



Time For Business

Belarus is proceeding with economic liberalization and business promotion policy

Deputy Economy Minister of Belarus Andrei TUR tells the Economy of Belarus Magazine about the major points of the policy

? *Belarus' business promotion strategy provides for a series of economic, legislative and administrative measures for a sustained social and economic development of our country. The basic points of the strategy are articulated in Presidential Decree No. 4 on the further economic liberalization and business support. The decree will be adopted by the end of 2010, the head of state said at the Fourth All-Belarus People's Congress. Why is the document given such a great priority?*

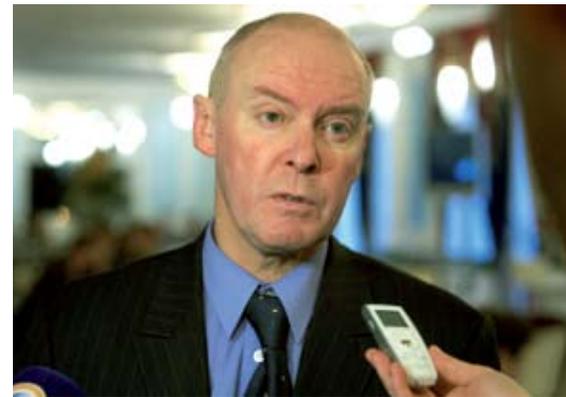
Decreases are issued by the head of state to address priority political, social and economic issues in a systemic way. The directive was necessitated by the change in the economic structure and the increasing role of the non-state sector, small and medium-sized business. The directive should become the reference point for meaningful reforms in economic administration; it should encourage

entrepreneurship, give a greater latitude to businesses and enable a greater inflow of domestic and foreign investments and cutting-edge technologies.

To this end, we need to create a stable legal framework, provide equal terms for state and private organizations, amend economic regulation methods, restrict the state's interference with economic activity, revise punishment methods for violating business regulation making sure that the retribution is commensurate with the damage, just to name a few.

This document is another testimony to the state's interest in a large and competitive business sector and readiness for sweeping reforms aimed to encourage and support business initiatives. At the same time, the draft decree is a legally binding document containing a set of direct norms, some of which are absolutely new for the Belarusian legislation.

Optimization of tax laws is essential for improving the business climate in the country. Beginning



next year, Belarus' economic entities will pay only five taxes. How will it benefit companies and the national economy in general?

Indeed, one of the major features of a favorable business environment is simplicity and high quality of the tax system. The ongoing tax reform in Belarus is aimed to drastically optimize the tax system and remove the factors affecting the economic choice of taxpayers.

In recent years, we have abolished 26 inefficient taxes and dues, including the so-called "turnover" taxes on revenues that impeded production growth, investment inflow and increase in exports.

The revised version of the Tax Code of the Republic of Belarus adopted in October 2010 has eliminated another two "harmful" taxes – local tax on services and a local duty on land development. Both the taxes overlap with VAT and profit tax; their abolition will save companies about Br700 billion thus enabling them to channel this money into their growth.

Beginning 2011 the Belarusian tax system will be based on a standard set of taxes and dues commonly used around the world. These taxes do not affect economic interests of companies. They include

MAZ buses can be found all around the world. Today Minsk Automobile Plant offers 15 models and over 100 modifications of passenger buses





VAT, income tax, property and environmental tax, social security tax. The remaining payments, like excise taxes, customs duties, state duties and license fees are paid if an object of taxation appears. Tax preferences remain in place, for example, for small businesses and the free economic zones, the High-Tech Park, investors operating in small towns and rural communities.

? *What steps will be taken to improve antitrust regulation to materialize the principle “competition instead of monopolies”?*

As we proceed with economic liberalization and ease price regulation, the antitrust regulation is coming to the forefront. It is a more advanced market method of state regulation. In this connection, the government undertakes measures to support fair competition and streamline antitrust regulations.

Presidential Decree No. 499 of 13 October 2009 “On improving antitrust regulation and promoting competition” took effect on 16 January 2010. This document is designed to encourage fair competition, create efficient commodity markets. The decree gives more power to antitrust bodies to prevent monopolistic actions of government bodies and legal persons that violate the rules of fair competition. The document simplifies administrative procedures of antitrust control over economic concentration.

Presidential Decree No. 149 “On introducing amendments and addenda to Presidential Decrees No. 285 of 19 May 1999 and No. 631 of 23 October 2006” was signed on 11 March 2010. Under the decree, antitrust and pricing subdivisions are turned into independent units of the regional executive committee (the decree came into force on 18 June 2010). The decree proved to be highly instrumental for promoting fair competition and efficient operation of local commodity markets. It is important that these units got an opportunity to



protect the domestic market from all kinds of unfair competition by means of preventive, administrative and antitrust measures.

With a view to creating an adequate system to respond to violations of antitrust laws, a law of the Republic of Belarus “On introducing amendments and addenda to some codes of the Republic of Belarus on criminal and administrative responsibility for violating antitrust laws” was drafted. The draft law provides for toughening administrative responsibility, introducing economic and streamlining criminal responsibility for violating antitrust laws. The amendments and addenda are aimed to maintain fair competition, create non-discriminatory and equal terms of doing business on commodity markets.

? *Was the privatization plan for 2008-2010 a success? What are the targets of the next three-year plan?*

The development of investment processes fuelled the privatization of the state property in Belarus.

In 2008 the country commenced a new stage of large-scale and planned privatization; the major principles of privatization re-

mained in place. Presidential Decree No. 7 “On introducing amendments and addenda to Presidential Decree No. 3 of 20 March 1998” was adopted on 14 April 2008. This and other legal instruments formalized privatization processes: now privatization plans are compiled for a three-year period.

In line with the first three-year plan, over three hundred new open joint stock companies were set up in 2008-2010 alone. The enterprises that went private include Minsk Automobile Plant, Belarusian Autoworks, Minsk Vavilov Mechanical Plant, Integral, and Belaruskali.

In recent years, about 20 transactions involving state shares have been made. The biggest of them were deals to sell shares of Beltransgaz, Motovelo, Minsk Watch Plant Luch, Velcom, BeST, Belvnesheconombank and BPS-Bank.

Privatization principles and methods have been clearly defined. The state will retain the ownership of the most profitable enterprises, but we are ready to consider concrete privatization proposals that meet the interests of the state, the given enterprise and its personnel and the local community.

The High-Tech Park doubles software export every year. Since the park was established in 2005, its export has soared over 10 times



Quality management systems of the integral company, Belarus' major designer and producer of microchips, semiconductor devices and liquid crystal displays, have been certified in compliance with ISO 9001:2009 and DIN EN ISO 9001:2008

The state employs a pragmatic approach to privatization: if we are unable to make an effective use of the property, we would rather give it away to someone who will do it better, to a domestic or foreign investor. First thing, we will offer investors non-profitable or unprofitable enterprises with a small number of employees.

As part of the economic liberalization effort the country's parliament has adopted two laws on privatization of state property. These laws incorporate the principle of compensatory privatization, expand tools of privatization and also provide for medium-term planning of privatization processes and improving the assessment of the objects of privatization. In order to expand the privatization framework, we will reduce the list of objects that can be in the ownership of the state only.

Following recommendations of international financial institutions, Belarus has established the National Agency for Investment and Privatization, which will oversee the privatization of enterprises and compile the list of such companies with the participation of the World Bank. The agency will search for potential investors for privatization of state property, provide them with necessary legal and other advice, and assist in implementation of investment projects.

According to the draft privatization plan for 2011-2013, we will complete the process of transforming state-owned enterprises into joint stock companies, which will significantly expand the framework of privatization and create additional opportunities for foreign investors to participate in the process.

By 2012 we will offer for sale all state-owned shares of joint stock companies where the state has less than 50%, except for joint stock companies where the states wants to preserve the blocking package of shares (at least 25% plus one share).

? *Efforts to liberalize pricing policies and business practices in the field of conformity assessment, to streamline administrative procedures and limit interventions by supervisory bodies in business contribute to the better business environment in the country. What other measures are planned in these areas?*

As part of these efforts, we will continue working on liberalization of pricing, reducing the number of areas liable for price regulation, facilitating trade and relaxing pricing and tariff policies. Considerable work in this direction was carried out in 2009 and continued this year.

Transition to market-based mechanisms of price (tariff) regulation is carried out by means of:

- reducing the list of goods (works, services) subject to state regulation of prices (tariffs);
- canceling a requirement to peg economic estimates to applicable prices for all goods (works, services), except for those subject to regulation;
- reducing the size of penalties for violation of the law on pricing.

We will continue working on improving the pricing system, bringing it in line with international practices. State regulation of prices (tariffs) will remain in place in respect of the goods (works, services) that are of strategic importance for the economic security of the country, in respect of products made by monopoly organizations, as well as some socially important goods and services which have a significant impact on living standards.

The country is carrying out systematic work to improve certification rules and procedures, optimize product/services mix subject to mandatory certification. This helps reduce costs of legal entities and individual entrepreneurs on verification of conformity of products/services.

On 18 June 2010 the Customs Union Commission passed Resolution No. 319 to adopt "Single list of products subject to mandatory assessment (verification) in the Customs Union with the issuance of single-type documents". More than 100 products which are currently subject to mandatory certification in the Republic of Belarus will be transferred to the list of products in respect of which verification of conformity in the form of declaration of conformity will be applied starting 1 January 2011.

By 1 January 2012 the Customs Union plans to replace a permission-based principle of verification of conformity of products (works, services) in the form of mandatory certification with the declaration of their compliance and assign full responsibility for



safety and quality of products to manufacturers, importers and sellers.

The main functions of the control (supervisory) bodies are to prevent law violations in entrepreneurial activity, to observe the principle of non-interference with the economic production process of a business entity and revise legislation on liability for violations of law in this area.

It is planned that bona fide business entities (who have no record of law violations) will undergo routine inspections no more frequently than once every five years. Business entities that are in the low risk group will be subject to inspection only in the cases described by legislative acts, unless otherwise is stipulated by international treaties of the Republic of Belarus.

Simplifying administrative procedures performed by govern-

ment bodies in respect of legal entities and individual entrepreneurs is one of the focus areas of our work to improve conditions for doing business.

Thus, in 2009, 19 government bodies canceled 275 administrative procedures, or 35% of the total. In addition, 349 administrative procedures performed by 26 government bodies were made easier.

This year, the work on streamlining administrative procedures has been carried out as part of the plan approved by the government. The plan covers a wide range of activities aimed at improving the business environment, including in architecture and construction, trade, public catering and consumer services.

In this connection I would like to draw attention to the fact that during the implementation of this plan the Economy Ministry

together with other agencies concerned prepared a draft resolution of the Council of Ministers of Belarus to approve a unified list of administrative procedures performed by government bodies and other organizations regarding legal entities and individual entrepreneurs. The draft resolution was introduced to the government on 1 November 2010.

It is assumed that the proposed list will serve as the single registry of administrative procedures performed in respect of legal entities and individual entrepreneurs both by national government bodies and local authorities.

? *Draft Directive No 4, the Law "On public-private partnership", an action plan for 2010 - 2011 to improve business conditions, a number of other documents which have been adopted already or pending*



AlyuminTekhno is a high-tech enterprise that produces, paints and does anodic treatment of extrusionable aluminum shapes. The enterprise is a FEZ Minsk resident company



approval are aimed to ensure maximum involvement of all potential tools for stimulating economic activity in the country. This all is supposed to propel Belarus to the top thirty countries with the most favorable business conditions. What benefits will we gain, in addition to the prestige?

Belarus' presence in the prestigious international ratings and also the measures to bring the country to the top in these ratings are certainly one of the most effective ways to improve the image of the country in the world.

However, the purpose of these efforts is not to get extra points in different ratings, but to carry out sustained reforms in all areas of business activities taking into account recommendations of international organizations and the positive experience of foreign countries.

The desire to move as high as possible on the rating ladder certainly helps to improve conditions for business and innovation activities in the country, attract foreign investment, and also allows to get a clear picture of the problems to be solved in these areas.

The documents you mentioned are primarily aimed at creating an enabling environment for entrepreneurship in the country, including through improved governance.

In turn, the vigorous development of business initiative will help us promote a competitive environment, implement new production and management technologies, facilitate innovative development, attract investment, create jobs, saturate market with goods and services, increase tax revenues to the state budget and as a consequence, improve the welfare and quality of life and promote sustainable development of the Belarusian society in the future. ■

One million tonnes of ore was extracted at the new mine Krasnoslobodsky by Belaruskali in November 2010. After reaching the full capacity, the company will extract three million tonnes of ore per annum



COOPERATION

Belarusian Steel Works (BMZ trademark) has successfully processed a pilot batch of Venezuelan direct reduced iron

According to existing agreements, the company received 5,000 tonnes of basic materials from Venezuela. The basic materials are used as a special high-quality additive in metal smelting. Over a month Belarusian specialists analyzed the quality of various steel grades that can be manufactured using Venezuelan direct reduced iron.

The company started with smelting less complicated grades of steel, in particular, reinforcing steel and gradually increased iron content. Then it switched to quality steel grades and then to steel grades, which are used to make tire yarn.

The results of the testing showed that the Venezuelan raw material absolutely meets all the technical requirements.

Belarusbank has signed a cooperation agreement with International Bank of Azerbaijan.

The purpose of this document is to upgrade payment instruments between the two countries and assist in the most effective solution of other issues arising in the process of cooperation.

Belarus is considering the possibility of IBA's participation in syndicated loans and trade finance to pay for imported cotton. Belarus would like Azerbaijan's leading bank to establish limits for documentary operations.

In 2010, the share of payments on foreign trade contracts with residents of Azerbaijan carried out through accounts of Belarusbank exceeded 70%.

