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INVESTMENT POLICY IN THE REPUBLIC OF BELARUS

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Investments of foreign capital are very important for any developing country. Our republic is no exception. Our research describes the existing level of the economic development of Belarus, the level of its integration into the international economic process, figures out the objectives that are set by the government and observes changes in the economic life aiming at the attraction of investments.

Since Belarus became independent from the Soviet Union in 1991, the country has seen steady economic growth, particularly in recent years. Today Belarusian exports account for 60 % of the GDP; the republic trades with 180 countries.

Now Belarus is the eastern border of the European Union and can become in some way a base for foreign investors in a new promising CIS markets. Well-developed road and railway networks between the EU and CIS contribute to this fact. And the common customs area with Russia provides free access for any potential investor to huge capacities of the Russian territory.

An important factor for potential investment is the fact that in 2007 Belarus was assigned a sovereign credit rating which confirms the stability of the social and economic development of the country. This year, which is difficult for all the countries, the international agencies have confirmed the initially assigned rating.

Belarus is the only country in the CIS that has adopted the Investment Code. And thus our country has a developed investment legislation, which is aimed at stimulation of investment activities, it's governmental support, and guarantees protection of investors' rights in the territory of the Republic. Foreign Investment Advisory Council headed by the Prime Minister is working in the country. Creation of the National Investment Agency is in progress.

The country abolished the procedures of declaring the origin of the capital, guaranteed full return of bank deposits, introduced a five-year moratorium on worsening economic conditions for joint ventures and foreign companies. The investment climate has been considerably improved by the abolishment of the "golden share" rule that was criticized by the international organizations and foreign companies. Time and resources to register and receive a license have been reduced. The principle of the state registration and liquidation of the organisations was adopted. The number of administrative procedures has been consi-

derably reduced. The country amended the legislation related to the land withdrawal and allocation, introduced a unified principle on its auction sales.

Belarus is a member of several main international economic organizations, such as International Monetary Fund (IMF), World Bank, European Bank of Reconstruction and Development (EBRD).

The Prime Minister of Belarus Sergei Sidorsky said at Belarus Investment Forum in London on November 18 2009 that the share of foreign investment will increase to account for 15–20 % of the total investments in Belarus in 2010.

According to him, the Republic of Belarus has been successfully implementing the innovation policy. In the near future over 100 innovation companies will be built and around 400 new high technology and high efficiency manufactures will be created in Belarus.

The Prime Minister of Belarus noted that foreign investments in Belarus have been continuously growing. In 2007 they made up \$5.4 billion, or three times up over 2005, 7.5 times up over 2002. This year a good growth rate remains in place too.

For example, Siemens is ready to invest in the sphere of energy saving and energy efficient technologies in Belarus.

Since 2007, the banking sector has been a highly attractive sector of the Belarusian economy and many foreign investors have actively entered through the acquisition of controlling stakes in private and state-controlled Belarusian banks. Currently, 25 out of 31 banks operating in Belarus have significant foreign ownership (20 banks with 50-100 per cent of foreign investments and 8 banks with 100 per cent foreign investments). For example, the state investment company DEG of Germany will be the shareholder of the Belarusian RRB-Bank. Established in 1921, Fransabank is ranked number one on the list of banks operating in Lebanon and is the oldest bank of this country. Fransabank operates in Belarus in two areas: banking and real estate. Fransa Holding Company and Fransabank acquired a 98.93% stake in the Zolotoi Taler Bank. The move is part of Fransabank's strategy to expand the presence in promising regional and international markets with the high level of economic and investment potential. The Bank will also provide all round assistance to the arrival of international and private Arab capital to Belarus.

In Belarus Fransabank invests and attracts foreign investments in the construction and real estate, for example, in the construction of a business centre and administrative building, shopping centres with the participation of ABC Shopping Malls.

The top managers of the bank are studying the possibility to finance the construction and modernization of deluxe hotels and entertainment centers in the Belarusian capital. The investment projects of Fransabank and Belarus' Architect Ltd. to construct office buildings, shopping malls and entertainment centers in Minsk are estimated at \$320 million.

As a result, the quota on foreign capital participation in the Belarusian banking system has been recently increased. Since 4 September 2008, the quota on foreign capital participation is equal to 50 per cent instead of the former 25 per cent. The actual share of foreign capital in the Belarusian banking sector have grown from 9.8 per cent in early 2008 to 17 per cent as of 1 January 2009.

In May 2007, the Russian company “Gazprom” signed an agreement with the Belarusian government on a step-by-step acquisition of a 50 per cent stake in Beltransgaz, the Belarusian monopoly gas pipeline company, for USD2.5 billion by 2010. This deal has become the largest recorded investment on the Belarusian market. On 5 February 2009, Gazprom transferred the 3rd tranche of USD625 million to the Belarusian government thereby increasing its share up to 37.5 per cent. In 2008, major acquisitions of two GSM providers by Turkcell (Turkey) and Telekom Austria Group (Austria) took place, amounting to more than USD1.3 billion. Further acquisitions by foreign investors were announced in the food and drinks sector, retail, infrastructure and telecommunications sectors.

Interest in the construction of processing enterprises in Belarus has been expressed by the Danone company.

Right on the forum Belarus and Belgium's companies concluded the investment contract of setting up the National Airport Minsk modern transport and logistics park Airpark Minsk.

The number of companies with foreign capital has been increasing in Belarus. Today there are over 4.000 of them from 100 countries.

For the past several years Great Britain has been among the leaders in terms of investments in the Republic of Belarus though Belarus' major investors include Russia, Austria, Switzerland, Germany, Poland and Lithuania.

Our country set a quite ambitious task – to join the top 30 countries with the most favorable doing business conditions. Over 30 laws have been recently adopted to improve the legislation in different economic areas. For instance, the tax burden on the Belarusian economy in 2010 will be reduced by 4.5 percents to GDP compared with the level of 2005. All turnover taxes will be cancelled.

In order to attract investments the country offers a set of preferences to foreign investors in free economic zones, small and medium-sized towns, the rural area, the High-Tech Park. The residents of these territories are partially exempted from taxes, customs fees and receive some other privileges.

The measures taken by the Belarusian government were so effective that the country's achievements were spelled out in the World Bank Doing Business Report 2009.

Belarus is an attractive, safe, and – which is the most important – promising and profitable country for any foreign investments, as all the necessary pre-conditions for the economic development of the country have been created in the republic. The objective of present-day specialists is to maintain and develop it.