusian and Russian.

The **geographical position** of Belarus offers economic, geographical and geopolitical advantages of location in the eastern part of Europe. The country is situated in the crossroad of major railway routes and motor highways, oil, gas, and oil product pipelines and communication networks linking Western Europe with the regions of Russia and Asian countries. Belarus is crossed by one of the main Eurasian routes, including shortest transportation lines from the central and eastern regions of Russia to the countries of Western Europe and from the Baltic Sea to the Black Sea.

The **total area** of the country is 207,600 square kilometres.

Administrative division. Territorially, the Republic of Belarus is divided into six Regions (Oblasts) with their administrative capitals – Minsk, Brest, Vitebsk, Gomel, Grodno and Mogilyov, which are further split into 118 administrative districts. Belarus has 110 towns, including 15 cities with population in each exceeding 100,000 citizens, and 103 urban-type settlements.

As of the beginning of 2009, the **population** of Belarus was 9.671 million. Its density is 47 people per 1 square kilometre.

The **capital** of the Republic of Belarus is the city of Minsk with the population of 1.811 million.

INTRODUCTION

For more than a decade, the economy of the Republic of Belarus sticks to a high rate of development. Annually, a high level of GDP (Gross Domestic Product) is achieved, accompanied by improvement of such quality indicators like energy efficiency, labour productivity, and inflation rate.

The Republic's attractive investment climate is ensured through a stable domestic political situation, favourable legal terms for investors, absence of interethnic or religious conflicts and dynamic socioeconomic development.

The Belarus' progress in making its investment climate yet more attractive has been ascertained in the World Bank's annual report "Doing Business 2009". According to the Bank's studies, Belarus is ranked fourth among the first ten countries-reformers in regulatory-legal sphere, while in simplification of business regulations the country went up from the 115th to the 85th position. The work of complex updating the investment and other legislation is permanently underway.

Striving to bring Belarus into the list of 30 countries with the best conditions for running business, the country goes on with steps aimed to simplify the procedure of registering and buying real estate, accelerate privatization of state-owned enterprises, harmonise customs-and-tariff systems of Belarus and Russia, liberalize foreign trade relations, and introduce new types of investments: project and venture funding, leasing and concession.

The outcomes of Belarus' socioeconomic development in 2008 demonstrate successful attainment of targets both in economy and social sphere. However, the increasing impact of the global financial crisis already in late 2008 reconfirmed the necessity to progress more actively along the road of innovations. Today, this is the main chance to boost competitiveness of Belarusian economy and preserve social stability in the society.

Aiming to mitigate possible implications of the global financial crisis, in early 2009 the Government of the Republic of Belarus approved the Priority Action Plan towards liberalization of economic activities in 2009. The Plan assumes measures to further promote entrepreneurial activities, speed up private businesses and boost investment processes.

The major priorities are as follows: support of national industrial potentials, escalation of exports, innovations, development of small cities and towns, increased living standards and well-being of the population.



MACROECONOMIC SITUATION

AND PROSPECTS OF SOCIOECONOMIC DEVELOPMENT OF THE REPUBLIC OF BELARUS, NEW TRENDS IN ECONOMIC DEVELOPMENT

Last year's steps made by the Government towards stimulating investment activities and launching business planning of investment projects resulted in increase of investments into fixed assets by 22.9%.

In 2008, the Republic of Belarus preserved positive dynamics of industrial and investment activities in socioeconomic development of its key economy sectors, another token of the robustness of Belarusian economy amid the global financial crisis.



In 2008, the Republic of Belarus preserved positive dynamics of industrial and investment activities in socioeconomic development of its key economy sectors, another token of the robustness of Belarusian economy amid the global financial crisis in late 2008 and subsequent recession in a number of strongest economies.

Thus, in 2008, the GDP made 110% against 2007, while the GDP energy intensity went down by 8.4%.

In 2008, in industry, the index of physical volume of production made 110.8%.

Last year's steps made by the Government towards stimulating investment activities and launching business planning of investment projects resulted in increase of investments into fixed assets by 22.9%. Out of these investments, 27.7% was used by industry, 17.9% – by housing construction, 14.6% – by agriculture, and 8.4% – by transport.

The economic growth contributed to survival of the trend of outrunning growth of real incomes of the population. As corrected by the consumer price index, these incomes went up during 2008 by 12.7% (against forecast 9-10%).

The labour market was stable and duly controlled. As of January 1, 2009, the registered unemployment rate was 0.8% of the economically capable population.

The foreign trade balance in goods and services, as calculated by the methodology of the balance of payments, was negative and made 4.4109 billion US dollars. The foreign trade balance in goods was negative: minus 6.1035 billion US dollars, but in services it was positive: plus 1.6926 billion US dollars.

In 2008, the consolidated consumer price index, which characterizes the inflation rate, was 113.3%, or 101% on the average monthly basis.

The inflation was caused, first of all, by external factors: global trends towards more expensive power resources and growth of foodstuff prices.

In October 2008, Belarus faced a negative impact of the global financial crisis, manifested through sharp decrease in demand for exported products, regrettably, for earlier most demanded items of machine-building, chemistry and petroleum chemistry. Situation in foodstuff markets became much worse.

Mutual settlements faced problems, and access to credits grew essentially restricted. Given these conditions, the main goals of socioeconomic development are to maintain the country's industrial potentials through increasing its competitiveness, continue progressing towards structural changes in economy, switchover to the

innovative way of development, and preservation of social stability in the society.

To attain these goals, the Government drafted and approved, on January 13, 2009, the Priority Action Plan towards liberalization of economic activities in 2009.

The Plan assumes actions to promote higher business activities, development of entrepreneurship, more active investment processes, and solution of other problems affecting most negatively the state and future of the business climate.

The supportive strategy of the real sector of economy is complemented by serious systemic measures aimed to scale up the sector of services. First of all, they assume a broader spectrum of paid services to the population and development of business-accompanying services.

Since the crisis is global, it is obvious that the steps undertaken at the national level to stabilize the economy of the Republic of Belarus are insufficient to completely mitigate the potential crisis consequences. Therefore, the country faces the task to activate and coordinate strategic actions with the member states of the Eurasian Economic Community (EurAsEC) and, first of all, with the Russian Federation, aimed to minimize the crisis impact on the interaction of the Community members.

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■ Main Socioeconomic Indicators of the Republic of Belarus

Indicator	Unit of Measure	2001	2002	2003	2004	2005	2006	2007	2008
GDP, nominal	BYR billion	17173.2	26138.3	36564.8	49991.8	65067.1	79267	97165.3	128828.8
Growth rate vs. the previous year	%	104.7	105	107	111.4	109.4	110*	108.6*	110*
GDP deflator index	%	179.6	145	130.7	122.7	119.0	110.8	112.9	120.6
Industrial output	BYR billion	18611.8	24912.2	32386.8	48530.1	62545.4	77267.0	91515	127509.9
Growth rate vs. the previous year	%	105.9	104.5	107.1	115.9	110.5	111.4*	108.7*	110.8*
Price index in industry (average annual)	%	172.0	140.4	137.5	124.1	112.1	108.3	116.3	114.5
Investment into fixed assets	BYR billion	3049.3	4484.6	7131	10243.9	15095.9	20374.1	26053.3	35883.6
Growth rate vs. the previous year	%	97	106	120.8	120.9	120	132.2	116.2	122.9
Housing area commissioned	thousand m ²	3009	2811	3019	3501	3786	4088	4665	5146.7
Growth rate vs. the previous year	%	85.3	93.4	107.7	115.7	108.1	108.3	114.1	110.3
Agricultural output									
Growth rate vs. the previous year	%	101.8	100.7	106.6	112.6	101.7	106	104.4	108.9
Retail trade turnover	BYR billion	8171.2	11909.5	14562	19534	25230.4	31061.8	38168.3	50915.3
Growth rate vs. the previous year	%	128.2	111.5	110.3	111.5	120	117.4	114.8	120.5
Paid services to population	BYR billion	1367	2496	4049	5212.4	6776.2	8307.2	9988	12607.6
Growth rate vs. the previous year	%	109	108.7	111.2	112.9	115.3	111.2	111.5	113.9
Foreign trade turnover (without services)	USD million	15737	17113.2	21503.6	30264.5	32687.4	42084.9	52968.4	72385
Growth rate vs. the previous year	%	98.5	108.7	125.7	140.7	108	128.7	125.9	136.7
Exports of goods	USD million	7450.6	8020.9	9945.6	13773.7	15979.3	19733.7	24275.3	32902.1
Growth rate vs. the previous year	%	101.7	107.6	124.0	138.5	116	123.5	123	135.5
Imports of goods	USD million	8286.4	9092.3	11558.0	16490.8	16708.1	22351.2	28693.1	39482.9
Growth rate vs. the previous year	%	95.8	109.7	127.1	142.7	101.3	133.6	128.4	137.6
Balance	USD million	-835.8	-1071.4	-1612.4	-2717.1	-728.8	-2617.5	-4417.8	-6580.8
Real wages	%	129.6	107.9	103.2	117.4	120.9	117.3	110	109.9
Real monetary incomes	%	128.1	104.1	103.9	109.8	118.4	117.8	114.7	112.7
Number of unemployed as of the end of the period	thousand persons	102.9	130.5	136.1	83	67.9	52	44.1	37.3
Percentage of economically capable population	%	2.3	3	3.1	1.9	1.5	1.2	1.0	0.8
Consumer price index (average per annum)	%	161.1	142.6	128.4	118.1	110.3	107	108.4	114.8
Average monthly growth in consumer price index	%	3.2	2.5	1.9	1.1	0.6	0.5	1.0	1.0
Consolidated budget deficit, percentage of GDP	%	1.6	0.2	1.6	0.04**	0.7	1.4**	0.4**	1.4**

Note: Rates are presented in comparable prices.

*) Given the changed calculation methodology of the index of physical volume of industrial production.

**) Consolidated budget net surplus.

Budgetary, Monetary, Tax and Currency Policies, New Trends in These Spheres

The **tax policy** priorities of the Republic of Belarus are still in further simplification of the taxation system, reduction of tax burden on the economy and improvement of tax management.

In 2009, these approaches will be implemented in the following specific directions:

- Rate reduction for the following dues to the state budget: fee to the national fund in support of agricultural products and foodstuffs and agrarian science – from 2% to 1%; motor vehicle purchase tax – from 5% to 3%; and local tax on services – from 10% to 5%;
- Setting a flat rate of the local tax on retail sale of locally made and imported goods at 5%;
- Exemption of the active part of main production assets from the real estate tax, leaving buildings and structures only as taxable.

Essential novelties are introduced in taxing personal incomes. Thus, starting January 1, 2009, a switchover was made from a complex progressive rate to the uniform (flat) rate at the level of 12%. At the same time, to level up the taxation terms of all population groups with varying incomes, the standard tax deduction was increased up to 250,000 roubles.

The mechanism of collection and payment of the main levied taxes and dues (VAT, profit and income tax, and ecological tax) is in the process of perfection.

New impetus to the development of small and medium-sized businesses was given by adoption of the Decree of the President of the Republic of Belarus of January 3, 2009, "On Adding and Amending the Decree of the President of the Republic of Belarus of March 9, 2007, No. 119", which still further improved all the aspects of the simplified taxation system.

In particular: tax rates in the simplified taxation system were dropped; the gross revenue criteria enabling the use of this system were essentially expanded; the application area of decreased rates was broadened and now covers the whole rural territory; the quarterly frequency of submitting tax declarations and tax payment was introduced for the taxpayers who use the simplified system without VAT payment; methodology of calculation of entities' average number of personnel was updated; and other elements of the simplified taxation system were made more specific.

As a whole, this year there are plans to reduce the tax burden on the economy by 1.3% of the GDP. The economic entities will have additional 2 billion

roubles at their disposal. It is planned to drop the tax burden by additional 1.1% of the GDP in 2010.

By 2010, respective bills and decision drafts should be prepared to completely cancel the so-called "turnover taxes", abolish a number of local taxes and dues (in particular, the sales tax, tax on services, and target fees from profits), reform the "resource" payments, and cancel the norms regulating expenses on marketing, information, consultancy services, etc.

The final phase of building the national taxation system will include enactment in 2010 of the Special Part of the Tax Code of the Republic of Belarus. In fact, the Special Part will be a collection of tax laws, however, not through mechanical agglomeration of old acts in one document, but through simultaneous perfection of them.

The Tax Code of the Republic of Belarus will be a single and united act, bringing together everything that deals with taxation, from the rules of imposing taxes to the procedure of tax audits and appealing against the actions of tax bodies; it will ensure a transparent and stable taxation mechanism.

Given the global financial crisis, the **budgetary policy** of Belarus will be aimed towards ensuring stable and deficit-free budget. Financial resources will be concentrated, first of all, on priority national programmes. It will ensure fulfilment by the state of guaranteed social obligations and avoid any destabilizing impacts on the real sector of economy and banking system.

As before, an essential part of the state treasury will be spent on ensuring state social standards and payment of pensions, scholarships, social allowances and other social benefits. The targeted social support will get the emphasis.

The main directions of the 2009 budgetary policy are as follows:

- Elaboration and expanded application of management-by-objectives in budgetary planning at all levels of the budgetary system;
- Transfer of the budgets of all levels to medium-term financial planning;
- Improvement of inter-budgetary relations;
- Forming the registry of budget liabilities (list of normative legal acts and expenses to enforce them);
- Optimization of the range of budget managers outgoing from their state duties;
- Bringing the budgetary classification and budgetary accounting into compliance with international standards.

As a whole, perfection of budgetary relations will be achieved through organizational and legal changes based on practical application of the

As a whole, this year there are plans to reduce the tax burden on the economy by 1.3% of the GDP. The economic entities will have additional 2 billion roubles at their disposal. It is planned to drop the tax burden by additional 1.1% of the GDP in 2010.



According to the Main Directions of the Monetary Policy for 2009, the National Bank announced a transition to binding the rate of Belarusian rouble to a basket of foreign currencies, including US dollar, euro and Russian rouble. As of January 2, 2009, the cost of the basket was 960 roubles.



The National Bank and Government developed and implemented major actions aimed at maintaining the stability of the exchange rate of Belarus rouble versus US dollar, development and strengthening of the banking sector, including growth of resource base, normative capital, bank profitability, effective, reliable and safe functioning of the payment system.

provisions of the Budget Code of the Republic of Belarus and implementation of these provisions in a number of bylaws, ensuring thus the necessary conditions for efficient operation and further development of the national budgetary system, increased transparency of planning procedures, and execution and evaluation of the effect of budgetary expenditures.

In 2008, the main directions of the **monetary policy** of the Republic of Belarus were implemented amidst a complicated macroeconomic environment, created by the growth of crisis phenomena in global financial markets. The main efforts were aimed at achieving the country's indicators of economic and social development through reaching monetary aims and tasks with the help of monetary and currency regulation instruments. The National Bank and Government developed and implemented major actions aimed at maintaining the stability of the exchange rate of Belarus rouble versus US dollar, development and strengthening of the banking sector, including growth of resource base, normative capital, bank profitability, effective, reliable and safe functioning of the payment system.

The priority task of the monetary policy, in particular in the last months of 2008, was to implement a range of measures intended to minimize the consequences of the global economic crisis for the national financial, credit and banking systems, in order to preserve the stability of Belarusian rouble and financial stability as a whole as the major precondition for economic progress.

The exchange rate policy was directed, first of all, towards maintaining the stability of Belarusian rouble. Thus, as of January 1, 2009, the official exchange rate of the national monetary unit made 2200 Belarusian roubles for one US dollar and in the course of 2008 went down by 4.1%.

With the aim to improve the competitiveness of Belarusian products and support exports, on January 2, 2009, the National Bank devaluated Belarusian rouble versus US dollar by 20.5% (up to 2650 roubles for one US dollar). The exchange rate of Belarusian rouble against other currencies was established on the basis of market mutual rates of foreign currencies. As a result, the slackening of Belarusian rouble against its Russian counterpart made 17%, and against Euro – 20.3%.

According to the Main Directions of the Monetary Policy for 2009, the National Bank announced a transition to pegging of Belarusian rouble to a basket of foreign currencies, including US dollar, Euro and Russian rouble. As of January 2, 2009, the cost of the basket was 960 roubles.

The new exchange rate level, along with introduction of the basket of currencies, which

takes into account the exchange rate dynamics of the currencies used by the countries-main trading partners of Belarus, is called to ensure stability of the exchange rate of Belarusian rouble and exclude the need of sharp rate corrections in the future.

In 2008, the interest rate policy of the National Bank was aimed at maintaining the interest rates at the level, which ensures high rates of economic growth, stability of the financial system and exchange rate of Belarusian rouble.

In the first half of 2008, the refinancing rate did not change and made 10% per annum. With the aim to increase the profitability of savings deposited in Belarusian roubles and further stimulate the flow of deposits made by the population and entities under increased inflation growth rate, in the second half of 2008 the National Bank gradually increased the rate to 12% per annum. In January 2009, with the aim to reduce the inflationary and devaluation pressures and maintain the stability of the exchange rate of Belarusian rouble and further stimulate the flow of deposits made in banks by the population and entities, the refinancing rate of the National Bank was increased up to 14% per annum.

In 2008, the **foreign currency policy** was aimed at further perfection of the currency legislation. With the aim to de-bureaucratize foreign trading activities of residents, simplify the procedures of foreign trade transactions and create optimum conditions for running business and inflow of foreign investments, in March 2008, Decree of the President of the Republic of Belarus No. 178 "On the Order of Execution and Control of Foreign Trade Operations" was adopted.

Under the process of foreign trade liberalization, a new notification procedure was introduced instead of the old registration order for export-import transactions by resident companies in terms of granting delays for more than 180 days to non-resident companies for payment for exported goods (works, services) and delivery of imported goods (works, services).

To prevent accumulation of negative tendencies in Belarus under the global financial crisis related to outflow of capital from the country, in November 2008, a restriction was introduced on making advance payments for imports by legal entities and individual entrepreneurs (residents) without a permit of the National Bank.

In combination, the above monetary and currency policies contributed to solution of the key tasks of socioeconomic development of the country.

The implementation of the measures of the monetary policy aimed to minimize the consequences of the global financial crisis allowed us to preserve the stability of the national financial system, which appreciably contributed to support of economic growth and investment

activities. Measures have been taken to improve the financial stability of Belarusian banks and – respectively – the trust in the banking sector.

In 2009, the strategic orientation of the monetary policy towards maintaining Belarusian rouble stability and financial stability as a whole will continue.

Through 2009, the National Bank will ensure stability of the cost of the basket by keeping its value within the corridor of $\pm 5\%$ against its initial cost depending on the situation, including the status of the balance of payments.

The interest rate policy in 2009 will be based on the principles of maintaining the interest rates at the positive real level, which promotes growth of savings in national currency and expanded credit availability for economic entities.

At the forecast inflation rate in 2009 (9-11%) and outgoing from the admissible change of the rate of Belarusian rouble versus the basket of currencies, the refinancing rate by the end of 2009 can make 10-12% per annum. The dynamics of the refinancing rate will be formed outgoing from inflationary processes with account of real trends in economy and monetary sphere. The monetary policy in 2009 is aimed at reduction of macroeconomic risks, improvement of the investment climate in the country, increase of efficiency of foreign trade activities and national manufacturing facilities.

Price Liberalization and Antimonopoly Policy, New Trends and Prospects

The major direction of the state pricing policy is to pursue along the adopted course towards a narrower sphere of price regulation and further liberalization of price formation.

In 2008 – early 2009, a number of decisions were made in the sphere of pricing, aimed at reduction of the scope of price regulation and simplification of administrative procedures in the area of price formation.

The Ordinance of the President of the Republic of Belarus of January 28, 2008, No. 1 "On Stimulation of Manufacture and Sale of Goods (Works, Services)" stipulates that all the commercial organizations created after April 1, 2008, in settlements with population up to 50,000 persons shall have the right to independently fix and apply free prices (tariffs) on goods (works, services), except for the list of socially important

goods as approved by the Council of Ministers of the Republic of Belarus.

The Decrees of the President of the Republic of Belarus of December 30, 2007, No. 694, of June 12, 2008, No. 322, and of February 6, 2009, No. 70, stipulated the following:

- Cancellation of registration of prices (tariffs) on new goods (works, services), except for tariffs on new paid medical services;
- Exemption of all individual entrepreneurs (except for those rendering paid medical services), legal entities applying the simplified taxation system as well as peasant (husbandry) farms from observance of the limiting indices for changing selling prices (tariffs) and, respectively, from their registration thereof should such indices be established;
- Exemption of legal entities applying the simplified taxation system and peasant (husbandry) farms from economic justification of prices (tariffs).

Besides, the list of goods (works, services) with regulated prices (tariffs) was reduced.

In 2009, it is assumed to preserve price regulation only on the goods (services) of organizations-monopolists and on certain socially important goods, which define the living standards of the population.

In 2008, the state antimonopoly policy was concentrated on the following main directions:

- Prevention, restriction and suppression of monopolistic actions of economic entities, especially of state administration bodies;
- Control over economic concentration;
- Extinction of unfair competition;
- Development and improvement of international relations in the sphere of competition.

In 2009, with the aim to ensure the necessary conditions for efficient operation of sales markets, promote and develop fair competition, the measures of state antimonopoly regulation will assume the following:

- Identification and rectification of violations of the antimonopoly legislation, committed by national and local state bodies, state organizations, subordinate to the Government of the Republic of Belarus and economic entities, holding those responsible as required by law;
- Outlawing of collusion, price arrangements and abuse of the dominant position resulting in unreasonable price rise by state bodies and economic entities, including those occupying dominant positions in sales markets;
- Lifting of bans or restrictions on free transport of goods in the Republic of Belarus.



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KEY SECTORS OF ECONOMY

NEW TRENDS AND DEVELOPMENT

The industry is the most dynamically developing sector of the economy, with the highest output growth rate in recent years, which defined the dynamics of the national GDP.

A high-angle, wide shot of a large industrial manufacturing facility. The floor is green with yellow and red safety lines. Several workers in blue and dark clothing are visible, some standing near machinery and others walking. In the foreground, there are large rolls of grey material on a green frame. In the background, there are long conveyor belts and various industrial machines. The ceiling is high with exposed steel beams and lighting fixtures.

Industrial enterprises produce 27-28% of the national GDP and make their significant contribution into formation of the state budget and off-the-budget funds. Nearly 90% of all exports are industrial products

Industrial Complex

The **Belarusian industry** is the largest sector of national economy, which is essentially affecting the dynamics of all its indicators. Industrial enterprises produce 27-28% of the national GDP and make their significant contribution into formation of the state budget and off-the-budget funds. Nearly 90% of all exports are industrial products, defining the country's position in the international division of labour and ensuring the major share of foreign currency revenues. Belarus operates over 23,000 industrial enterprises and manufacturing facilities. The structure of Belarusian industry is presented below in Figure 1.

Belarusian industry is notable for a high degree of production concentration. About 10% of industrial enterprises make more than 60% of industrial output. High concentration level is observed in the fuel industry, ferrous metallurgy, chemical and petrochemical industries, where the share of three largest enterprises is 60% of the total sector's output.

The industry is the most dynamically developing sector of the economy, with the highest output growth rate in recent years, which defined the dynamics of the national GDP. In 2008, the priority growth rates were recorded in machine-building and metalworking (110.2%), construction materials industry (110.2%) and forestry, woodworking and pulp-and-paper industry (108.6%).

In the near-term prospect, the main targets of the industrial policy will be as follows:

- Ensuring steadily high growth rates of industrial output on the basis of modernization and reconstruction of existing facilities;
- Improving the structure of economy branches by intensified development of export-oriented and import-substituting, high-tech and science-intensive industries with high added value.

The priority directions for industrial development in 2009 will be as follows:

- Progress in conservation of resources and energy;
- New materials and new energy sources, medicine and pharmacology, information and telecommunication technologies;
- Industrial biotechnologies, active development of productions based on local resources.

For implementing the priority directions of industry development, the following steps are assumed:

- Creation of high-precision automated equipment, including flexible industrial modules and tools;
- Design of physical, chemical and biotechnological processes for production of new substances and materials of various functionality,

including nanomaterials and nanotechnologies, new technologies of fabrication, hardenings and restoration of metal and non-metal items;

- Creation of systems and instruments for making measurements, technical diagnostics, new-generation optomechanical and optoelectronic products;
- Creation of a new generation of integrated hardware components for industrial and home appliances, equipment for manufacturing them, opto- and microwave electronics, and modern microprocessors;
- Creation of new generations of road-building and special machinery, general-purpose transport means, and engines for them;
- Designing and commissioning of energy-saving equipment, materials and technologies, including those oriented towards use of local fuel and energy resources, non-traditional and renewable energy sources;
- Creation of navigation-time support systems, computing means and systems, communication facility, including digital TV and the equipment for cable networks;
- Design and manufacture of automated control systems.

The **machine-building complex** of the Republic of Belarus possesses highly-technological production and scientific potentials and includes over 300 enterprises and productions. In 2008, the industrial output of the complex was 113.9% against the preceding year. It is assumed that highest growth rates will be achieved by export-oriented and import-substituting enterprises of the automotive industry, tractor and agricultural machine-building, microelectronics, instrument-making and optomechanical industry.

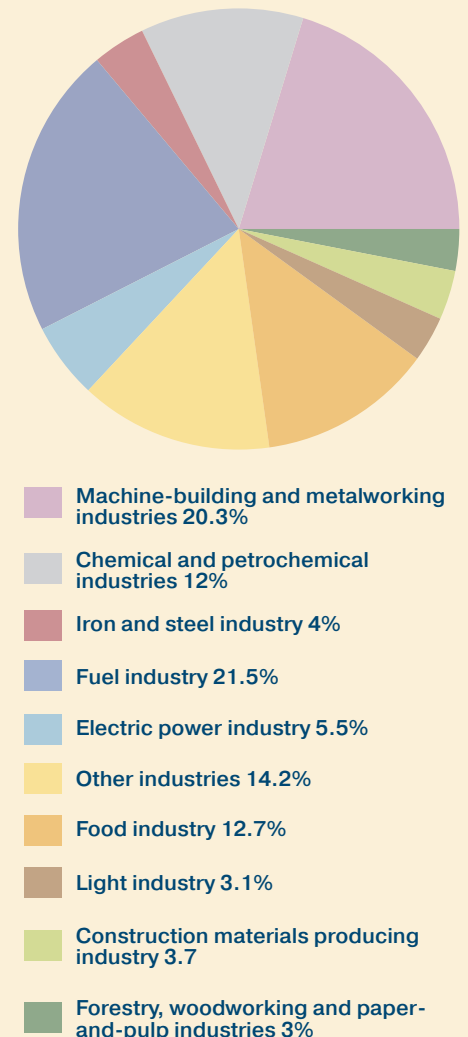
The major role in the national machine-building complex belongs to the automotive industry and agricultural machine-building, which are represented by a range of enterprises, the products of which are broadly known outside the country.

The largest enterprises of Belarusian automotive industry are the MAZ (Minsk Automobile Works) Republic's Unitary Enterprise (RUE), BelAZ Republic's Unitary Production Enterprise (RUPE), Minsk Wheeled Tractor Plant, Open Joint Stock Company (OJSC) Minsk Bearing Plant and the "Amkodor" OJSC.

The **Minsk Automobile Works (RUE MAZ)** is one of the largest CIS-based manufacturers of heavy haulers, trailers and buses. Currently, it manufactures about 300 models and modifications of trucks and over 30 models of buses. Over half of the output is exported, the main sales markets being the regions of the Russian Federation.

In 2008, the Plant mastered the batch production of 28 new models and modifications of automotive machinery, including new

Figure 1.
Industrial structure of Belarus
in 2008





The machine-building complex of the Republic of Belarus possesses highly-technological production and scientific potentials and includes over 300 enterprises and productions. In 2008, the industrial output of the complex was 113.9% against the preceding year.

generations of trucks, road, off-road and special machines, urban and intercity buses, meeting the requirements of international standards on ecological compatibility and safety.

The **Belarusian Automobile Works (RUPE BelAZ)** specializes in manufacture of quarry heavy-duty dump trucks used for extraction of minerals in open deposits. The enterprise is among 7 largest world manufacturers and controls one third of the world market and 96% of Russian and CIS markets of such machines.

The RUPE BelAZ designs, manufactures and sells high and extra high carrying-capacity quarry dump trucks (from 30 to 320 tons), intended for transportation of rocks and other loose freights at open-cast mining sites of mineral deposits, at construction of hydro-technical structures.

The enterprise also makes road-building equipment (front-end loaders and bulldozers), maintenance machinery for quarries and quarry equipment, specialized transport for the metallurgy industry (slag cars with loading capacity of up to 80 tons, heavy trucks for up to 150 tons), air field towers for aircraft with take-off weight of up to 260 tons.

In 2008, the enterprise started manufacturing quarry dump truck models BelAZ-75600 (load capacity of 320 tons) and BelAZ-75570 (90 tons).

The **Minsk Wheeled Tractor Plant** manufactures wheeled tow trucks and wheeled chasses for installing cranes. The product specifications allow using them in various economy sectors, in areas with both nicely developed and underdeveloped road networks. At present, the enterprise designs and masters manufacture of a family of special-purpose off-road all-wheel drive chasses for further installation of various equipment types, all-wheeled drive four-axis dump trucks with load capacity from 21 to 27 tons.

The **Minsk Bearings Plant OJSC** is a manufacturer of over 600 sizes and modifications of bearings. Its production facilities can make about 35 million bearings per year. The Plant manufactures 6 main design groups of bearings (ball, needle, cardan, spherical roller, taper and joint-type bearings). All the design groups and models of bearings meet international standards, are interchangeable with foreign-made analogues and are competitive in the CIS and far abroad. The strategic goal of the Plant is to establish highly efficient productions compliant with the requirements of International Ecological Standards ISO 14001.

About 65% of the output is exported, including 55% – to the CIS member states, and 10% – to other foreign countries (29 countries of the world).

The **"Amkodor" OJSC** specializes in manufacturing of single- and multi-bucket loaders, fork lift loaders, dredgers, machines for lumbering and felling, log loaders and log elevators, machines and equipment for road building and maintaining, machines for urban municipal services, including snow removers and other machines. More than half of the products are exported. The main sales markets are regions of the Russian Federation.

The **modern agricultural machine-building sector** is the leading industrial sector, which is in fact completely satisfying the needs of the national agrarian complex for the required machinery and equipment. It comprises about 40 enterprises specializing in designing and manufacturing tractors and agricultural machines. The leaders are: the RUE Minsk Tractor Works (MTZ), PRUE Minsk Engine Factory, enterprises of the "Gomselmash" Production Association (PA) and OJSC "Bobruiskagromash". An essential share in the sector also belongs to the OJSC Mozyr Machine-Building Plant, OJSC "Brestselmash", OJSC "Lidselmash", RUE Minsk Gear Plant and others.

The **Minsk Tractor Works (MTZ)** is the main CIS manufacturer of wheel tractors. The output of the MTZ is covering not only the demand of Belarus, but ensures exports to the Russian Federation and other neighbouring and distant foreign countries.

The product line: wheel tractors, tractor kits and machines. In 2008, the enterprise mastered manufacturing BELARUS tractors of Classes 1, 4 and 2-3, and model BELARUS-3022.

The products of the enterprise are exported to more than 125 countries.

The **Minsk Engine Factory (PRUE MMZ)** is the largest manufacturer of diesel engines (over 100 modifications). Tractor and automobile diesel engines ranging in capacity from 60 to 230



horsepower (h. p.) are manufactured; 60% of them sell domestically.

In 2008, the enterprise introduced 4- and 6-cylinder automobile diesel engines, which meet the Euro-3 standard of 155-350 h. p., as well as diesel engines with capacity of up to 300 h. p., meeting modern requirements of Tier 2 (Stage 2) ecological safety for installation on harvesters and power-intensive tractors.

The **"Gomselmash" Production Association (PA)** is the largest CIS manufacturer of grain and fodder harvesters. All its products have conformity certificates. The Association has its service centres in the Republic of Belarus and abroad, there are shops for restoring harvester parts and units and warehouses of spare parts.

In 2008, the enterprise introduced high-performance grain harvesters with throughput of 12 kg/s (KZS-1218) and 14 kg/s (KZ-14).

The **OJSC "Lidselmash"** is the largest producer of potato-growing equipment with 100-year experience in agricultural machine-building, currently producing over 45 types of mounted and trailed appliances, grain cleaning, drying and storing equipment.

The industrial potential of science-intensive machine-building sectors, namely, **radio-electronics, optomechanics and instrument-making** is an integrated system of production enterprises and R&D entities.

The instrument-making sector specializes in production of instruments and control devices, aircraft flight and navigation equipment, antilock brake systems (ABS) and other instruments. The radio-electronic and optomechanical industries have promoted development of new competitive products. The commercial production of submicron technology-based integrated microcircuits was launched.

In 2008, the UE Semi-Conductor Devices Factory developed 20 new types of microcircuits. Along with manufacture of technical and industrial goods, Belarus is one of the largest producers of particular types of consumer goods. In 2008, the largest manufacturers of TV-sets – the OJSC "Horizont" and RUPE "Vityaz" made their prototype models: LCD television receivers with screens of 26 and 32 inches (66 and 81.3 cm) for analogue and digital broadcasting; appliances for digital television of standard DVB MPEG-4; while the CJSC "Atlant", specializing in refrigerators and freezers, introduced automatic washing machines.

Now, the republic is implementing a number of state and R&D programmes aimed at developing and introducing new best-selling technical and industrial goods and consumer products, as well as at improved quality and

increased competitiveness of introduced before products.

The **consumer goods (light) industry** operates over 300 enterprises, which produced in 2008 3.4% of the total industrial output and 12.3% of consumer goods. In the volume of non-food goods, the light industry makes 28.3%. The entities of the "Belleghrom" Concern produce about 80% of the total output of the sector.

In 2009, the investment activities of the sector's entities is aimed at complex technical upgrading of existing productions with repbeed by high tech, low-energy equipment aimed at boosting production of competitive products.

In 2009, the entities will continue introducing new types of multilayered textile materials of household and technical purpose, modern assortment of yarn and knitted products from new chemical fibres and strings (yarn with contents of nitric fibres modified by a composite method for higher peeling stability, yarn with contents of polyester fibres of new modification with the optimized dyeing properties, as well as knitted products and cloths from combined shaped and air-connected strings with various effects).

It is planned to introduce the production of small linear density yarns of worsted cotton spinning, multi-component flax-containing yarns produced by mechanical-air formation method.

Introduction of new technological processes will allow textile and knitwear enterprises to expand assortment of competitive products, as well as the scope of consumption of domestic raw materials – flax and chemical fibres.

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■ Fuel and Energy Complex

Economic rationale for building a nuclear power plant (NPP) in Belarus is based on the results of completed studies and research.

The optimum scenario envisages launching the first unit of NPP with power generation capacity of about 1,000 MW in 2016.

The **Belarusian fuel and energy complex** is the most important component of the national economy, which ensures its operational stability and includes extraction, transportation, storage, production and distribution of all forms of energy carriers and power: gas, oil and oil refinery products, solid fuels, electricity and heat.

The intensive development of the complex branches in 1960s-1970s (construction of power plants, electricity and heat networks, gas and oil pipelines) contributed to creation of a powerful energy foundation for development and operation of all economy sectors, especially of the chemical and petrochemical industries, manufacture of building materials and all types of machinery.

A natural necessity and one of the main prerequisites for the progress of the economy is the rational import of energy resources, increase of its efficiency along with diversification by types and suppliers.

A series of organizational and engineering energy-saving measures implemented at all stages of generation, transportation and consumption of energy carriers made it possible to stabilize consumption of energy resources and increase the GDP in fact without consumption growth. In 2008, the Belarus' aggregate power input (fuel and electric power consumption without light petroleum products and raw materials) made 27.1 million tons of oil equivalent. Under the actual growth rate of GDP of 110% and industrial output of 110.8%, the aggregate power input was only 99.3%.

Further development of the fuel and energy complex will go in harmony with the long-term energy policy, where the major priorities are steady supplies of natural gas, energy and petroleum products to the national economy and population, as well as efficiency increase of consumed resources as a tool to reduce expenses of the society on power supplies.

The core of the fuel and energy complex of the country is the power engineering sector. This is one of the leading sectors of the economy possessing traditionally high technical and engineering potentials and ensuring dynamic development of different spheres of the economy and improved living standards of the population. In 2008, Belarus consumed about 36.7 billion kilowatt-hours (kWh) of electric power, including own production of 34.9 billion kWh.

Today, the generating potential of the power supply system is embodied in 34 heat power plants with the installed capacity of more than 7700 MW, a number of small power stations and hydroelectric power plants, 36 regional boiler



houses, and well developed power networking infrastructure.

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The fuel industry comprises entities engaged in extraction and processing of oil and peat, the dominant ones being the oil refineries – "Naftan" OJSC and Mozyr Refinery OJSC.

Oil is commercially extracted by the RUE "Belarusneft" PA. In total, from the start of the oil extraction, the yield made over 100 million tons.

Despite sharp fluctuations of oil prices in the world market, in 2008, the volume of oil refining remained at the level of 2007 – 21.3 million tons (99.7% against the level of 2007).

Commissioning in 2004 of a catalyst cracker at the OJSC "Mozyr NPZ" completion of the hydrocracking complex at the "Naftan" OJSC allowed reaching the depth of oil refining of about 70%.

Now, specialists are trying to solve the problem of achieving the depth of oil refining of 92-94% till 2011. For this purpose, construction of several technological complexes is conducted in parallel, including a complex for slow coking for 1.6 million tons at the "Naftan" OJSC and a complex of deep processing of oil residues and the OJSC "Mozyr NPZ".

The main factor defining successful and efficient work of oil refineries is in stable supplies of raw hydrocarbons. The solution of this task is possible through supporting the technological and economic attractiveness of oil refining.

■ Chemical and Petrochemical Industries

The largest enterprises in the branch are the enterprises producing mineral fertilizers: RUE "Belaruskali" Production Association (PA), OJSC "Grodno Azot" and OJSC Gomel Chemical Factory, which produce a broad range of potash, nitric and phosphoric fertilizers. Besides, the RUE "Belaruskali" PA and OJSC "Grodno Azot" are the major exporters of fertilizers.

Belarus produces all the main types of chemical fibres and yarns: polyamide (OJSC "Grodno Khimvolokno"), polyester (OJSC "Mogilevkhimvolokno" and RUE "Svetlogorsk Khimvolokno" PA), polyacrylonitrile (OJSC



"Polimir"), viscose industrial and textile (RUE "Svetlogorsk Khimvolokno" PA and OJSC "Mogilyov ZIV").

In 2008, the output of chemical yarns and fibres was about 225,000 tons. The available capacities allow attaining the annual output of more than 260,000 tons.

Among the leaders of the branch is the OJSC "Belshina", one of the largest enterprises in Europe producing 192 sizes and exporting over 160 sizes of tires for passenger cars, lorries, heavy-duty trucks, buses, trolley buses, handling and road construction machines, tractors and agricultural machinery.

Within the framework of the investment project named "Production of All-Steel-Wire Radial Tires for Quarry Machines" the Company creates a new generation of tires for quarry equipment, equal by specifications to the leading foreign manufacturers and meeting the requirements of mining and mountain-concentrating standards of CIS member states, which purchase "Belshina" tires for their exported equipment.

The main development targets and priorities of the chemical and petrochemical industries are as follows: improved economic indicators of entities, increased outputs and exports, improved product quality and development of new products.

Attaining of these goals will demand new technologies focused at resource-preservation, ecological compatibility and rational nature management.

Special attention will be given to complex processing of raw materials, replacement of reagents and materials, processing of production wastes.



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Today, the generating potential of the power supply system is embodied in 34 heat power plants with the installed capacity of more than 7700 MW, a number of small power stations and hydroelectric power plants, 36 regional boiler houses, and well developed power networking infrastructure.

National agriculture operates both large-scale commodity formations and small (peasant) farms. The entities involved in processing agrarian crops are being radically retooled and refurbished.



■ Agriculture

The recent results of the agro-industrial complex of Belarus are perceived as a positive outcome of the targeted efforts of the country's leadership, state and economic administrative bodies, scientists, managers of agricultural entities, specialists and peasants.

National agriculture operates both large-scale commodity formations and small (peasant) farms. The entities involved in processing agrarian crops are being radically retooled and refurbished.

The state provides support to the Belarusian agro-industrial sector through the 2005-2010 State Programme of Village Revitalization and

Development which assumes measures to ensure profitability of agricultural productions and increase competitiveness both in domestic and foreign markets, improve living standards and life quality of rural communities by achieving financial stability of agricultural entities, diversification of employment, developing of agrarian towns equipped with the whole range of social amenities for servicing rural consumers, including those who live in neighbouring settlements; and increase the role of personal citizens' households.

In 2009, the growth rates will be ensured through increased yield of major agricultural products, namely: grains – up to 9.4 million tons, or 104.3% compared to 2008; potatoes – up to 9.2 million tons (105.2%); vegetables – up to 2.170 million



tons (95%); fruits and berries – up to 700,000 tons (117.7%); rape oilseed – up to 880,000 tons (by 1.7 times); meat (on live weight basis) – up to 1.25 million tons (102.7%); milk – up to 7.16 million tons (115%); eggs – up to 3.43 billion pieces (103.3%). Sugar beet crop will remain at the level of 4 million tons, flax fibre – 60,000 tons.

Belarus ranks first among the CIS member states in terms of meat and milk production per capita.

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The higher agro-industrial sector's performance is to be achieved through increased specialization of agricultural productions, improved soil fertility and productivity of reclaimed lands, targeted development of large-scale agricultural productions, increased role of small (peasant) farms, improved organizational and economic infrastructure, technical retooling and scientific and human support of the agro-industrial sector.

The reasonable, justified and yielding practical results state support of the agro-industrial sector will survive.



■ Forestry

In Belarus, forests cover more than 9.3 million hectares, or 37.7% of the whole territory. The total timber resources are estimated at 1.4 billion cubic meters (m³). Per capita forest stock is 2.2 times the average world value. Nearly 85% of the whole timber stock includes the most commercially valuable trees: pines, birches and spruces.

The national forestry complex comprises forest cultivation and timber, woodworking and pulp-and paper industries.

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About 8% of all forests are mature and yield the main volume of harvested timber. In 2008, the harvesting volume of commercial timber made 14.7 million m³, of them the stock used for further industrial processing made 9.3 million m³, and fuel wood – 5.4 million m³.

The volumes of harvested timber cover the demand of domestic woodworking enterprises and also allow significant exports (mainly in the form of paper wood used in pulp-and-paper industry). In 2008, these exports made about 2 million m³.

Today, the country has 2800 woodworking enterprises, produce a wide assortment of goods. The most demanded items are furniture, wooden boards, wall-papers, plywood, and paper and cardboard tare. The output volumes cover the domestic demand and are exported to foreign markets.

Manufacture of finished wood products from is concentrated mainly in the entities belonging



to the "Bellesbumprom" Concern. An important sphere in the work of the Concern is production of furniture, where 23 entities are engaged.

The largest and best technically equipped ones are: the CJSC "Molodechnomebel", CJSC "Pinskdrv" Holding Company, CJSC "Bobruiskmebel", OJSC "Minskproektmebel" and OJSC "Slonimmebel". Wall-paper is produced by OJSC "Beloruskie Oboi" and OJSC "Gomelobi". A major manufacturer of cardboard and tare therefrom is the OJSC Svetlogorsk Pulp-and-Cardboard Combine.

In 2008, the total output of the forestry, woodworking and pulp-and-paper industries increased by 8.6%, exports – by 7% against the preceding year.

With to aim to increase competitiveness of its products, the "Bellesbumprom" has developed a programme of creating new and retooling of existing productions.

of Belarus of October 18, 2007, No. 529 "On Certain Measures for Development of Woodworking Industry" provides state support to the Concern entities for realization of priority investment projects.

The "Bellesbumprom" Concern has designed and is implementing the programme of retooling and modernization of its pulp-and-paper enterprises. As a result of the programme, the OJSC "Spartak" Paper Factory will start producing high-quality sanitary-and-hygienic paper and respective products.

Modernization of process equipment at the OJSC "Geroy Truda" Dobrush Paper Factory will increase production of finished goods by 40% and sale of about 80% of this surplus in foreign markets.

With the aim to reduce the influence of the global financial crisis and ensure stable operation of the forestry complex entities, the country has taken a number of steps to restrain the price growth on timber, create most favourable conditions for

In 2008, the total output of the forestry, woodworking and pulp-and-paper industries increased by 8.6%, exports – by 7% against the preceding year.



According to this programme, it is planned to create additional capacities for manufacturing 410,000 m³ of wood chip boards per year at the OJSC "Ivatshevichdrev", OJSC "FanDOK" and OJSC "Mostovdrev", and to modernize the existing facilities at OJSC "Rechitsadrev". The OJSC "Borisovdrev", OJSC "Vitebskdrev", OJSC "Gomeldrev" and OJSC "Mostovdrev" will house new production facilities for medium density fibre boards (MDF) to the volume of 460,000 m³ per year.

Within the above programme, in 2008, at the Newsprint Paper Factory in Shklov, a production was launched of wooden houses with capacity of 200 complete sets of frame houses and 50 complete sets of houses from glued bars per year. In 2010, the OJSC "Gomeldrev" plans to start production of frame-panel houses with capacity of 200 houses per year.

The Decree of the President of the Republic

all consumers, and grant independence to the entities in sale of their products.

According to the recently adopted normative documents:

- In 2009, the felling value of the wood sold in standing will be preserved at the level of 2008. At selling this wood at the auctions held by the OJSC "Belarusian Universal Commodity Exchange", the starting price will be at the felling value. Depending on the demand, during the auction this price can be dropped by 50%;
- In 2009, the mandatory sale at the auction in the home market of prefabricated wood and saw-timber will be suspended, as well as for exports: wood chip and wood fibre (MDF) boards, matches and glued plywood;
- The size of the first payment for timber of main trees sold in standing was decreased, which has allowed buyers to get additional turnaround funds for purchase of wood raw materials, and stimulated increase in processing volumes thereof.

In 2008, the harvesting volume of commercial timber made 14.7 million m³, of them the stock used for further industrial processing made 9.3 million m³, and fuel wood – 5.4 million m³.

SCIENCES AND NEW TECHNOLOGIES

The country has over 300 scientific, research, design and design-engineering organizations with more than 31,000 employees, including 19,000 researchers, 744 doctors and 3100 candidates of sciences involved in R&D.

The 2007-2010 State Programme of Innovative Development of the Republic of Belarus plans to create 187 new enterprises and major productions, launch 321 new productions at existing enterprises and make complex retooling of 436 existing productions through introduction of innovative and high technologies.

Sciences and scientific support are traditionally among the most developed sectors of Belarusian economy, which possess significant scientific and technical potentials.

SCIENCE Soft
PROFESSIONAL SOFTWARE DEVELOPMENT

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The 2006-2010 Programme of Social and Economic Development of the Republic of Belarus defines the following priorities for development of national economy: innovations and energy and resource preservation. The targets are to be addressed by enhanced R&D, and transformation of scientific-technical and innovation potential into one of the main resources of sustainable economic growth.

Sciences and scientific support are traditionally among the most developed sectors of Belarusian economy, which possess significant scientific and technical potentials. The country has over 300 scientific, research, design and design-engineering organizations with more than 31,000 employees, including 19,000 researchers, 744 doctors and 3100 candidates of sciences involved in R&D.

The scientific and engineering activities meet the national priorities and targets of real economy sectors for 2006-2010. The main directions are embodied in state complex targeted scientific and technical programmes, for example:

- resource-saving and energy-efficient technologies for manufacture of competitive products;
- new materials and alternative energy sources; medicine and pharmacy;
- information and telecommunication technologies;
- processes for producing, processing and storing agricultural products;
- industrial biotechnologies; and ecology and rational nature management.

The 2007-2010 State Programme of Innovative Development of the Republic of Belarus plans to create 187 new enterprises and major productions, launch 321 new productions at existing enterprises and make complex retooling of 436 existing productions through introduction of innovative and high technologies aimed at substantial increase of competitiveness of Belarusian goods and services.

The country drafted and started implementing the 2008-2012 National Programme of Researching and Peaceful Use of Cosmic Space, its main objective being to create space means and technologies for solving the development problems of science, engineering, economy, culture, nature management and safety of the population.

Main researches and developments, as well as human and financial resources, are concentrated in the National Academy of Sciences of Belarus, and Ministries of Industry, Education, Public Health and the "Belneftekhim" Concern. They study the status and problems of scientifically justified use of natural resources, land and water ecosystems, biotechnological selection processes and physical and chemical



functionality mechanisms of biological systems. Relevant researches are held in the interests of practical health care, as well as national economy, philosophy, sociology and fundamentals of law-governed state.

The efficiency of the R&D and innovative activities is largely defined by the state investment policy. Along with direct financing of sciences, the Government is broadly using targeted credit and financial, tax, investment, customs and antimonopoly policies and creates special funds.

By 2010, the R&D expenditures will increase by 2.5-3 times as compared to 2005. New products in the industrial sector will make 18-20%, and the share of certificated products will reach 70%.

In 2005, Belarus launched the High Tech Park (HTP). The HTP has a special taxation and legal regime introduced by the Decree of the President of the Republic of Belarus and offers favourable conditions for entities engaged in development of software, information-communication and other new and high technologies.

As of 1 January 2009, the HTP had 61 registered entities, of them 52% are Belarusian companies, 26% – entities with foreign capitals, 22% – joint ventures. During its 3 years of operation, the HTP scaled up the export of software by 10 times. The consumers of HTP products are companies

from 39 countries of the world (USA, Russia, Germany, Great Britain, Kazakhstan, etc.).

Belarus has established and is supporting its national patent system, along with improvement of the regulatory and legal framework for protecting objects of industrial property. Implementation of the 2007-2010 State Programme of Protection and Management of Intellectual Property is underway.

International scientific and technical cooperation is actively developed.

With the aim to minimize the consequences of the global financial crisis and liberalize the innovative activities, the Government is taking respective steps, including drafting new legislation for promoting venture activities.


The Decree of the President of the Republic of Belarus of 09.03.2009 No. 123 provides new incentives for manufacture of high-tech products.

The development of a new State Programme "Innovative Biotechnologies" is almost completed with the main focus on improving the regulatory framework for development of biological technologies, personnel training, and gene engineering and biotechnological research for application in agriculture, public health, power engineering and industry.

REFORMING STATE-OWNED PROPERTY,

PRIVATIZATION, REFORM STRATEGY, NEW TRENDS

In the course of privatization in Belarus – from 1991 up to date – over 4000 state-owned objects were reformed, or about 41% of the total number of to-be-privatized entities. About 2000 open joint-stock companies were created on the basis of the reformed state-owned enterprises.

A large red truck is positioned on a green floor in a factory or industrial setting. The truck's front end is visible, showing the grille and headlights. Above the truck, there are complex industrial structures, including pipes and overhead cranes, illuminated by bright lights. The background shows more of the industrial environment with various structural elements.

Reforming state-owned property is of systemic and key importance and has the aim of improving the performance of enterprises and economy as a whole through step-by-step reforms with due account of social factors.

Reforming state-owned property is of systemic and key importance and has the aim of improving the performance of enterprises and economy as a whole through step-by-step reforms with due account of social factors. The adopted balanced approach to privatization allows ensuring an optimum correlation of the market and the state, logic of entrepreneurship and protection of public interests, coexistence and cooperation of state-owned and private enterprises without any mutual confrontation.

The transformation of state-owned enterprises into joint-stock companies and sale of government-held shares are undertaken primarily with the aim to boost the national economy.

The aim is achieved through attraction in the privatization process of foreign direct investments (FDI) and domestic resources; use of investments for development of joint-stock companies based on new technologies and advanced managerial experience; addressing the budgetary targets associated with budget replenishment and absence of the need for the state to directly invest into privatized enterprises.

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In 2008, with the aim to create favourable conditions for attracting domestic and foreign investments for privatization of state property, essential amendments were made in the legislation on managing state property aimed to intensify the privatization process and liberalize this sphere.

At the current stage of the country's economic development, it was found expedient to privatize state property on the basis of three-year plans. This privatization procedure will provide additional opportunities for search of potential investors willing to take part in privatization.

Stage-by-stage lifting of restrictions (the so-called "moratorium") is now in progress on alienation of shares in authorised stocks of commercial organizations created in the course of transforming state enterprises, which had been bought by citizens of the Republic of Belarus from the state for money on preferential terms in exchange for personal privatization coupons "Property". The priority right of the state to buy shares in authorised stocks of those legal entities which enjoyed state support is now cancelled.

The institution of a special right (the so-called "golden share") of the states to take part in managing economic entities was abolished.



The Government has approved the Privatization Plan of State-Owned Objects 2008-2010 and the List of Open Joint-Stock Companies, created during privatization, whose state-owned shares can be openly sold in 2008-2010.

The Privatization Plan assumes transformation of more than 500 RUEs from all economy sectors into open joint-stock companies (OJSCs), including major industrial enterprises well-known abroad (about 83% of all to-be-privatized enterprises).

The above List includes about 150 OJSCs operating in fact in all economy sectors: construction, industry, communications, agriculture, food industry, power engineering and others.

In 2008, 156 RUEs were transformed into 107 joint-stock companies. Such industrial giants like the Minsk Truck Plant, Minsk Engine Factory, S. I. Vavilov Minsk Mechanical Plant were transformed into OJSCs.

In 2009, it is planned to privatize over 200 RUEs. The information on the to-be-privatized enterprises, ways and terms of sale of shares is placed on the websites of the State Property Committee (www.gki.gov.by), Ministry of Economy (www.economy.gov.by) and Belarusian Currency Stock Exchange (www.bcse.by).

Corporization of state enterprises is the basis for subsequent search of potential investors that are capable to ensure modernization and innovative development of production.

To create conditions for Belarusian enterprises to enter corporate structures and attract strategic investors, approaches were defined to privatization of the RUEs, which were found especially important for the country: the whole equity stake of the joint-stock companies created on their basis will remain in state ownership for

further sale in case of promising investment projects appear.

At large transactions with shares belonging to the Republic of Belarus, various sale models can be used. For every such transaction a special investment programme should be developed, so that the optimum combination of interests of the state, which receives respective funds into the budget, economic entities, citizens, who work at joint-stock companies, and the investor could be provided.

With the aim to further liberalize the privatization legislation, it is planned to develop approaches to broaden the range of privatization models of state property, improve the terms of privatization transactions, evaluation of privatized objects, as well as the ways and terms of sale and transfer into trust management of shares, and the mechanism of stock management.

In future, the work on reforming state property objects will be based on individual approach to every enterprise. Changing the organizational- and-legal form of state-owned enterprises will be undertaken with the aim to create conditions for increased performance and attraction of investments.

Privatization is still to be regarded as a structural component of the unified state policy of managing state property aimed at obtaining privatization benefits in the short-, medium- and long-term perspective in the form of broader base of taxation, additional jobs, filling the market with Belarus-made goods and services and increased performance of the entire Belarusian economy.

The goals set in the field of reforming property relations will further promote development of socially oriented economy based on equal and efficient cooperation of the Government and private sectors, with the former in charge of regulatory functions.

STATE SUPPORT

OF SMALL AND MEDIUM-SIZED BUSINESSES. ENTREPRENEURIAL POTENTIAL AND PROSPECTS OF ITS DEVELOPMENT

As of January 1, 2009, the number of minor entrepreneurship entities – legal entities – made 66,400 or 21,500 more than a year ago, making an increment of 47.9%. The number of small enterprises situated in small and medium urban settlements was 7300 (or 11% of all small enterprises), making 146.7% against the level of 2007.

As of January 1, 2009, the number of individual entrepreneurs was 215,600, that is, by 3000 more than in 2007, i.e., the increment over the preceding year made 1.4%.



The state policy in the sphere of development and support of entrepreneurship is aimed at creating organizational, legal and economic conditions contributing to dynamic and sustainable development of this sector and formation of rational sectoral structure of entrepreneurship.

■ Small business is notable for production flexibility; it involves resources unprofitable for large enterprises into economic circulation, contributes to higher competitiveness of national economy, creates new jobs, and opens opportunities for involving citizens into economy and attracting additional investments.

As of January 1, 2009, the number of small businesses – legal entities – made 66,400 or 21,500 more than a year ago, making an increment of 47.9%.

The number of small enterprises situated in small and medium-sized settlements was 7300 (or 11% of all small businesses), making 146.7% against the level of 2007.

As of January 1, 2009, the number of individual entrepreneurs was 215,600, that is, by 3000 more than in 2007, i.e., the increment over the preceding year made 1.4%.

In 2008, the share of tax revenues from the small business sector in the total amount of receipts controlled by tax bodies was 16.1%. The share of GDP generated by small businesses during 9 months of 2008 was 8.9% of the total GDP and made an increment of 1.3% compared with the same period of the preceding year.

During that period, they manufactured 8.2% of the total industrial output (for 9 months of 2007 – 7.7%), 14.7% of the total retail sales volume (for 9 months of 2007 – 11%) and 16.2% of the total foreign trade turnover (for 9 months of 2007 – 15.2%).

The share of revenues earned for 9 months of 2008 by small enterprises was 18%, making a 1.4% increment against the same period of 2007.

The profitability of the products (works, services) sold by small enterprises during 9 months of 2008 made 19.2% (for 9 months of 2007 – 14.6%).

The state policy in the sphere of development and support of entrepreneurship is aimed at creating organizational, legal and economic conditions contributing to dynamic and sustainable development of this sector and formation of rational sectoral structure of entrepreneurship.

The Government has undertaken the following measures in support of small and medium-sized businesses in Belarus:

- Improved terms for renting capital premises (buildings and structures) and isolated rooms, owned by the state and private persons, simplified procedures and shorter terms for granting land plots;
- Cancellation of registration of prices (tariffs) on new products (works, services), reduced list of products and services subject to price regulation;
- More attractive conditions for application of simplified taxation system;
- Introduction of a full-fledged mechanism of application principle of state registration of economic entities with reduced registration period;
- Suspension of control (supervision) over the activities of economic entities in the form of audits

(revisions) until enforcement of the decision of the President regulating the uniform order of executing control (supervision) in the Republic of Belarus;

- Reduction by 40% of the nomenclature of products and services subject to mandatory certification, and of the list of products subject to state hygienic registration;
- Elaboration of drafts of normative legal acts concerning the order of managing state property, licensing of separate activities, stimulation of innovations and introduction of new hi-tech products, attraction of investments and insurance.

The main work towards simplification of entrepreneurial activities, increasing of investment attractiveness and lifting of some bureaucratic restrictions is carried out under the Priority Action Plan on liberalization of economic activities.

Under the Plan, the work will go on to improve the ownership and land relations, price regulation and tax legislation regarding simplification of tax imputation and payment, longer periods for paying taxes and dues, and cancellation of a number of taxes and dues.

The Plan assumes the following measures:

- Regulation of mortgage relations;
- Improved and stronger measures of antimonopoly regulation aimed to create conditions for economic entities to compete in sales markets;
- Reduced and simplified administrative procedures executed by state bodies and organizations in relation to designing, building and commissioning of objects (engineering and transport support, petrochemical complex, housing and other facilities), certification activities, construction, sanitary, fire protection norms and rules;
- Improved regulation of monetary and credit relations, and development of the financial market;
- Liberalization of the labour market and development of the workers' incentive system.

Special value is given to bills planned for elaboration in 2009 and envisaging the following:

- Reservation of at least 10% of the total state-funded order for small and medium entities under the Law of the Republic of Belarus "On State Purchase of Products (Works, Services)";
- Making amendments and additions into the Code of the Republic of Belarus "On Administrative Offences" regarding perfection of the mechanism of application responsibility at implementation of entrepreneurial activities: decrease of upper and lower fine limits, introduction of direct dependence of the sum of the fine from the volume of harm and (or) economic damage caused to the state, elimination of multiple responsibility for one and the same offence.

Belarus annually adopts programmes of state support of small business, which assume assistance within the following directions:

- Perfection of legislation regulating activities of small businesses;
- Financial support of small businesses;
- Infrastructure for development and support of small business;
- Information support and international cooperation in the sphere of small business.

The Republic of Belarus operates a support and development network for small businesses, which includes 43 entrepreneurship support centres and 7 small business facilities.

Their activities are aimed at creating favourable conditions for operation of small businesses and intensification of entrepreneurial activity. The centres are located in all six Regions of Belarus and in the city of Minsk.

In 2008, the services of the above centres covered over 48,400 people. In total, 789 trainings and seminars with participation of more than 21,500 people were conducted on the most topical issues of business activity.

A special information system website (www.svoedelo.by) provides integrated information support for small businesses, irrespective of their territorial location, concerning organization and realization of entrepreneurial activity.

A subcontracting centre (www.subcontract.by) was launched to promote cooperation between small and large businesses.

During 2008, the work was underway to form (actualize) a database of investment proposals of small businesses located on the website of the Ministry of Economy (www.economy.gov.by).

INVESTMENT CLIMATE,

INCLUDING INVESTMENT LEGISLATION, STRATEGY AND PROSPECTS OF ATTRACTING INVESTMENTS, FOREIGN DIRECT INVESTMENTS

Sustainable growth of investments, the annual surplus of which is double the GDP surplus. During the recent decade, the total amount of investments into fixed assets has more than tripled.

Planned large-scale modernization of the country's industrial potential, its innovative retooling, support of stable competitiveness of its products and development of the sphere of services will demand a substantial inflow of investment capitals.



Today, Belarus is developing mainly due to its internal investment resources. However, the planned large-scale modernization of the country's industrial potentials, its innovative retooling, support of stable competitiveness of its products and development of the sphere of services will demand a substantial inflow of investment capitals.

In this context, attraction of foreign investments into the national economy acquires a special urgency and is promoted by liberalization of foreign economic relations and increased value of interstate cooperation.

The President and the Government have set a mission to improve the national investment climate and enter the list of 30 world leaders by most favourable conditions for running business.

For a number of years already, the country has been actively improving its regulatory base towards liberalization of economy and decrease of the level of administrative regulation, thus, improving the conditions for running business and creating a favourable investment climate.

In 2008 alone, about 40 normative legal acts were adopted, which considerably improved the business climate, namely:

- The application principle of state registration and liquidation of commercial entities was fixed, the terms and the list of documents to be presented for these purposes were reduced;
- The procedure of issuance of special permits (licenses) on the licensed types of activity was simplified;
- The procedure of customs clearance was simplified for the commercial organizations awarded with the status "diligent participant of foreign trade activities";
- The procedure was simplified of the title transition on a land plot, if the title on the capital structure located thereon passes over to another person;
- The terms of granting land plots were reduced;
- The number of various administrative procedures was made smaller.

The legislation on managing state property was essentially revised. The scheduled privatization of state property was launched. The pricing system and insurance activities were reconsidered towards greater liberalizations. The taxation system is in the process of perfection.

An important aspect of improving the investment climate was cancellation of the institution of the so-called "golden share", which had caused permanent criticism of international organizations and foreign companies, since, in their opinion, it restricted the inflow of foreign capitals. And as a result – sustainable growth of investments, the annual surplus of which is double the GDP surplus. During the recent decade, the

total amount of investments into fixed assets has more than tripled.

The growth dynamics of foreign investments remains positive. In 2008, the total amount of attracted foreign investments into the national economy made 6.5 billion US dollars. In 2008, foreign direct investments (FDI) made 2.28 billion US, or 1.7 times against 2007.

The international statistics (data of the UNCTAD¹ (United Nations Conference on Trade and Development)) also reflects positive country's dynamics in FDI indicators.

Belarus has moved forward by 30 positions in the FDI UEI²: from the 125th place in 2006 up to the 95th place in 2007. By the FDI API³, Belarus has moved up by 2 positions: from the 50th place up to the 48th place.

The improvement of the business climate was also fixed in the report of the World Bank "Doing Business 2009". The Republic of Belarus was ranked 85th among 181 countries in terms of doing business, having occupied the 4th place among the best countries-reformers.

The fact of awarding the Republic of Belarus in 2007 of a sovereign credit rating (B+ in foreign currency liabilities, BB in national currency liabilities and B in short-term liabilities) was another very important confirmation of stable

¹ Source: UNCTAD, World Investment Report 2008.

² The Inward FDI Performance Index is ranking countries by the FDI, they receive, versus the economy size. It is calculated as the ratio of a country's share in the global FDI inflow to its share in the global GDP. Therefore, FDI IPI takes into account not only the economy size, but also other factors (quality of business climate, economic and political stability, natural resources and infrastructure available, quality of human resources and technology level).

³ The Inward FDI Potential Index is the mean value of 12 variables: GDP per capita; indicator of the depth and width of demand in the home market; GDP growth in the latest decade; expected GDP growth; share of exports in GDP; number of telephone lines and mobile phones per 1000 population; commercial use of electric power per capita; availability of traditional infrastructure; share of R&D in GDP; share of university students in the population of the country; country's risk rating; share in world exports of natural resources; country's share in world imports parts and components for automotive and electronic industries; country's share in world exports of services; and country's share in world inflow of FDI. When the Potential Index is high and the Performance Index is low, the country fails to use its potential. If the Performance Index is higher than the Potential Index, the country is expanding its potential.

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socioeconomic development of the country. In 2008, the rating awarded to Belarus by international agencies remained unchanged.

Estimates of the investment climate made by joint and foreign companies operating in Belarus are also taken into account. They are annually polled by the Advisory Board on Foreign Investments, headed by the Prime Minister of the Republic of Belarus. The Board includes representatives of both national enterprises and state organizations and of the foreign organizations operating in the territory of the country. Its mission is to draft recommendations on elimination of negative impacts on the investment climate and improvement of the business environment. The recommendations of the Board are taken into account by the Government.

A poll conducted by the Advisory Board in 2008 showed that despite the consequences of the global financial crisis, 57.5% of the respondents, who were doing business with involvement of foreign capitals, had plans to expand it in Belarus. It is convincing evidence of a favourable investment climate as a whole.

Another evidence of the interest in Belarus from foreign business is the growth of the number of organizations with foreign capital operating in the country. In recent years, this number was on a permanent rise: from 2082 in 2002 to 4218 as of January 1, 2008.

Joint ventures created with such foreign companies like the Limited Liability Company





(LLC) "CC Beverages Holdings B. V." (the Netherlands); "Henkel SII GmbH" (Austria); "JVC" JSC (Joint-Stock Company) (Italy); "ATEK Holding GmbH" (Austria); "Mobilcom Austria Group" (Austria); "Essendin Holding Limited" (part of Heineken Group) (Austria); "Ilona Group S. p. A." (Italy), LLC "Internationale Investitions und Servaltung" (Austria) and a number of others are successfully operating in the country.

The Government is pursuing a targeted policy of supporting those directions, which can ensure accelerated progress of the economy, as well as the country's economic security. In this context, enhanced attention is given to attraction of investments into export-oriented productions, agriculture, small and medium towns and cities, new and high technologies and sphere of logistics.

With the aim to develop these directions, the country operates special territories with preferential regimes for investment activities, in particular, Free Economic Zones and High Tech Park. A number of privileges and preferences are granted to those productions, which are placed in dwelling settlements with population of up to 50,000.

Eighteen land plots were allocated in the territory of the republic for construction of transport-logistic centres to add the country's highly developed transport infrastructure. It will be further improved to provide foreign investors with high-quality communication means with the corporations, destinations of export cargoes and suppliers.

The country's investment climate is characterized not only by the legal operation regime for foreign investors, stipulated by the national legislation, but also by the international treaties and agreements, to which the country is a party.

Today, Belarus is a party to a great number of international treaties and agreements concerning investors' interests, including the following:

- The Cooperation Agreement in the Sphere of Investment Activities of December 24, 1993, signed by the CIS member states;
- The Agreement to the Energy Charter, the framework agreement on the rules of international cooperation in trading power resources, transit of them and investments into the energy sphere;
- The Convention Settling Investment Disputes between States and Citizens of Other States of March 18, 1965;
- The Convention Establishing the Multilateral Investment Guarantee Agency of October 11, 1985 (MIGA Convention).

Belarus has also concluded over 50 international treaties and agreements on mutual assistance to implementation and protection of investments, which have priority over national legislation and

are intended to protect the interests of foreign investors.

A number of drafts of new normative legal acts aimed at improving the business environment are at different stages of state consideration, among them: transition to International Accounting Standards (IAS); perfection of the corporate legislation aimed to improve procedure of founding and managing economic entities.

It is planned to make respective amendments and additions into the Civil Code and the Law of the Republic of Belarus "On Economic Entities"; making amendments and additions into the Law of the Republic of Belarus "On Securities and Stock Exchanges"; simplification of the customs and related procedures, as well as certification and transit procedures; further simplification of the taxation system, and adoption of other legislative acts.


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SOCIAL AND LABOUR POLICY

In 2008, implementation of state measures aimed to increase people's incomes resulted in sustainable growth of real cash incomes of the population by 12.7%, of real wages – by 9.9%, and of pensions – by 18.7%.

The major priority of social policy is raising living standards.

A man wearing a white full-body protective suit with a hood and a respirator mask around his neck is walking up a metal staircase. He is in an industrial or laboratory environment with various equipment and cables visible in the background.

The overall objective of social policy in Belarus is to ensure a steady growth of the level and quality of life of citizens and, first of all, increase of labour payment as the main source of monetary incomes and an important incentive of labour activities

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In 2008, implementation of state measures aimed to increase people's incomes allowed ensuring sustainable growth of real cash incomes of the population by 12.7%, of real wages – by 9.9%, and of pensions – by 18.7%.

In 2008, the monthly average nominal salary of workers in Belarus made 885,600 roubles, or 412 US dollars, and increased compared to 2007 by 26.2%. By the end of 2008, the salary in material production branches reached the equivalent of 460 US dollars, and in budgetary sphere – of 379.6 US dollars.

In 2008, the growth of labour productivity made 109.3%.

In 2008, the situation in the labour market was characterized by stability of its main tendencies and a rather low and stable level of registered unemployment.

The major priority of social policy is dealing with low living standards. In 2008, the activities of the Government were directed at the priority growth of the incomes of the population, efficient targeted social support of those in need, and consistent increase of the level of minimal state social guarantees. As a result of the undertaken measures, the level of poverty (the share of the population with the average available resources per capita below the minimum subsistence level) went down from 42% in 2000 to 6.2% in January-September 2008, being one of the lowest among the CIS member states.

Of special importance is the efficient use of all types of resources as one of the ways to minimize the negative consequences of the economic crisis and escape any decrease in competitiveness of national economy. The priority task is to ensure efficient monitoring of the situation in the labour market with subsequent effectual measures to avoid social tension, once the national economy has to function under the influence of the global financial crisis.

In 2009, the primary goals of the state policy in the sphere of employment are as follows:

- Initiation of positive structural changes in distribution of employees among branches and professions through stimulation of new jobs creation in high-tech and services sectors;
- Efficient stimuli for development of small businesses, including support and promotion of citizens' entrepreneurial initiatives;
- Increase of workers' competitiveness in the labour market through improved system of vocational training, education and retraining of cadres in response to economy demands;



- Improvement of territorial mobility and flexibility of labour, including regulation of processes of foreign labour migration.

Implementation of the above approaches and measures will make it possible to improve the efficiency of labour resources, keep the situation in the labour market under control, boost economic activities of free population, and keep the level of registered unemployment by the end 2009 within 1.1-1.2% of the economically active population.

In 2009, the main directions of social policy will be as follows:

- Increase of labour remuneration in harmony with economy growth;
- Creation of an efficient mechanism of state regulation of wages, optimization of all types of expenditures, including remuneration of labour of budget-paid workers, state servants and military servicemen;
- Support of the level of material security of incapacitated citizens and increase of pensions;
- Expansion of the program of state addressable social help.

The policy of labour remuneration will be based on a combination of state, market and collective-contractual mechanisms of wage regulation under a paramount expansion of the rights of economic entities and broader use in the real economy sector of market regulation mechanisms, as well as outgoing from general tendencies in economy.

In the first half of 2009, measures have been taken to restraint the wage growth. In the 1st half of 2009, it is not planned to increase the first category tariff rate for the workers of budget-funded organizations and of those receiving state donations.

At the same time, proposals to increase wages of the budgetary sphere workers will be considered



by the Government with account of financial capabilities of the state, dynamics of arrivals of monetary resources into the budget, and other macroeconomic parameters.

In 2009, the Government has decided to launch monthly monitoring of wages in all economy sectors.

The level of wages at state-owned enterprises will also depend on the need to ensure the growing competitiveness of the economy.

In 2009, under implementation of the Priority Action Plan for liberalization of the conditions of economic activities, the following first-order actions will be taken in the sphere of labour remuneration:

- Improvement and simplification of the payment system for the labour of top managers of organizations with simultaneous increase of its efficiency and stronger role of stimuli for unconditional achievement of indicators of socioeconomic development and sale of products;
- Granting rights to employers to make independent decisions on increasing the material interest of their highly skilled workers in the activity outcomes of their entities.

In 2009, the work will go on to support the level of material security of incapacitated citizens and increase of their pensions. Particular dates and parameters of pension recalculation will be defined depending on the growth of average wages in the republic and financial capabilities of the Fund of Social Protection of the Population managed by the Ministry of Labour and Social Protection.

With the aim to improve the mechanism of granting the state addressable social help, and as a measure of anti-crisis regulation of the social and labour sphere, the republic will expand its programme of state addressable social help.

LIBERALIZATION

OF FOREIGN TRADE AND BELARUS' ACCESSION TO WTO

In 2008, Belarus carried out export-import transactions with 183 countries. Its goods were delivered to the markets of 139 countries, and products from 168 countries were imported.

Belarus is an open economy. In 2008, in the total GDP volume, exports made 55%, and imports – 66%.



Given the open character of Belarusian economy, its notable features are multiple vectors of foreign economic policy, active trade and integration processes with Russia, other CIS member states and the European Union.

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Given the open character of Belarusian economy, its notable features are multiple vectors of foreign economic policy, active trade and integration processes with Russia, other CIS member states and the European Union (EU). Recent years are witnessing dynamical development of Belarus' trade relations with China and countries of Latin America.

In 2008, Belarus carried out export-import transactions with 183 countries of the world. Its goods were delivered to the markets of 139 countries, and products from 168 countries were imported.

In 2008, the main trade partners of Belarus were as follows: Russia – 47.2% of the total sales volume, the Netherlands – 8.2%, Ukraine – 6.8%, Germany – 5%, Poland – 4.1%, Latvia – 3.2%, China – 2.8%, Great Britain – 2.4%, Brazil – 1.7% and Italy – 1.6%.

In 2008, the **foreign trade turnover** of the Republic of Belarus made 72.4 billion US dollars and increased by 36.7% as compared with 2007. The volume of sales with the CIS member states made 40.5 billion US dollars (55.9% of the total national sales volume), of them, trade turnover with Russia made 34.2 billion US dollars, with non-CIS member states – 31.9 billion US dollars (44.1%), of them, with the EU – 23 billion US dollars.

In spite of the fact that almost half of all foreign trade of the Republic of Belarus (47.2%) fall on Russia, a rather significant growth of mutual trade with the EU member states is underway. The volume of sales with the EU is the runner-up after the one with Russia (31.3%).

In 2008, **exports** of goods from Belarus made 32.9 billion US dollars, including exports to the CIS member states – 14.4 billion US dollars, including to Russia – 10.6 billion US dollars, to non-CIS member states – 18.5 billion US dollars, including to the EU – 14.4 billion US dollars. The monetary volume of exports in actual prices went up by 35.5% as compared to 2007.

The main exported goods are petroleum products, potash fertilizers, ferrous metals, foodstuffs, trucks, tractors, tires, truck tractors, refrigerators and freezers.

In 2008, the **imports** of goods to Belarus made 39.5 billion US dollars and increased by 37.6% as compared to 2007. Imports from the CIS member states made 26 billion US dollars (growth by 37%), including from Russia – 23.6 billion US dollars, from non-CIS member states – 13.4 billion US dollars (growth by 38.8%), including from the EU – 8.5 billion US dollars.

Geography of Exports, 2008

Country	Volume, USD million	2008 in % to 2007	% of Total Exports
Russia	10585.1	119.2	32.2
The Netherlands	5559.3	130.0	16.9
Ukraine	2789.7	189.8	8.5
Latvia	2184.2	220.6	6.6
Poland	1808.4	147.5	5.5
Great Britain	1451.3	94.9	4.4
Brazil	1073.8	2.9-fold	3.3
Germany	812.4	111.1	2.5
Lithuania	622.5	110.3	1.9
China	614.7	126.9	1.9

products and create favourable conditions for involvement of Belarus-made goods in international trade and economic turnover, which is greatly contributed by liberalization of foreign trade.

One of the major factors affecting this liberalization is the available liberal customs legislation.

Belarus enjoys the free trade regime in trade and economic relations with 11 countries, and the regime of the most favoured nation – with 131 countries.

The import custom tariff is not a frozen phenomenon. The list of goods covered by a zero import customs rate makes 883 commodity items. In 2008, zero import customs rate was adopted for 172 commodity items of technological equipment, in 2009, the figure reached 249 items.

Belarus is in the formation process of its customs-tariff regulation system, which meets international rules and principles.

The change of weighted average tariff from 20.7% in 1996 to 8.7% as of January 1, 2008, demonstrates gradual liberalization of the foreign trade legislation with preservation of protection of the domestic market required at the given stage. Under international norms the level of customs protection of 8.7% is considered as open.

In 2008, legal entities and individual entrepreneurs (diligent participants of foreign trade), who observed the customs legislation, enjoyed simplified customs operations connected with presentation of goods to customs clearance.

Now, as a whole, Belarus has finalized its work on bringing national legislation into conformity with the rules of the WTO.

Within the negotiation process on accession to the World Trade Organization, Belarus has finished negotiations with ten WTO member states (Moldova, China, Cuba, Armenia, Turkey, Kyrgyzstan, Bulgaria, India, Panama and Dominican Republic).

With three more countries negotiations are at the final stage (South Korea, Brazil and Malaysia).

To finalize bilateral negotiations, Belarus still has to agree with the EU and seven more WTO member states, which expressed their interest of holding such negotiations: Australia, Canada, China, Norway, USA, Switzerland and Japan.

Geography of Imports, 2008

Country	Volume, USD million	2008 in % to 2007	% of Total Imports
Russia	23603.8	137.2	59.8
Germany	2792.3	128.6	7.1
Ukraine	2115.1	137.9	5.5
China	1414.8	173.4	3.6
Poland	1155.2	141.0	2.9
Italy	872.4	136.7	2.2
France	562.8	162.9	1.4
USA	484.2	123.5	1.2
The Netherlands	364.0	145.4	0.9
Great Britain	271.0	143.1	0.7
Belgium	281.0	135.8	0.7

The main import items are crude oil (including gas condensate), ferrous and nonferrous metals, machines and equipment, passenger cars, ferrous rolled metal, fish, etc.

By the outcomes of foreign trade in 2008, the **foreign trade balance** was negative – minus 6.5808 billion US dollars; in 2007, the value was minus 4.4178 billion US dollars.

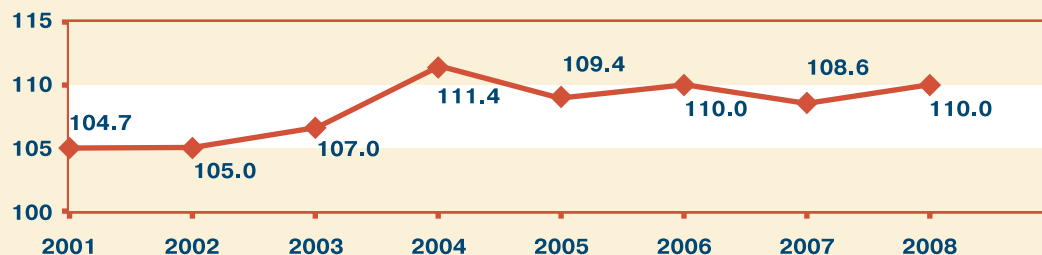
To overcome possible crisis implications, strategic actions are coordinated within the integration associations.

Belarusian and Russian Premiers have signed a Joint Action Plan of the Governments of the Republic of Belarus and the Russian Federation on minimization of consequences of the financial crisis, improvement of the balance of payments and terms for entrepreneurial activities and mutual trade. A similar Plan of Joint Actions of the EurAsEC member states to mitigate the consequences of the global financial crisis is in the stage of coordination.

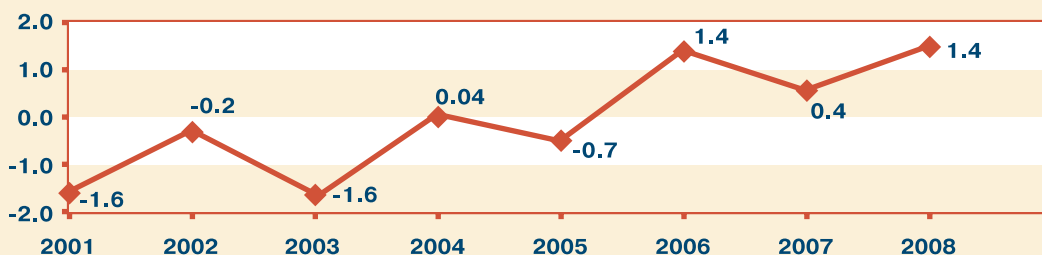
The overall objective of Belarus' foreign trade is to improve competitiveness of domestic

Main Social and Economic Indicators (Graphic Presentation)

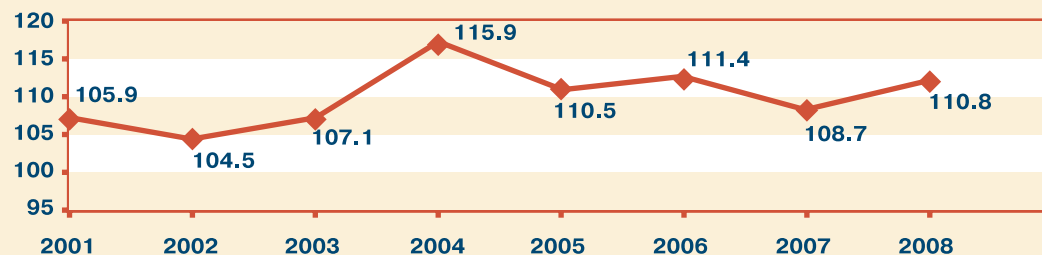
GDP, nominal (growth rate against the preceding year)



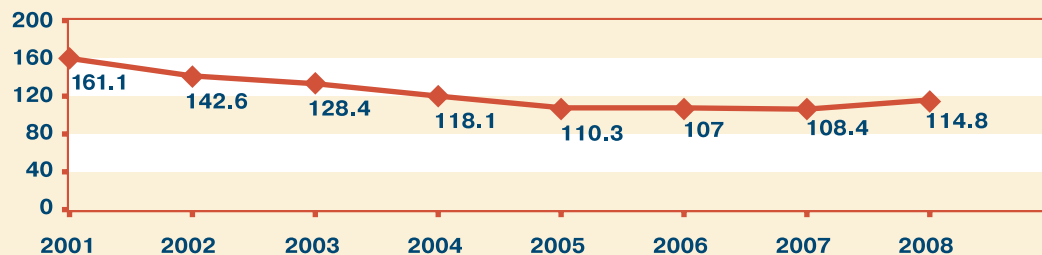
Consolidated budget deficit (percentage of the GDP)



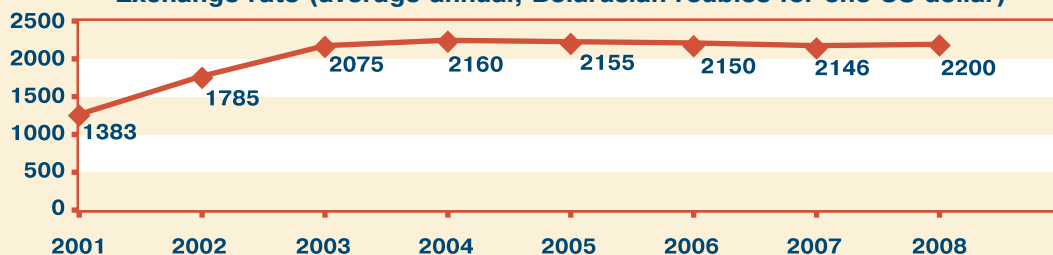
Gross production output (growth rate against the preceding year)



Consumer price index (average annual, percentage to the preceding year)



Exchange rate (average annual, Belarusian roubles for one US dollar)



Translated into English by Leonid Schukin. Editor: Svetlana Ischenko. Design: Valery Leonidov. Computer layout: Irina Voroshkova, Mikhail Lazuk
Photos from the archive of the Closed Joint-Stock Company "Unipack"

Printed in the Republic of Belarus. Circulation: 1200 copies
Publishing house of the CJSC "Unipack". License LI No. 02330/0150278 of 03.05.2008. 19 Oktiabrskaya Street, Minsk, Republic of Belarus 220030
Ltd "Ustmazh". LP No. 02330/0131681 of 30.04.2004. 50 Knorina Street, Minsk, Republic of Belarus 220103

Investment Projects Offered to Foreign Investors

Ministries and Agencies	Name and Brief Description of Investment Project	Project Value, USD Million	Current Project Status	Type of Financial Instrument
Ministry of Architecture and Construction	Production of polished glass, the Open Joint-Stock Company (OJSC) «Gomelsteklo» (The Project will launch production of import-substituting product for national construction, furniture and automotive industries)	307	Construction and installation works in progress	Foreign direct investments, borrowed investments
	Construction of the 5th process line, Republic's Unitary Production Enterprise (RUPE) «Granit» (Search of investors, elaboration of investment terms and definition of calendar are in progress)	122	Opinion received on the Business Plan from the Ministry of Economy and Ministry of Finance	Foreign direct investments, borrowed investments
Ministry of Transport and Communications	Renovation of the aircraft fleet, the National Airline «Belavia» (Purchase of two aircrafts model CRJ-100/200 with parallel withdrawal of TU-134 and AN-24 aircrafts from operation)	20	Available: Pre-Project Proposal; trained pilots and technical staff, experience of operating this model aircrafts by the Airline	Not defined
Ministry of Energy	Bereza State District Power Plant (SDPP). Installation of a power unit of PGU-450 (Combined-Cycle Plant) Power Class in a new site (Installation of a combined-cycle power unit for 450 MW comprising two 150 MW gas turbines, two heat-recovery boilers and a 150 MW steam turbine)	490	Feasibility Study is available	Foreign direct investments, borrowed funds
	Construction of Beshenkovich, Verkhnedvinsk and Vitebsk Hydroelectric Power Plants (HPPs) in Zapadnaya Dvina River (Construction of floodplain-type hydro-engineering complexes, HPP buildings with indoor turbines, reinforced concrete spillway dikes with plain sectioned gates for discharge of floodwater and one-chamber shipping lock for possible river navigation)	600	Justification of investments is in progress	Foreign direct investments, borrowed funds
	Construction of Mogilyov, Orsha, Rechitsa and Shklov HPPs in Dnieper River (Construction of floodplain-type hydro-engineering complexes, HPP buildings with indoor turbines, reinforced concrete spillway dikes with plain sectioned gates for discharge of floodwater)	102	Justification of investments is in progress	Foreign direct investments, borrowed funds
	Construction of a Ross-Narev 400 kV high-voltage line (HVL) with a DC insert, State Production Association (SPA) «Belenergo», Republic's Unitary Enterprise (RUE) «Grodnoenergo» (The following is assumed: - Construction of a double-circuit power line (HVL) for 400 kV Ross-Narev along the existing line HVL 220 kV Ross- Bialystok; - Installation of two DC inserts 500 MW each; - Construction of line cells in outdoor switchgear (ORU) 400 kV in VPT site and in «Narev» substation. Length of the double-circuit 400 kV HVL Ross-Narev is 133 km (43 km in the territory of Belarus)	202	Pre-Project study is in progress	Foreign direct investments, borrowed funds
Concern «Belgospisheprom»	Complex reconstruction of production facilities, OJSC «Krasny Mozyryanin», town of Narovlya (New process lines for production of confectioneries)	10	Pre-Project Proposal is available	Foreign direct investments
Concern «Bellegprom»	Construction of a leather factory for manufacture of chrome-tanned leather goods, RUE Grodno Production Leather Association (Project aim is to remove the leather-making facilities from the central city to the industrial zone located in the Karskogo Street in the city of Grodno)	15	Business Plan is available. Work to conclude contract on drafting Project-Estimate Documentation is in progress	Foreign direct investments, borrowed investments
Gomel Regional Executive Committee	Construction of a new «Glushkovichi-2» crushed-rock factory to the output of 4 million m3 of crushed stone per year, Republic's Construction Unitary Enterprise (RCUE) «Gomelobldorstroj» (Construction of a new autonomous factory for manufacture of non-metallic materials with the aim to increase the output of granite crushed stone in the Leichitsy District, Gomel Region)	120	Draft Business Plan is available	Foreign direct investments, borrowed investments
Minsk Regional Executive Committee	Construction of Belarusian Disneyland (Cultural and entertaining mass complexes in the Logoisk District)	200	Pre-Project Proposal is ready and a land plot is defined (Smolevichi District, Sokol village, 1 km off M1 Highway, 30 ha, Petrovichi Pond shore)	Foreign direct investments
	Construction of a Minsk-Logoisk high-speed tram line (It is assumed to build the line in view of possible servicing of the city of Minsk (Zelyony Lug district is the tram end station) and rural settlements of the Logoisk and Minsk Districts)	200	Investment Proposal is ready (according to the CEI (Central European Initiative) form)	Foreign direct investments
	Construction of a 100-accommodation hotel (3 stars level) (Construction of the object assumes a 150-seat restaurant, a health-recreation centre and a hotel-type house with tennis, volleyball, basketball grounds, a swimming pool and an administrative building in the «Urozhai» Equestrian Complex)	14	Pre-Project Study is available and land plot is defined (Minsk District, Urozhaiaya village, 4 km off the Minsk Ring Highway)	Foreign direct investments