

- Capital
- Oblast Centers
- Towns and Villages
- Motorways
- Main Roads
- Railways



**The Republic of Belarus** is a unitary democratic social state based on the rule of law. The state power in Belarus rests in three branches of government: legislative, executive and judicial.

**Official languages** are Belarusian and Russian.

**Geographical position.** Belarus is situated in the middle of Europe at the intersection of major railway and motor routes, oil-, gas pipelines, communications systems between Western Europe, Russia and Asia. Some of the main routes of Eurasia including the shortest ways connecting central and eastern regions of Russia and Western Europe and also the Baltic and Black Seas go through Belarus.

**Administrative division:** the Republic of Belarus is composed of six administrative units, or regions (Brest, Vitebsk, Gomel, Grodno, Mogilev, Minsk), 118 districts, 110 towns and 103 urban communities. There are 15 towns with the population of more than 100 thousand people in Belarus.

**Capital of the Republic of Belarus** is the city of Minsk.

**Population:** 9.714 million people (as of early 2007).



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## MACROECONOMIC SITUATION AND SOCIAL AND ECONOMIC FORECAST OF THE REPUBLIC OF BELARUS: New Trends, Projections and Development Avenues

In the past 10 years the Republic of Belarus has been reporting rapid socio-economic development. In 1997–2006, gross domestic product in Belarus rose more than twofold, manufacturing increased 2.7 times, retail turnover grew 4.6 times, real earnings of the population went up 3.6 times.

The GDP growth basically came on the back of increased production in the leading industries: manufacturing, construction and agriculture.

2006 witnessed an important improvement in the amount of return on sales, which came to 15.5% from 14.5% in 2005.

The GDP growth was fuelled by robust investment activities and a rise in citizens' income which stimulated consumption. Capital investment rose by 31.4% from 2005.

In 2006, 4136 thousand square metres of public housing were constructed and sent into service, including 1716 thousand square metres in rural settlements and small towns.

The per capita income was Br406.1 thousand per month.

The composite consumer price index was 6.6% or 0.5% on average per month and less than projected for the year.

The GDP energy intensity reduced by 4.3% from 2005.

The exchange rate of the national currency remained stable throughout 2006 in spite of the deterioration of the foreign trade balance. The gold and hard currency reserves of the National Bank of the Republic of Belarus rose as net foreign assets of commercial banks reduced. The stability of the exchange rate given high nominal interest rates on loans in Belarusian roubles is aimed at making financial investments in domestic projects profitable and at encouraging foreign investment in Belarus.

To ensure socio-economic development of the country in the coming years, it will be necessary to fulfil the tasks set forth in the Programme of Social and Economic Development of the Republic of Belarus for 2006–2010.

### All-round harmonious development of an individual

In this era of globalisation when people scramble for sales markets and raw materials, and a new post-industrial information society is taking shape, it is person with his/her creative potential, skills, experience and ability to generate ideas and materialise them

who becomes a truly essential resource for economic development. This is why the priority is given to improving the systems of material and spiritual development of man, system of education, healthcare and other spheres contributing to all-round development of an individual.

### Innovation-based economic development policy. Energy- and resource-saving

In the 21st century it is only the countries that follow the path of innovation-based development, with their economies duly restructured and modernised, who will manage to occupy worthy places in the international community. In this respect it is imperative to enlarge the role of scientific research and products of such research and transmute scientific and innovation potential into one of the essential resources for sustainable economic development. The development of science and encouragement of innovation should be aimed at ensuring the growth in demand for new high-quality products and services. For this, there is a need to develop markets, perfect the legislative framework, streamline the turnover of intellectual property and improve its security.

Innovations should be used to create favourable conditions for starting the production of leading-edge resource-saving technologies. This is of strategic importance for Belarus who has to import raw materials and energy resources and who, to produce a unit of output, spends 2–3 times more of these resources than industrialised countries. High intellectual potential of the country should be tapped to ensure the transition from material and energy intensive manufacturing to science intensive and resource-saving and eco-friendly production. The country plans to diversify the energy it consumes and work closer with the neighbouring states to develop systems of transportation of energy resources. Belarusian specialists are also working hard now to ensure the maximum use of domestic types of fuels, untraditional and renewable energy resources.

### Export potential

Without abundant natural resources but with well-developed industry and sci-tech potential, the Republic of Belarus has always focused on growing its exports by supplying eco-friendly competitive goods which are in demand in the world markets. This is the sector of economy, which ensures the inflow of hard currency in the country and represents the driving force behind the progress of traditional industries which, nevertheless, are vitally important.

### Development of the agricultural and related industries. Development of the social sphere in rural areas

Land is one of the major components of our national wealth. Economic growth is impossible without using land efficiently and without ensuring national food security. Under the State Village Revival Programme for 2005–2010, in the coming 5 years large-scale efforts will be undertaken in Belarus to reform agricultural production, encourage investment, including private investment, and develop a social infrastructure in rural areas with a view to bringing the living standards there as close as possible to those in urban settlements, and to promoting the image of a rural way of life.

### Small and medium-size town development

Perfecting the infrastructure of small towns, efforts will be focused on developing regional "poles of growth", which would have



good growth opportunities and favourable location, hence, specific advantages. Of priority importance in the reforming of small towns will be increased emphasis on the development of manufactures supplied with local resources, first of all of food industry, construction materials, timber, woodworking and pulp and paper industries.

### Housing construction

Housing construction is the driving force behind the progress of the construction industry as well as the related industries and manufactures, a material basis for improving the demographic situation in the country and all-round harmonious development of an individual. It is imperative to ensure the construction of high-quality housing with

low energy consumption level. Special attention should be paid to creating favourable conditions for expanding the range of its sources of financing, for promoting saving practices during construction and mortgage lending.

The implementation of the Programme of Social and Economic Development of the Republic of Belarus for 2006–2010 will result in a 46–55% growth in GDP, 43–51% rise in manufacturing and 34–45% increase in agricultural production. Capital investments are expected to soar by 98–115%, production of consumer goods by 50–57%. Foreign trade in goods and services is to grow by 53–60%, including exports by 55–62% and imports by 51–58%. Real earnings of the population are to go up by 49–56% and salaries are to surge by 52–58%.

## BASIC INDICATORS OF SOCIAL AND ECONOMIC DEVELOPMENT OF THE REPUBLIC OF BELARUS

Indicator	Unit	1999	2000	2001	2002	2003	2004	2005	2006	
									projection	result
<b>Nominal GDP</b>	Br, billion	3026064	9133,8	17173,2	26138,3	36564,8	49991,8	65067,1	72600-74700	79231,4
Growth on the previous year	%	103,4	105,8	104,7	105	107	111	109,4	107-108,5*	109,9*
<b>GDP deflator</b>	%	416,8	285,4	179,6	145	130,7	122,7	119	109,5-111	110,8
<b>Manufacturing output</b>	Br, billion	3684247	10501	18612	24912	32382,2	47176,2	62545,4	71040-73330	74770,3
Growth on the previous year	%	110,3	107,8	105,9	104,5	107,1	115,9	110,4	106,5-108*	111,3*
<b>Industrial price index</b>	%	455,8	285,6	171,8	140,4	137,5	124,1	112,1	109-111	108,3
<b>Capital investment</b>	Br, billion	623883	1809	3049,3	4484,6	6684,3	10243,9	15095,9	16618	19221
Growth on the previous year	%	92	102,1	97	106	120,8	120,9	120	113-114	131,4
<b>Housing completions</b>	Square metres, thousand	2917	3528	3009	2811	3026	3501	3786	3700-4200	4136
Growth on the previous year	%	80	121	85	93	107,7	115,7	108,1	98-110,9	109,3
<b>Agricultural output</b>										
Growth on the previous year	%	91,7	109,3	101,8	100,7	106,6	112,6	101,7	106-108	106,1
<b>Retail trade</b>	Br, billion	1502028	4196,5	8171,2	11909,5	14562	19534,0	25230,4	30135-30550	31029,4
Growth on the previous year	%	110,7	111,8	128,2	111,5	110,3	111,5	120	109-110,5	117,7
<b>Chargeable public services</b>	Br, billion	174045	633	1367	2496	4035,1	5212,4	6776,2	8090-8165	8307,2
Growth on the previous year	%	113,3	104,9	109	108,7	111,2	112,9	115,3	108-109	111,2
<b>Foreign trade (without services)</b>	USD, million	12583	15972,6	15737	17113,2	21469,2	30264,5	32687,4	36226-36562	42061,7
Growth on the previous year	%	80,6	126,9	98,5	108,7	125,7	141,0	108	108,2-109,2	128,7
<b>Exports of goods</b>	USD, million	5908,9	7326,4	7450,6	8020,9	9964,3	13773,7	15979,3	17823-17988	19738,5
Growth on the previous year	%	83,6	124	101,7	107,6	124,0	138,2	116	108,5-109,5	123,5
<b>Imports of goods</b>	USD, million	6673,7	8646,2	8286,4	9092,3	11504,9	16490,8	16708,1	18403-18574	22323,2
Growth on the previous year	%	78,1	129,5	95,8	109,7	127,1	143,3	101,3	108-109	133,6
<b>Balance</b>	USD, million	-764,8	-1319,8	-835,8	-1071,4	-1540,6	-2717,1	-728,8	-580-(-586)	-2584,7
<b>Real wages</b>	%	107,3	112	129,6	107,9	103,2	117,4	120,9	108-109	117,6
<b>Real earnings</b>	%	96,6	119,6	128,9	107,6	108	113,6	118,4	107-108,5	117,3
<b>Number of unemployed by the end of the period</b>	People, thousand	95,4	95,8	102,9	130,5	136,1	83	67,9	77,8	52
% labour force	%	2,1	2,1	2,3	3	3,1	1,9	1,5	1,8	1,2
<b>Consumer price index</b>	%	393,7	268,6	161,1	143	128,0	118,1	110,3	108-110	107
<b>Monthly average growth in consumer price index</b>	%	11	6,3	3,2	2,5	1,9	1,1	0,6	0,6-0,7	0,5
<b>Consolidated budget deficit, % as against GDP</b>	%	2,9	0,6	1,6	0,2	1,6	0,04**	0,7	1,5	2,2**

Note: absolute indicators in this table are given in current prices allowing for denomination of January 1, 2000; rate indicators are provided in comparable prices.

\*) With allowance for changes in the method of calculation of the index of physical amount of manufacturing output.

\*\*\*) Consolidated budget surplus.



### BUDGETARY, MONETARY, TAX AND EXCHANGE POLICY

The year of 2006 was the first year of implementation of the Programme of Social and Economic Development of Belarus for 2006–2010. The budgetary results in 2006 showed the targets set forth for the year were fully met.

The domestic government debt is estimated at Br5.2 trillion. It grew by 1.9% as against GDP, the margin being 3% as set out in the "Law on Budget 2006".

The external public debt approximated \$838 million, the margin being \$2 billion. The country ended 2006 with no overdue debts on foreign loans. According to international standards, the amount of external public debt in Belarus is far below the critical level. Hence the government has a potential opportunity to attract new foreign loans.

In 2006, the republican budget revenues outstripped spending by approximately Br1.2 trillion mostly due to surplus reported by the social security fund and due to the newly-created national development fund. Without the contribution of the former two funds the budget deficit would have been minimal although it had been planned at the level of 1.5% of GDP.

The 2006 budget retained its social orientation. The government spent Br21.6 trillion, or nearly 60% of total spending, on the social-cultural sphere and on social policy for it was these spheres that were given priority in budget spending at all levels. Special attention was paid to housing construction. Some Br600 billion was allocated from the republican budget and local budgets for that purpose.

De-bureaucratisation has been recognised as the most important direction in improving the tax system of Belarus. The interaction between tax payers and tax agencies will become clearer and more efficient. The Special Part of the Tax Code of the Republic of Belarus, adoption of which is expected to be accelerated, sets forth a more transparent and stable taxation mechanism. Tax policy measures will be undertaken simultaneously with optimisation of budget spending. It is planned to switch to middle-term budget planning, which would ensure transparency and clarity in the spheres of budget spending and budget revenues in the future.

In 2007, the work of the Government of the Republic of Belarus will aim at creating stable and just terms of taxation, and at reducing the number of taxes applicable and easing the tax burden.

Since the beginning of 2007, 4 types of obligatory payments to the budget have been cancelled; 2 types of payments have been united into one; tax laws have been turning into directly applicable laws; the volume of instruction materials issued by the tax agencies has been substantially reduced.

To preserve the social orientation of the budget will become one of the priority tasks of the Belarusian economy. For this, the Government will develop additional approaches to the issues of providing support for the population, big families and lower-income citizens, of perfecting healthcare, invigorating culture, education and physical culture. It is planned to provide all citizens, regardless of their place of residence, with an equal access to the basic budget services and social guarantees.

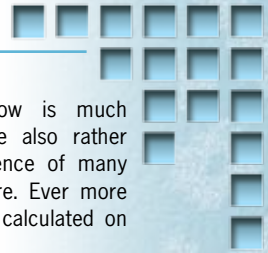
In 2006, the trends in the monetary and credit sphere were generally positive. The exchange policy pursued in 2006 allowed to preserve positive price terms which secured competitiveness of Belarusian goods in the domestic and foreign markets. The average annual value of the real effective exchange rate of Belarusian rouble remained 2.6% below the 2005 level. In December 2006 it fell by 8.4% from December 2005.

In 2006, the National Bank ensured a positive level of interest rates in real terms in the money-market. The official refinancing rate was reduced from the annual 11% as of the beginning of 2006 to 10% as of the end of the year. The reduction in the whole range of interest rates in the financial market fuelled the growth in fixed-term deposits in Belarusian roubles and helped Belarusian banks boost lending to the real economy sector.

In 2006, a long-term stable downward trend in "dollarisation" of the economy continued its march. The share of foreign currency in the broad money supply dwindled from 31.6% to 29.1%.

As of January 1, 2007, the banking system of Belarus included 28 banks with 421 branch offices. Out of them, 26 banks featured foreign capital, including 10 banks with 100% foreign capital. Moreover, in Belarus there are 11 representative offices of foreign





banks headquartered in Russia, Lithuania, Germany, Poland and Kazakhstan.

The return on equity of the banking system in 2006 was 9.6% and return on assets amounted to 1.7% (in 2005 the figures were 6.8% and 1.3% respectively).

As of January 1, 2007, the share of bad loans made up 1.16% (as of January 2006 it was 1.9%), the share of bad assets in assets exposed to credit risk was 2.83% (as of January 1, 2006 it was 3.1%).

In 2007, the work on perfecting the banking sector will aim at making it more stable and efficient, augmenting the competitive power of Belarusian banks, enlarging the scale and quality of their interaction with the non-financial economy sector and the population.

The ultimate goal of the monetary and credit policy in 2007 is to reduce, in tandem with measures of general economic policy, the inflation which is measured by the growth of the consumer price index to keep it within the 7–9% range.

The targets in the sphere of development of the national payment system are to make it effective, reliable and secure; to perfect the national cashless payment system on the basis of electronic payment instruments.

The increase of money supply in the national currency will be tagged to the demand of the economy for money and to the inflation target which is 5% in 2010. To ensure such increase, the National Bank will rely on buying foreign currency and on refinancing operations of banks on the basis of market principles.

## PRICE LIBERALISATION AND ANTIMONOPOLY POLICY

The recent years have witnessed a steady slow-down in the growth of consumer prices. If in 2000 they grew nearly two times and tariffs on chargeable public services 3.2 times, in the years that followed specialists managed to stabilise the situation and adapt the economy to a low-inflation working environment.

In 2006, the country reached its lowest inflation rate in its reformation history, namely that of 106.6% in general per annum, or 0.5% on average per month, which was below the target figures (107-109% and 0.6-0.7% correspondingly). The success came through more adequate use of monetary and credit instruments and exchange policy and due to favourable foreign economic trends. Combining the government regulation and free price formation methods, the country managed to create a certain safety margin with regard to price increase.

Bearing in mind social orientation of the Belarusian economy, government regulation remains applicable, first of all, to goods (services) produced by companies-monopolies and to specific socially-important goods and services that are necessary for sustaining normal life of an individual and which influence socially-unprivileged groups of the population (utilities services, transport, communication, staple foodstuffs, medicine, medical services).

Price formation in the non-food sphere now is much susceptible to market factors. Prices on food are also rather responsive to the demand/supply influences. Presence of many market players is of great importance in this sphere. Ever more frequently tariffs on chargeable public services are calculated on the market basis.

The application of market principles to distribution and realisation of utilities services, which share in the consumer budget is quite significant, is impossible today because the consumer has in fact only one supplier of the services and has no right of choice. The price formation in this sphere is conducted by the government. However, positive changes appear in this sphere too. The changes are aimed at cultivating competitive environment and applying market mechanisms of setting tariffs with a view to boosting the payback of these services. The implanting of market principles in the public services sphere is based, first of all, on encouraging the utilities providers to reduce their production and operational costs and on setting economically justified tariffs. The transition to free price formation will be accompanied by reforms in the public utilities industry and other monopoly-containing spheres, by the formation of a wholesome environment conducive to strong competition and by the growth of citizens' earnings.

It is of prior importance in both the near- and long-term perspective to pursue the course aimed at implementing well-balanced price policy which is based on the optimal combination of mechanisms of government regulation and free price formation. It is also critical to further perfect market price formation mechanisms. In the process of creation of the relevant economic prerequisites, it is planned to gradually reduce the number of goods (types of activity, services) subjected to government regulation but to preserve government regulation of prices (tariffs) for goods (types of activity, services) produced by natural monopolies and for socially-important goods and services. Further liberalisation of prices (tariffs) will be introduced gradually depending on economic situation and growth of citizens' real earnings.

Competition policy and antimonopoly regulation will be polished up in the near future by

- developing legislative basis by bolstering analytical, legal and methodical support;
- working out approaches and methods of preventing and stamping out abuse of power by economic entities that enjoy dominating position in the market;
- using economic and legal instruments to stimulate and support competitive relations in goods and financial markets;
- devising methods for analysing competitive environment in goods markets; assessing whether it is appropriate to interact and what interaction forms to choose to influence the situation as it unfolds;
- ensuring conditions for preventing and stamping out antimonopoly legislation violations.

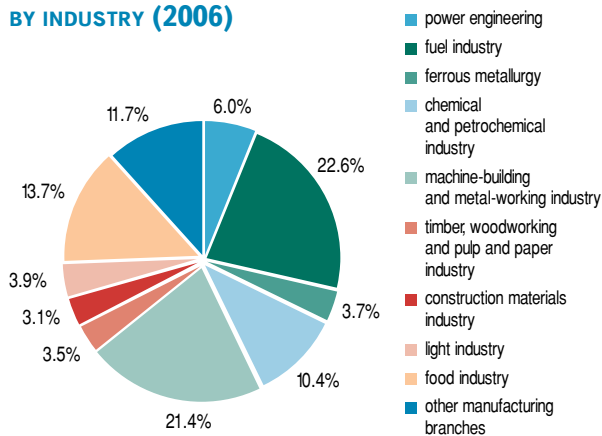


## KEY NATIONAL INDUSTRIES: New Trends and Prospects

### MANUFACTURING

Manufacturing is the biggest Belarusian industry which is essential in the forming of all national economic indicators. Manufacturing enterprises produce over 40% of all goods (activities, services) in Belarus generating 27–28% of the national GDP. Manufacturing products account for nearly 90% of Belarusian exports. It is the manufacturing industry that determines the place of Belarus in the international division of labour and accumulates the biggest part of hard currency revenues. There are around 23 thousand active manufacturing enterprises.

#### MANUFACTURING BY INDUSTRY (2006)



There is high concentration of production in Belarus. Nearly 7% of all manufacturing enterprises make more than 80% of industrial products in the country and employ 65% of all personnel involved in manufacturing. High concentration of production is seen in such industries as the fuel industry, ferrous metallurgy, chemical and petrochemical industry, where three biggest companies account for more than 60% of the total output.

Manufacturing is the most dynamic industry in Belarus, which has been growing faster than other national industries and which has been a major influence on the GDP dynamics. In 2006, the fastest growing industries within the manufacturing branch of the economy were the following: fuel industry (123.1%), mechanical engineering and metal-working (110%), construction materials industry (114.7%).

The near-term goals in the sphere of manufacturing are as follows: to ensure sustainable growth of production on the basis of modernisation and reconstruction of the existing manufactures; to perfect the structure of the industry by placing emphasis on the promotion of export-oriented and import-substituting, high-technology and science intensive manufactures with a high amount of added value. For this, in 2007–2010, it is planned to speed up the upgrade of the basic production assets and intensify investment-innovation activities. The priority areas in the development of manufacturing industry will be:

- promotion of resource- and energy-saving;
- new materials and new energy sources;
- medicine and pharmacology;
- information and telecommunication technologies;
- bio-technologies of industrial application;
- promotion of manufactures running on local fuels.

On this basis, by 2010 the manufacturing output is planned to grow by 43–50% over 2005.

To meet the targets in these priority areas, it is planned to:

- create high-precision computer-assisted equipment including flexible production modules and instruments;
- develop physical, chemical and bio-technological processes of obtaining new substances and materials of various application, including nano-materials and nano-technologies, new technologies of shaping, consolidating and restoring articles made of metal and non-metal materials;
- create systems and means of measurement, technical diagnosis, optical-mechanical and optical-electronic articles of new generation;
- create new-generation hardware components for manufacturing equipment and household appliances, equipment for their production, optoelectronics and microwave electronics, up-to-date electric technical articles of microsensorics;
- create new-generation road maintenance and special equipment, public transport vehicles and engines for them;





BelAZ equipment testing area

- develop and start using energy-efficient equipment, materials and technologies including those designed to run on local fuel and energy resources, untraditional and renewable energy sources;
- create systems of navigation-temporal support, computer means and systems, means of communication, including digital television and equipment for cable networks;
- develop and produce computer-aided control systems.

**Machine-building complex** of the Republic of Belarus has high-tech production and scientific potential. It includes over 300 companies and manufactures. In 2006, the output growth was 14%.

The automobile industry and agricultural machine-building are the biggest parts of the machine-building complex represented by a number of companies which products are well-known beyond the confines of Belarus.

The biggest companies of the Belarusian automobile industry are Minsk Automobile Works (MAZ), Belarusian Automobile Works (BelAZ), Minsk Wheeled Tractor Plant, Minsk Bearing Plant.

Minsk Automobile Works (MAZ) is one of the biggest manufacturers of heavy-duty trucks, trailers and buses in the CIS. The company manufactures around 300 types and subtypes of heavy-duty trucks and over 30 types of buses. More than a half of the output is exported.

In 2006, MAZ launched the production of new-class medium-duty trucks of various types with the load capacity ranging between 4.5 to 5 tonnes furnished with 136-155hp engines manufactured by Minsk Motor Works. Lately MAZ started the production of a medium-duty linehaul train with a comfortable cab, which meets the Euro-3 ecological requirements.

In 2007, MAZ started creating facilities to produce a range of vehicles meeting Euro-3 and Euro-4 and, later in the future, Euro-5 requirements.

Belarusian Automobile Works (BelAZ) is one of the seven biggest producers of quarry machinery in the world. It holds one



third of the world market and 96% of the CIS market. BelAZ trucks work in more than 50 countries.

BelAZ designs, produces and sells quarry trucks of high and extra-high load capacity (from 30 to 280 tonnes), road construction equipment, various types of quarry machinery, special transport for metallurgical industry and airtows for planes with the takeoff weight of up to 260 tonnes.

In 2006, BelAZ launched the production of trucks with the load capacity of 60-220 tonnes taking into account peculiarities and conditions of future exploitation by the customer; produced and started testing a quarry truck with a 320t load capacity; started the manufacturing of three-axle all-wheel drive truck BelAZ-75821 with a 36t load capacity for road construction and exploitation in places where there are no roads.

Minsk Wheeled Tractor Plant produces truck tractors and chassis for crane equipment. The company manufactures a range of special-purpose off-highway all-wheel drive chassis for various kinds of machinery, all-wheel drive tetraaxial trucks with their load capacity ranging from 21 to 27 tonnes.

Minsk Bearing Plant produces bearings and bearing-related goods. The company specialises in the production of 6 main



Main assembly line at Minsk Automobile Plant (MAZ)



5,000th MAZ bus leaves assembly premises





Engine assembly  
at Minsk Motor Works (MMW)



MTZ equipment  
exhibition



New combine KZS-1218  
harvests barley

constructive groups of bearings (ball bearings, needle-bearings, cardan bearings, roller and spherical bearings, tapered bearings and jointed bearings). Minsk Bearing Plant manufactures 600 standard sizes and types of bearings. Every year the company produces up to 35 million bearings.

**Modern agricultural engineering industry** is represented by around 40 companies. The flagships are Minsk Motor Works, Minsk Tractor Works, Gomselmash, and Bobruiskagromash. Minsk Gear Wheel Plant, Mozyr Mechanical Engineering Plant, Brestselmash, Lidselmash and others are major producers.

Minsk Tractor Works (MTZ) is the main producer of wheeled tractors in the Commonwealth of Independent States. MTZ products are recognised in over 100 countries and account for 7–8% of the world's tractor sales.

The company offers over 70 models of Belarus tractors. The choice of tractors includes three families: small-scale tractors with the capacity of up to 35 hp for small farms and subsidiary plots, all-purpose tractors with the capacity varying between

50 hp and 130 hp and general-duty tractors with the capacity ranging between 155 hp and 300 hp. Besides, the company manufactures an extensive choice of special purpose machines, which can be used for logging and forest tending, street cleaning and refuse collection, mining and other purposes.

In line with the 2005–2010 MTZ business development plan the company is to gradually increase the production capacity to reach the annual turnout of 75,000 tractors.

Minsk Motor Works (MMZ) is a major producer of tractor and automobile engines with the capacity ranging between 60 hp and 230 hp. Offering over 100 models, the company sells 60% of the make on the home market. The company is working hard to design a new family of advanced four- and six-cylinder diesel engines with the capacity of up to 350 hp. The new products will meet Euro-2 and Euro-3 requirements.

In 2006 the company designed a family of new six-cylinder engines with the nominal capacity of 300 hp and 350 hp compliant with Euro-3 and Tier-3A requirements for MAZ automobiles, Gomselmash and Lidagroprommash harvesters, MTZ tractors. The company has designed and is testing Euro-3-compliant engines.

Gomselmash is the largest CIS producer of grain and forage harvesters. The company offers a high-performance forage harvester Polesie-800, a self-propelled forage harvester KZS-10K, grain harvesters KZR-10, KZS-7, KZS-10K, Lida-1300. The company has rolled out a pilot model of a high-performance grain harvester KZS-1218, which throughput equals at least 12 kilograms of grain per second. The machine is unparalleled in the CIS. The company has started producing two-row potato harvesters PKK-2-02, three-section mowers-crushers KPR-9, self-propelled flax harvesters KLS-3,5 and other products. Efforts are made to promote the make to non-CIS states (China, Argentina, Brazil).

By 2010 the industrial output is supposed to increase by 10%, while the production of grain and forage harvesters is expected to swell by over 30%.

Lidselmash is a major producer of potato cultivation machines with one hundred years of history. The company offers over 40 models of agricultural and other machines.



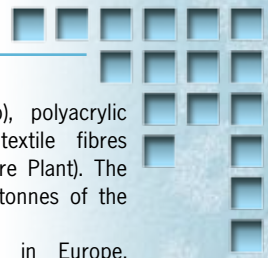
Manufacturing process  
at Research and Production  
Corporation Integral



Household appliances  
manufacturer Atlant



Vityas quality control  
department



Grodno Azot

In 2006 Lidselmash together with Polish Araj company started the production of a grain dryer C-616 for refitting domestic farming companies and exporting the product.

**Machine-tool engineering and toolmaking industry** unites companies, which produce manufacturing equipment, metal-cutting and metal-working machine tools, compression-type machines, automated lines for metalworking and assembling, processing centres, auxiliaries and instruments.

As part of the state programme Belarus Machine-Tool Engineering, which covers the period of up to 2010, efforts will be continued to design a complex of metal-working and high-precision automated equipment, including production models and tools.

Industrial capacity of **knowledge-intensive mechanical engineering industries, namely electronic engineering, optical industry and instrument engineering**, is an interrelated complex of manufacturing, R&D companies.

Instrument engineering specializes in instruments, measuring and test equipment, aircraft navigation and piloting equipment, antiskid solutions for automobiles and other instruments.

Electronic engineering and optical industry produces microchips using submicron technologies. As part of joint Belarusian-Russian programmes Research and Production Corporation Integral continues developing and manufacturing special technological equipment used for 0.5–0.25-micron very large scale integration and for manufacturing a range of modern optical equipment using controlled shaping for producing new-generation optical mechanic and optical electronic parts.

The Republic of Belarus is one of the largest producers of certain consumer goods. Horizont and Vityas TV sets as well as Atlant refrigerators are well-known far outside the country.

Several state and scientific programmes are being implemented in Belarus to design and start manufacturing new salable industrial and consumer goods and to improve the quality and competitive ability of products developed earlier. Those are the state programme 2006–2010 Belarus Radio Electronics Development, the state programme Development of Automobile, Tractor and Harvester Engineering in the Republic of Belarus in 2003–2005 and up to 2005, programmes Machine-Tool Engineering, Radio Electronics, Belarusian Medical Equipment, a state import substitution programme and others.

**Chemical and petrochemical industry** is one of the largest and most important branches of the national industry.

The largest companies are Belaruskali, Grodno Azot and Gomel Chemical Plant. They offer an extensive choice of potassium, nitrogen and phosphor fertilisers. Belarus is one of the world's largest producers and exporters of potassium fertilisers.

The Republic of Belarus produces all kinds of chemical fibres and man-made yarns: nylon (by Grodno Khimvolokno), polyester

(Mogilevkhimvolokno and Svetlogorsk Khimvolokno), polyacrylic fibres (Polymir), viscose industrial fibres and textile fibres (Svetlogorsk Khimvolokno and Mogilev Synthetic Fibre Plant). The available capacity allows producing up to 300,000 tonnes of the make per annum.

Belshina is one of the biggest producers in Europe, manufactures 192 standard sizes and exports over 160 standard sizes of tyres for cars, trucks, heavy haulers, buses, trolley buses, loaders, construction machines, tractors and agricultural machines. The product choice the company offers constantly expands to suit market trends.

The main development goals and priorities of chemical and petrochemical industry companies are improving their performance, increasing the turnout and export, enhancing the quality and developing new kinds of products. To hit the targets, new technologies designed to minimise ecological impact, utilise energy saving and rational ecosystem exploitation are being introduced. Special attention is paid to the complex processing of raw materials and utilisation of production waste.



Extraction of potash fertilisers in a Belaruskali mine



Belshina



Production Association Khimvolokno, polyester textile fabrics production

**Light industry** unites 16 subindustries and dozens of businesses. Over half of the make is exported. Apart from consumer goods the industry manufactures a significant number of industrial-use products.

A large share of products manufactured by private companies (around 85%) is a characteristic trait of the Belarusian light industry. The largest producers, which account for some 80% of the industry's output, are part of the Belarusian light industry concern Bellegprom.

There are plans to implement three major investment projects using bank loans and disbursing part of the interest payment with the aid of the national budget in 2007:

- retooling of knitwear and garment production facilities of Kupalinka company in order to boost the output of competitive products;
- remodelling of yarn production facilities of the Kobrin-based spinning and weaving factory Ruchaika in order to boost the output of high-quality yarn;
- acquisition of in-line equipment worth Br1.15 billion by Vitebsk-based hosiery, underwear and outwear producer KIM with a view to increasing the output of competitive make.

There are plans to continue efforts to perfect the product choice by commissioning new kinds of equipment, raw stock and intermediates of Belarusian producers.

There are plans to develop and start using technologies for producing new types of yarn, textiles and knitwear using domestic raw flax as well as plans to produce new artificial fibres and threads, modifications of viscose and multifilament polyester threads in view of current fashion trends.

## FUEL AND ENERGY INDUSTRY

Fuel and energy industry includes systems for extraction, transportation, storage, production and distribution of all kinds of energy resources: gas, oil and oil products, solid fuels, electricity and thermal energy. **Power engineering and fuel extraction** are dominating industries.

The fuel and energy industry has been tasked with decreasing the dependence of the national economy on risks



related to energy supplies as well as increasing the share of locally available fuels, unconventional and renewable energy resources in the national consumption as much as possible.

Last year the natural gas consumption totalled 20.8 billion cubic metres. Power engineering accounted for some 75% of the consumption, chemical and petrochemical industries – around 8%, households – around 7%.

**Power engineering** is one of the leading branches of the national economy. It traditionally has a high technical and engineering capacity and secures the rapid development of various branches of the national economy. The industry is represented by 32 heat power plants with the installed capacity of over 7,700 MW (including three condensation power plants and 29 combined heat and power plants), several small power stations and hydropower stations, 36 district boiler houses, a well-developed power grid infrastructure.

In 2006 Belarus consumed around 36.1 billion kWh of electricity, while the power plants of the state power engineering concern Belenergo generated 31.8 billion kWh of electricity. Belarus imported 5.48 billion kWh and exported 1.18 billion kWh.

The implementation of the state programme for the modernisation of basic production assets of the Belarusian power engineering industry, energy saving and increasing the share of domestic fuel and energy resources in 2006–2010 will allow:

in the power engineering industry:

- increasing the national energy security level thanks to renewing the basic production assets of the Belarusian power engineering industry, effective utilisation of fuel and energy resources and increasing the consumption of locally available fuels, unconventional and renewable energy resources;
- increasing reliability of the Belarusian power engineering system as a whole by renewing the basic production assets;

in the social sphere:

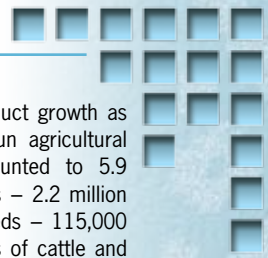
- increasing the number of jobs at new facilities, all phases of extraction, production, transportation, and utilisation of local fuels and alternative energy resources;
- increasing tax payments to the national budget and local ones;

in the manufacturing industry:

- increasing the turnout and consumption of local fuel and energy resources up to 6.17 million tonnes of oil equivalent by 2010;
- decreasing the deterioration of the basic production assets of the power engineering industry from 60.7% to 45.8% (14.9% down);
- decreasing the GDP energy intensity by 25–30% as against 2005.

Catalytic cracking  
at Mozyr Oil Refinery





The total funding needed to implement the programme is estimated at \$5,167.5 million, including \$2,567.5 million to be spent on modernising and enhancing installations of the Belarusian power grid; \$1,852.2 million – energy-saving measures in other branches of the national economy; \$747.8 million – increasing the consumption of locally available fuels.

In 2006 possibilities of utilising nuclear power engineering were analysed. The research proved the economic advisability of building a nuclear power station. The optimal solution suggests commissioning a 2,000 MW nuclear power plant after 2015 to decrease the prime cost of power production down to 20%. Besides, the nuclear power plant will decrease the natural gas consumption by 3.6-3.7 billion cubic metres per annum.

Belarus' **fuel industry** is represented by companies engaged in oil and peat extraction and processing. In the country there are two major oil refineries – Naftan and Mozyr Oil Refinery. Last year Belarusian oil refineries processed 21.3 million tonnes of crude oil, 107.6% as against 2005.

With a new catalytic cracker commissioned by Mozyr Oil Refinery and a hydrocracking installation built by Naftan, the crude oil upgrading index approached 70%. Oil products manufactured by the Belarusian refineries in 2006 met European standards and are competitive on the European oil products market.

Enterprises of the peat industry are focused on processing local raw stock – peat. In 2006 Belarus' peat extraction neared 2.3 million tonnes (96.5% as against 2005), while the production of peat bricks approached 1.25 million tonnes (103.5% as against 2005). Plans have been worked out to largely increase peat utilisation as fuel through refitting existing or building new boiler houses and mini combined heat and power plants.

**AGRICULTURE**

Agriculture has a special place in the social and economic development of the Republic of Belarus. Farming land occupies 43.4% of the country's territory, with ploughing land occupying as much as 26.5%. In Belarus there are 0.9 hectares or farming land and 0.56 hectares of ploughing land per capita.

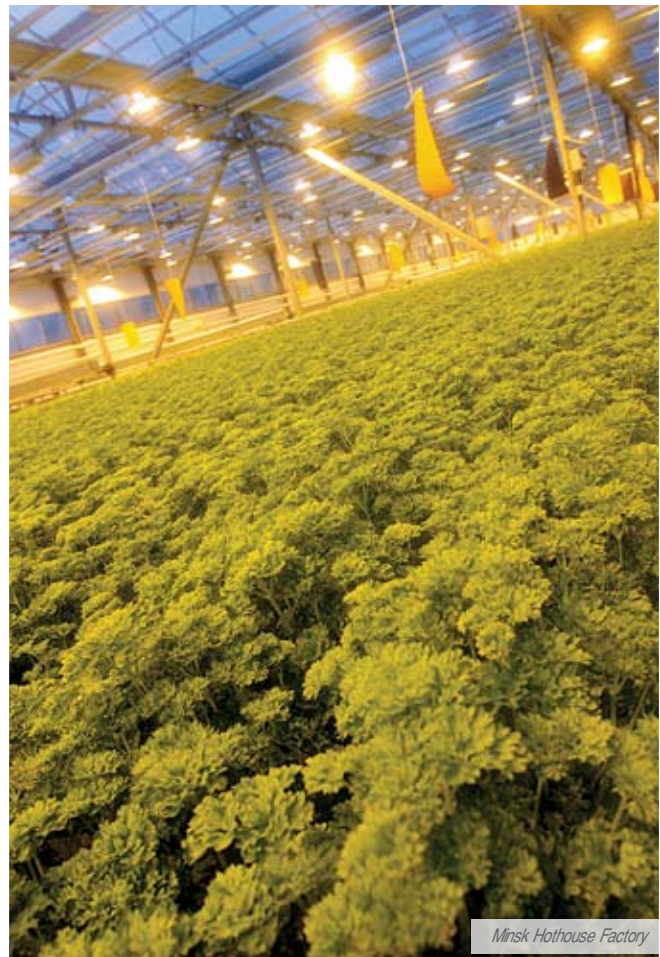
Major efforts have been put into the reconstruction and remodelling of agricultural processing companies. Simultaneously efforts were launched to deepen the specialisation of the Belarusian agricultural industry, retool it and introduce industrial technologies. Conditions have been created to bring about self-supporting companies and allow privatisation, first of all, privatisation of companies operating in the red. The efforts were fruitful. In 1997 there were 417 unprofitable companies. By late 2004 the number shrank to 295. In 2006 the number of unprofitable companies was as small as 24, or 1.3% of the total number. Planned repairs and maintenance as well as melioration measures have been accomplished. Across the country 14,000 hectares of melioration systems have been reconstructed, 13,500 hectares of lands dried earlier have been commissioned.

In 2006 Belarusian farms secured the gross product growth as high as 6.1%, with the production growth in state-run agricultural companies as high as 9%. Grain production amounted to 5.9 million tonnes, potato – 8.3 million tonnes, vegetables – 2.2 million tonnes, sugar beet – 3.98 million tonnes, rape oil seeds – 115,000 tonnes, milk – 5.94 million tonnes, 1.1 million tonnes of cattle and poultry in live weight terms have been sold.

In 2007 the gross output of all agricultural producers is supposed to increase by 6–7.5%, with the output of state-run agricultural companies expected to swell by 7.5–8.5%.

The future development of the agricultural production is determined by the 2005–2010 State Village Revival Programme, which outlines a set of measures meant to advance the agribusiness production and to create the necessary social infrastructure for a comfortable life in rural areas.

The higher effectiveness of the agriculture will be secured through continued deeper specialisation of agricultural producers, further improvement of soil fertility and the capability of meliorated



Minsk Hothouse Factory



Sowing



Starina dairy of Minsk Vegetable Factory

Shipping of another batch of saw-timber at the logging station of the Chechersk special-purpose forestry enterprise



Production of wood chips to be subsequently used as fuel at mini-cogeneration plants



lands, motivated development of large-scale agricultural producers, a larger role for farmers, an improved economic organisation structure, technical refitting, scientific and personnel support of the agriculture combined with goal-oriented realistic governmental support of the agribusiness.

## TIMBER INDUSTRY AND WOODWORKING

The timber industry of the Republic of Belarus is an integrated array of branches and production facilities of the timber industry, forestry industry, woodworking, paper-and-pulp industry. The key link in the industry's technological process is timber, which is the main product of the timber industry and is used as raw stock by wood-sawing, woodworking, veneer, matches, wood board production facilities as well as the furniture industry, pulp-and-pasteboard industry, and wood chemical industry.

Forest resources rank among the major natural assets of Belarus: the area of forest reserves amounts to 9.35 million hectares, the reserve of arrearage forest stand – 1.43 billion cubic metres, forest-land percentage – 37.7%. In the country there are 147 cubic metres of timber per capita, 2.3 times more than the average indicator worldwide. Such fine wood as pine (55%), birch (18%) and fir (12%) prevail in the structure of the timber reserves. Every year Belarusian forests yield 13–15 million cubic metres of timber, satisfying the domestic demand and allowing the country to export around 2 million cubic metres of commercial timber.

The Republic of Belarus has well-developed **timber, woodworking and pulp and pasteboard industries**. The lumber industry can be subdivided into the logging industry (15.4% of the total output), woodworking (67.6%), pulp and pasteboard industry (16.4%) and wood chemical industry (0.6%). Furniture making plays the key role in the woodworking industry.

The largest and best equipped companies are run by the Belarusian state timber industry concern Bellesbumprom, which accounts for 54.9% of the industry's turnout. The concern has an extensive network of dealers in several countries, trading houses and proprietary shops in the largest cities of Belarus, Russia, Ukraine and Kazakhstan.

Pinskdev is the leader of the Belarusian woodworking industry. It is the largest company of the Belarusian timber industry. The company's annual turnover exceeds \$85 million. The company includes 31 subsidiary companies such as an integrated logging-lumbering enterprise; plants, which produce chip wood boards, plywood, crossband veneer, cushioned furniture, and matches. The company offers over 1,500 product titles. Pinskdev exports account for 34% of exports of furniture and woodworking products of the Bellesbumprom concern.

Svetlogorsk Pulp and Board Plant is the largest producer of the Belarusian pulp and paper industry. The company is the country's only producer of cellulose. Last year it turned out almost 60,000 tonnes of cellulose.

The Belarusian timber industry is an export-oriented branch of the national economy: every year it exports around 60% of its production, including around 80% of the total output of wood fibreboard, 70% of plywood output, 65% of furniture turnout, over 50% of produced sawn timber and chip wood boards. In 2006 the products were exported to almost 70 countries in Europe, America, Asia and Africa. The industry's product choice is dominated by finished products: furniture, wallpapers, paper, pasteboard and articles thereof, chip wood boards and wood fibreboards, veneers, joinery.

In the near future the industry will concentrate efforts on increasing the competitive ability through more vigorous investment efforts and a major renewal of the basic assets, the remodelling of existing facilities for advanced processing of raw wood and construction of new ones. The robustness and effectiveness of the industry's performance will be based on rational, comprehensive and sustainable use of forestry resources for the sake of the present and future generations.



Construction of a newsprint mill in Shklov



A newsprint mill with the annual turnout of 40,000 tonnes will be built in Shklov in 2007. The newsprint mill in combination with a wood-sawing facility and a proprietary installation for producing thermomechanical pulp will improve the utilisation of raw wood resources. Several promising investment projects will be accomplished in 2007-2010: the construction of six sawmills with the annual lumber processing capacity of 600,000 cubic metres, two particle board plants with the production capacity of 250,000 cubic metres each per annum, three medium-density fibreboard plants with the total production capacity of 300,000 cubic metres as well as the construction of two plants for producing wooden house skeletons.

## TRANSPORT AND COMMUNICATIONS

The Republic of Belarus is a transit country located between East and West. The shortest railway and motorway routes connecting Western Europe with the CIS states, Southern Europe and Central Europe with north-western regions of Russia, Scandinavia, central parts of Russia with the Kaliningrad region, Baltic Sea ports with Black Sea ports pass through Belarus.

**Railroad transport.** The length of Belarusian railways amounts to 5,500 kilometres. The creation of a system for automated identification of trains was a major accomplishment, which contributed to raising the effectiveness of service export of the Belarusian Railways. The system allows locating a train and estimating its transit time fast. Efforts are exercised to allow passenger trains travel at speeds of up to 160 kilometres per hour on the route Brest-Minsk-Osinovka – a major part of transport corridor No. 2 Berlin-Warsaw-Minsk-Moscow.

Papers have been prepared for railway administrations of Russia, Belarus, Poland and Germany to set up a joint venture Eurasia Rail Logistic in order to improve the quality and volume of railway freight traffic in the International Transport Corridor No. 2 and more fully utilise the market potential of freight traffic on the route Asia-China-Russia-Western Europe and round about. Cutting-edge technologies are being assimilated

to allow the passage of rapid container trains in transit via Belarus.

Efforts are continued to deploy a modern computer network and plug it into the united computer network of the CIS and Baltic states. The construction of a fibre-optic channel on the route Krasnoye-Orsha-Minsk has been completed. Efforts are continued on the route Minsk-Baranovichi-Brest.

The Belarusian Railways vigorously co-operates with international transportation authorities such as the Railway Transport Council of the CIS and Baltic states, the Organisation for Co-operation of Railways, the International Union of Railways, Forum Train Europe.

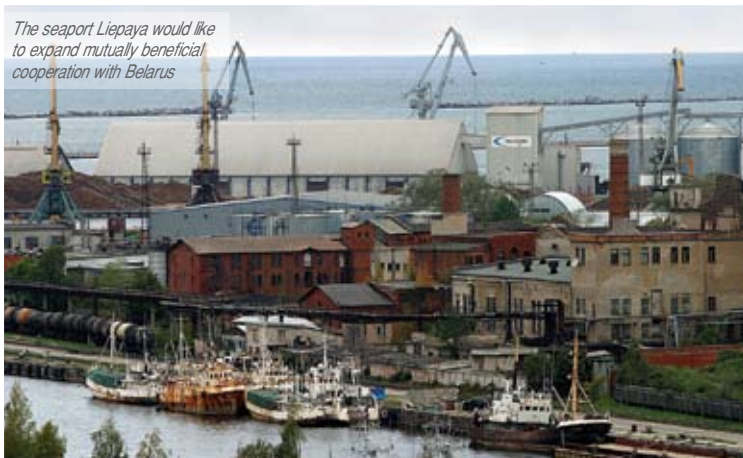
**Automobile transport** and motorways. In Belarus there is an extensive network of motorways, which allow all-year communication with all populated communities. The length of public motorways makes 83,600 kilometres, including 15,400 kilometres of national motorways and 68,200 kilometres of local motorways. The motorway M1/E30 Brest-Minsk-the Russian border (592 kilometres) continues the European motorway Cork-London-Berlin-Warsaw. The motorway Kaliningrad-Kaunas Vilnius Minsk-Gomel crosses Belarus from the north-west to the south-east to allow delivering cargoes to major sea ports. The motorway Saint Petersburg-Odessa passes through Vitebsk, Orsha, Mogilev and Gomel connecting the north-western region of Russia and Scandinavian countries with Ukraine and Baltic Sea ports. The motorway Minsk-Grodno-Gdansk is the shortest route between the northern part of Western Europe and Belarus, Russia and Ukraine via the sea port Gdansk in Poland.

In 2006 routine repairs were performed at 1,640 kilometres of national motorways and 2,057 running metres of bridges, overhaul maintenance – 416 kilometres of roads and 3,139 running metres of bridges. Across the country 76,5 kilometres of roads were built, including parts of motorways M3, P20, M4, M10, three pedestrian crossings on the Minsk ring road and others. Bridges were built in the town of Verkhnedvinsk and the village of Alexandria of the Shklov region, efforts were put into





*The seaport Liepaya would like to expand mutually beneficial cooperation with Belarus*



further development and improvement of roads, which make part of trans-European transport corridors.

There are more than 1,116 curb service facilities along motorways.

**Air transport.** Belarus' largest airport is national airport Minsk. There are other airports in the cities of Gomel, Brest, Grodno, Vitebsk, Mogilev and Minsk-1 airport in the city of Minsk. National airlines Belavia is the largest passenger transportation company of Belarus, accounting for around 90% of passenger transportation by air.

At present regular flights take off from two airports heading for 14 cities in non-CIS states, with regular flights taking ten routes to CIS states. Charter flights to and from many countries are available.

In 2006 five new airlines emerged on the Belarusian market, namely Czech Airlines, Turkish Airlines, Alitalia, Georgian Airways and Armavia. Starting 2007 Azerbaijan Airlines performs flights Baku-Minsk-Baku while airBaltic performs flights Riga-Gomel-Riga. Interstate and intergovernmental air transport agreements have been signed with 39 countries. Efforts are put into unifying Belarusian civil aviation regulations with legal acts of the Russian Federation, standards and best practices of the International Civil Aviation Organization.

**Pipeline transport.** There is an extensive network of oil and gas mains crossing Belarus. The Druzhba pipeline delivers crude oil to Polotsk and Mozyr oil refineries. It includes long-distance pipelines Unecha-Polotsk-Ventspils, Polotsk-Birzai-Mazeikiai with a completed technological cycle. Gas transit employs gas mains Torzhok-Minsk-Ivatshevichi, Ivatshevichi-Dolina, Ivatshevichi-Slonim-Grodno, Minsk-Vilnius, Minsk-Gomel, Kobrin-Brest-Warsaw, Yamal-Europe, Dashava-Minsk, Ivatshevichi-Vilnius-Riga.

In 2006 all kinds of transport (except for pipeline transport) shipped 448.1 million tonnes of cargo (107% as against 2005) and 2,496.8 million passengers. In particular the automobile transport carried 1,495.2 million passengers, railways – 99.4 million, airways – 0.5 million and the inland water transport – 0.2 million.

*Boeing 737/500 in the national airport in Minsk*



*A linear operating dispatcher station Mozyr of the Gornetransneft Druzhba pipeline*

In the future the transport industry will focus on:

- creating conditions for innovation-based development of the industry and attracting investments;
- perfecting the legal base of the transport industry to secure equal competition for providers of transport services;
- creating favourable conditions for the development of transit and export-import transportation;
- assimilation of cutting-edge technologies for transportation routines used in international transport corridors No. 2 and No. 9;
- gradual deployment of a transport logistic system;
- renovation of production potential.

**TELECOMMUNICATIONS**

In 2006, the communications services in Belarus accounted for 2.5% of GDP, having increased by 0.4% as against 2005.

The market of mobile telecommunications services reported a robust growth. The number of subscribers to mobile operators increased by 1.9 million people over the previous year and the number of new subscribers to landline services grew by 83.7 thousand. The communications services to legal entities and natural persons jumped by 22.7%, paid telecommunication services via all market outlets soared by 23.5%.

In 2006, construction and reconstruction of telecommunication and broadcasting networks continued. As of late 2006, 67% of switching facilities of local telephone systems were digitalized.

There are about six million mobile subscribers in Belarus. The mobile networks cover over 75% of the country's territory with over 92% of Belarusian population.

The Internet bandwidth grew four times over a year to 1.86 Gbps. The installed capacity of the broadband connection grew ten times to about 32,000 ports over a year.

There are four mobile operators in Belarus which provide services of GSM and IMT-MC-450 standards. A 3G mobile network is planned to be set up. Frequency resources will be allocated to established and emerging mobile operators on a tender basis.

As of January 1, 2007, there were 226 landline phones per 1,000 rural dwellers; 263 underpopulated villages had landlines installed.

The priority areas of the industry development in 2007–2010 are:

- developing landline and mobile networks allowing for protection from an unauthorized access and providing networks' reliability in emergency and during martial law periods;
- upgrading communications networks via replacement of the analog switching gear for digital equipment maximally using Belarus-made products;
- boosting data transfer services in landline and mobile networks and creation of conditions for a transition to



packet switching telecommunication networks providing broadband Internet access and proper servicing quality;

- introducing new promising information and telecommunication technologies through organization of joint research and design projects of domestic manufacturers and scientific companies;
- improving the legal base and standard acts regulating communications, broadcasting, telecommunications, communication means, networks and facilities.



## SCIENCE AND NEW TECHNOLOGY



Main building of the National Academy of Sciences of Belarus

Being one of the highly developed industries of the Belarusian economy, science and science-related services have great potential. There are more than 300 scientific, research and design companies in Belarus. Over 30,000 people are involved in R&D programmes. Among them are 800 holders of doctor and 3,200 of PhD certificates. The Republic of Belarus has a well-developed system of scientific training. Salaries in the scientific sphere were raised to the average nation-wide level.

About 400 advanced technologies are developed in the country yearly. Products of domestic research are applied in auto-making and tractor industry, microelectronics, public transport, gear for dealing with emergency situations, TV sets, medical, laser and sensor equipment, high-quality medicines, new varieties of plants, etc.

Belarusian achievements in the area of laser and plasma technologies, optronics, new materials, methods of technical

diagnostics, chemical synthesis, plant selection, data processing have received international recognition. The vast majority of Belarusian manufacturers have updated their offering range in recent years.

In 2007–2010, as many as 100 new companies and 386 new production facilities will be set up, 600 companies will be upgraded via introduction of 900 advanced technologies. A total of 1,100 new and upgraded companies will become more competitive in the European and global markets. The innovation development will be based on domestic scientific projects and technologies.

The main scientific establishments consolidating financial and personnel resources are the National Academy of Sciences of Belarus (NASB), Ministry of Industry, Ministries of Education and Healthcare, Belneftekhim concern. The nucleus of the scientific potential and the country's leading research centre is the National Academy of Sciences of Belarus. NASB institutes conduct research in the area of laser physics, principal physics of synthesis of new materials used in engineering, electronics and other branches of the national economy; they develop theoretic and applied fundamentals of information technologies, security, reliability and diagnostics of technical systems. NASB studies issues connected with the use of natural resources, terrestrial and aquatic ecosystems; develops scientific basis of protection and management of natural resources; holds research into flora and fauna vital processes control at the molecular level; studies and develops scientific aspects of the main biotechnical selection processes and physical and chemical mechanisms of biosystems. The products of scientific research in priority areas have practical application in healthcare. NASB specialists also study mechanisms of control of body functions, the influence of natural and man-caused factors on people. The fundamental research conducted at NASB aim at promoting progress in the country in the areas of national economy, philosophy, sociology. They also aim at building



Belarusian supercomputers SKIF rank in Top 100 most powerful computers in the world

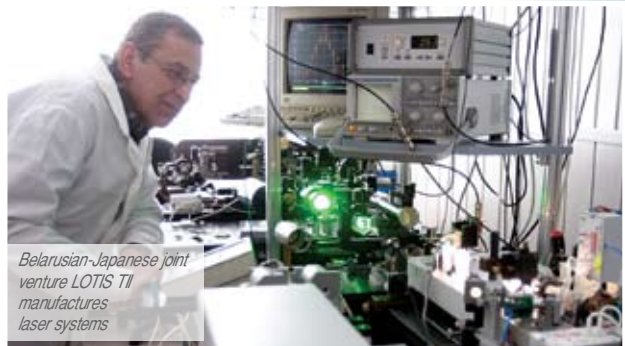
up a solid foundation for the forming of a constitutional state. In the context of European and Slavic civilizations, Belarusian history, arts, folklore, customs and traditions, problems of the Belarusian language and literature are studied.

The state guarantees financial support for and stability of scientific development. Budget funds account for 50% of the funds spent on research and development. Along with direct subsidizing, purposeful financial, taxation, investment, customs and antimonopoly policies have been carried out, special funds have been set up. By 2010, the number of research and development will be increased 2.5–3 times as against 2005. The output of new products will soar by 18–20%, the average amount of products certified in line with international standards will reach 70%.

The country has set up and has been developing the national patent system. Legal base on protection of industrial property, i.e. inventions, useful models, design inventions, trademarks, service marks, selection achievements, layout geometry of integrated circuits has been developed. In 2001–2006, over 5,000 patents on inventions, 3,000 patents on useful models, about 30,000 trademarks and service marks were registered. With a view to promoting Belarus-made goods in the domestic and foreign markets, the state programme on protection and management of intellectual property for 2007–2010 has been developed.

Development of international sci-tech and economic cooperation attributes to the high efficiency of scientific research and development. Belarusian scientists have been boosting cooperation with such organizations as INTAS, International Sci-Tech Centre, International Centre for Sci-Tech Information, United Institute of Nuclear Research, European Organization on Nuclear Research (Switzerland), NATO Scientific Committee, SCOPEs, etc. In 2006, the country was efficiently cooperating with Russia, Ukraine, Kazakhstan, China, Korea, India, Latvia, Lithuania. Belarusian companies received \$18 million under contracts and projects last year.

One of the main objectives of the state sci-tech and innovation policies is to create and develop the national innovation system, a comprehensive system of innovation institutions which would ensure prompt application of high technologies and scientific achievements in production and encouragement of investment activities in high-tech manufactures.



*Belarusian-Japanese joint venture LOTIS TII manufactures laser systems*



*A biotechnology lab of Belarusian State Academy of Agriculture*



*Scientific research at Belarusian-Russian University*



*Molecular-genetic research at Institute of Genetics and Cytology of the National Academy of Sciences of Belarus*



*Specialists are fixing light equipment for cultivating plants*



*The laboratory of applied biochemistry problems of Belarusian State University*

## STATE PROPERTY REFORMING AND PRIVATISATION

Within the framework of the Belarusian model of socially oriented market economy, which combines free private initiative and competition with an active role of the state, the state policy in the sphere of property management is aimed at raising efficiency of companies and the economic sector on the whole via step-by-step reforms allowing for social factors.

The most important strategic areas of state property reforming are development of mixed economy and competitive environment, improvement of the order and mechanisms of state property privatisation and securing property rights, social stability and encouraging an inflow of investment.

The state property reforms resulted in creation of a private sector, market institutions (joint stock companies, securities market, private banks, institutional investors system), competitive environment. At the same time the state preserved the right to regulate economic relations in some economic sectors which need being partly regulated by government or which require being fully state-owned.

Over the period of the economic transformation over 4,000 units of state property or about 41% of companies have been reformed. More than 1,800 joint stock companies have been set up, over 1,400 state facilities have been sold by auction or tender.

Of all the state-run companies reformed, more than 70% operated in public catering, public services and processing industry, about 40% were involved in manufacturing sector and over 30% in construction. The most considerable changes took place in the following industries: food (with the average number of private companies now reaching 78.8%), woodworking (72.2%), pulp and paper (61.9%), light (56.9%), building materials (55.3%). All the afore-mentioned provides broad opportunities for attraction of foreign and domestic investments.

In 1991–2006, the share of jointstockizing grew from 15.8% to 100%, among other ways of reforming state-run companies. As for communal property, sale by auctions and tenders prevailed.

An individual approach is exercised in each specific case of reforming state companies. The setting up of joint stock companies have been carried out at large state-owned companies of the petrochemical complex and the republican unitary gas transport enterprise Beltransgaz. The latter is now being merged with the Russia's Gazprom.

The institutional changes in the economy via privatization of state property and creation of non-state juridical entities resulted in formation of quite a significant sector producing up to 60%



*The private unitary mechanical-engineering company KOMPO (Brest)*

of the industrial output. In 2006, the overall net profits of such companies accounted for 54.4% of the total net profits generated by the country's manufacturers.

In the short-term perspective, objectives of the state policy in the privatization area will be contributing to efficiency of privatized companies, encouraging them to attain better financial and economic performance by a more efficient use of property and creating favourable conditions for investment attraction.

Privatization will be considered a structural element of the state property management policy aimed at receiving return in the form of extending the taxable base, creating new jobs, promoting Belarus-made goods and services in the domestic market and raising efficiency of the entire national economy in the short-, mid and long-term perspectives.

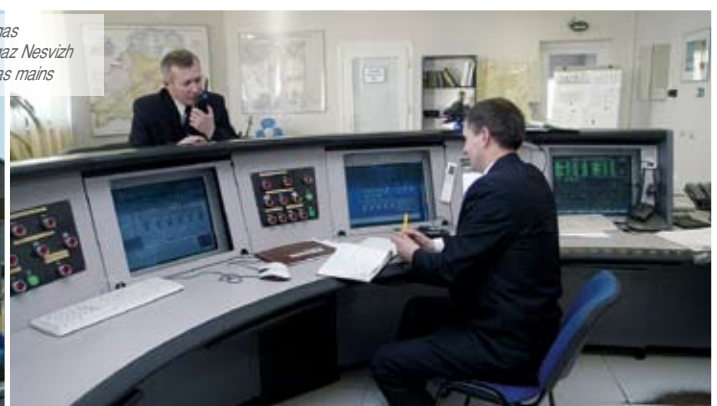
The priority area of privatization will remain jointstockizing of state run companies by auctions or tenders. Controlling interest in the respective companies will remain state-owned. The sale of the majority holding will be possible under promising investment projects.

The influence of privatization on the social sphere, including issues on social development of the privatised companies and territories, environmental protection and people's health will be taken into account too.

The outlined objectives of the Belarusian privatization should ensure real conditions for further development of the socially oriented economy based on equal and efficient interaction between the state and private capital with a governing role of the state.



*The Belarusian gas carrier Beltransgaz Nesvizh department of gas mains*



## GOVERNMENT SUPPORT FOR SMALL AND MEDIUM-SIZE BUSINESS.

### Untapped Potential of Private Enterprise and its Development Prospects

The contribution of the private sector to the country's socio-economic development has been constantly growing. The growth has been fueled by consistent government policy aimed at supporting small and medium-size enterprises (SMEs).

The number of SMEs has been growing by about 4% a year. As of October 1, 2006, there were about 32,000 small companies and more than 190 sole traders in Belarus.

Over the nine months of 2006, SMEs accounted for 7.5% of GDP (as compared with 7.3% over the same period in 2005). SMEs produced 6.2% of the total output of goods and services. They accounted for 8.8% of the total retail turnover, 15% and 31.6% of exports and imports respectively.

The vast bulk of SMEs are involved in trade and public catering (40.8%), industry (23.5%), construction (12.4%), transport (5.5%).

The purpose of the government support for the private sector is to create organizational, legal and economic conditions promoting the dynamic and sustainable development of a rational branch-wise structure of entrepreneurial activity. Annually the government implements small business support programmes at the republican and regional levels.

The private sector is best developed in Minsk and regional centres. Thus, more than 50% of SMEs and 20% of sole traders work in Minsk. In small and medium-size towns the share of small companies and sole traders is 6.7% and 16.7% respectively.

The country's system of entrepreneurship support includes: entrepreneurship department of the Ministry of Economy, the main state body responsible for implementation of the state policy of support for entrepreneurial activity; the Belarusian Small Business Financial Support Fund; regional departments of financial support for entrepreneurs; regional agencies of support for entrepreneurs (centres of support for entrepreneurs, incubators of SMEs); public associations of businessmen.

The SMEs contribution to the development of the country's economy will continue growing. By the end of 2010, the share of SMEs in GDP can reach 30%, the number of people involved in the private sector will be 23–25% of the population in prime working years.

A set of measures due to be taken by the Government to foster development of small and medium-size businesses by 2010 includes:

- simplification of taxation system for SMEs;
- improvement of the property, information and personnel support of SMEs;
- improvement of the support infrastructure of small business, etc.



*The 9th international exhibition-fair*



*The 3rd universal fair of goods and services of small and medium enterprises Entrepreneurship & Business*



*Award ceremony of winners of Best Entrepreneur 2006 Contest in Brest oblast*

## SMALL AND MEDIUM-SIZE TOWN DEVELOPMENT

The Government of Belarus has been elaborating a set of measures to develop 187 small and medium-size towns. The most important areas of the socio-economic development of small and medium-size towns are:

- extension of power of the local authorities in formation of own financial base, tax collection, determination of the main areas of economic development, enhancement of accountability for socio-economic policy and implementation of local budget;
- technical reequipment of manufactures, engineering and technical infrastructure;
- development of all types of manufactures directly connected with the processing of local resources, agricultural products, servicing of agriculture and forestry;
- restructuring of loss making companies on a socially responsible basis;
- formation of rational employment structure via balanced investment policy on creation of new jobs;
- development of tax stimuli for SMEs development, ensuring social mobility of people and development of seasonal work;
- implementation of community development projects and raising efficiency of use of land resources;
- tourism development by modernization and construction of travel facilities, restoration of historic buildings providing them with all modern conveniences;
- creation of efficient stimuli for development of arts and crafts and other activities based on local traditions.

On March 9, 2007 presidential Decree #119 "On Simplified Taxation" was adopted with a view to supporting sole traders and SMEs employing up to 100 people located in small and medium-size towns (apart from sales cooperatives). In line with the Decree, the income tax substituted all other taxes and was reduced twofold.



*Shklov, a bird's eye view*



*In the streets of Nesvizh*

Presidential Decree #108 "On Some Measures to Put the Unused State-Owned Property into Economic Turnover" of February 27, 2007 stipulates sale of unused or underused state-owned facilities by auctions with the initial price equal to one base amount, giving them for uncompensated use or transferring the ownership to sole traders and private companies under specific investment projects.

In line with the Law "On the Budget of the Republic of Belarus 2007" adopted with a view to encouraging local authorities to promote SMEs as well as to invest in the development of small and medium-size towns, all taxes received from a newly-registered company in such a settlement will be channelled into the respective local budget within three years since the foundation of the company.

*Svobody Square (Freedom Square), the historical downtown of Postavy*





## INVESTMENT CLIMATE. Strategy for Encouraging Foreign Investments

The strategic goal of the investment policy for 2006–2010 is to mobilize and efficiently use investment resources with a view to realising nationwide priorities and reforming economy in line with the demand of domestic and foreign markets in order to ensure high living standards.

According to estimates, capital investments will more than double by 2010 as against 2005 and will account for 30% of GDP (as compared with 23.3% in 2005).

Today, the country's economy has entered a phase of multiplicative reproduction of investment resources which is an important prerequisite for sustainable and dynamic development.

In 2007, capital investments from all sources of funding are estimated at 14.5–17% or Br24 trillion (\$11.2 billion).

The top priority will be attraction of investment resources in the production sphere, especially for projects on science-intensive and resource-saving technologies aimed for production of import-substituting goods.

The main source of modernization of production facilities will be cash payments. There is also a need to further increase bank loans, including foreign loans.

In agriculture, investments will be funnelled into the development of agro-towns, creation of highly-efficient and eco-friendly production technologies of foodstuffs, reconstruction and modernization of processing companies.

In construction, investments will be used for setting up export-oriented and import-substituting production facilities, housing construction, development and introduction of resource- and energy-saving technologies.

State investments will preserve continuity and will be aimed at development of logistics of the social sphere which lacks alternative sources of funding.

The work on creating equal opportunities for domestic and foreign manufacturers, signing international investment agreement will be continued. To that end information support for foreign investors needs to be improved; work on extension of effective credit lines and on search for new foreign credit lines will be intensified.

Over the last few years, Belarus has been posting a sustainable trend in foreign capital inflow. Since 2002, more than \$9.4 billion has been invested in the Belarusian economy, including \$3 million in the form of direct foreign investments.

The main investment stimuli are:



The 4th international investment forum  
Investments in Promotion of Business

- **Favourable economic and geographic position.** Belarus has a developed network of motorway and railway communications between the EU and CIS;



A business-meeting of Belarusian  
and German partners

- **Favourable investment climate.** The investment legislation of Belarus is aimed at promotion of investment activities, its state support and protection of investor's rights. The country has a Foreign Investments Advisory Board headed by the Prime Minister. There are six free economic zones providing preferential terms of activities. The National Investment Agency and the national investment site have been created;
- **Macroeconomic stability.** In 2006, high economic growth, positive dynamics of production and investment activities were preserved.

Lions Financial Solutions Company is ready to invest in the construction of facilities of the High-Tech Park. A meeting on this issue is chaired by the Prime Minister of Belarus



In 2007, Belarus plans to attract up to \$1 billion of investments of Raiffeisen Zentralbank Austria (RZB). The Prime Minister of Belarus meets with a member of the RZB Managing Board





Lay-out of the High-Tech Park



MAZ-MAN 543268 truck tractor



Building and assembly works at Mogilevkhimvolokno

- **Highly-developed production, sci-tech and export potential.** The manufacturing sector generates about one third of GDP. Belarus has been setting up a High-Tech Park for the development of software, IT and communications aimed at raising competitiveness of the national economy and attraction of domestic and foreign investments. Belarus produces 30% of the global output of heavy haulers, 15% of mineral fertilizers and 6% of tractors.

- **Highly-qualified experienced personnel.**

In 2006, more than \$4,036 million worth of foreign investments were attracted in Belarus. Direct foreign investments totalled \$7,486 million.

Successfully operating in Belarus are such well-known companies with foreign investments as MAZ-MAN (heavy haulers), Coca-Cola Beverages Belorussia (soft drinks), Bakko Bisov (bimetallic band and hole saws), Zeiss BelOMO (optics), Unomedical (disposable sterile medical articles), Santa Bremor (salted and cured fish, frozen and deep-frozen products), INKO-Food (deep-frozen sausages), Belita (cosmetics, hair care products), Brewery Syabar (beer).

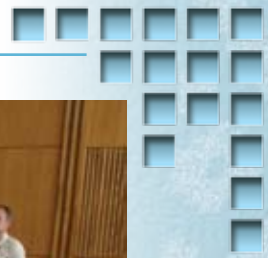
The following investment projects will be implemented due to the foreign credit lines under the governmental guarantees: setting up of submicron integrated circuits production at Integral and Semiconductor Instrument Plant; setting up production of high-strength and low-profile technical threads at Mogilevkhimvolokno; construction and development of GSM 900/1800 mobile communications at Belarusian Telecommunication Network; Revamping of Belarusian Steel Mill; Construction of a building of international relations department of Belarusian State University; Reconstruction of 330/110/10 kW electric power substation Kolyadichi in Minsk; Setting up new production facilities at Mogilevkhimvolokno, etc.



Products of the Syabar brewery



Products of Belarusian Steel Works are sold into 60 countries



**INVESTMENT LEGISLATION**

Belarus has created an enabling legal environment for investors. According to the International Finance Corporation, Belarusian investment legislation deserves high appraisal and is one of the best in the CIS.

The basic document spelling out general investment conditions in Belarus is the Investment Code adopted in 2001. It is aimed at stimulating investment activities and protecting the rights of investors in Belarus.

Foreign investors are guaranteed the right of property and other rights to thing and also proprietary rights acquired by legal means. Irrespective of the form of ownership, investors are entitled to equal, without any discrimination, protection of rights and legal interests.

In line with the Belarusian legislation investors can execute all actions which arise from proprietorship, use and management of objects and results of investment activity. For example, they can use profits derived from investment, reinvest them in Belarus and after paying taxes and other mandatory payments can freely transfer profits out of the country.

Important is the fact that investments cannot be nationalized or seized without compensation. Nationalization or seizure is possible only in case a proprietor gets full and timely compensation for the investment property in question and for other damages attributed to nationalization and seizure.

The Investment Code secures the right of an investor to appeal in court the actions (nonfeasance) of state bodies of authorities or officials and their acts violating the rights and (or) inflicting damages on an investor.

Foreign investors enjoy additional guarantees within the frames of bilateral agreements between the Republic of Belarus and other countries. Today there are 52 Double Taxation Agreements and 59 Investment Protection and Promotion Agreements.

While carrying out investment activities including investment projects investors are entitled to government support in the form of centralized investment resources and guarantees of the Belarusian Government. When realizing individual investment projects which are of great importance for the country an investment agreement can be struck with an investor to ensure additional legal guarantees of the Republic of Belarus.

The Republic of Belarus is a party to multilateral agreements. The Convention on the Settlement of Investment Disputes between States and Nationals of Other States of March 18, 1965 and Convention on Establishment of Multilateral Investment Guarantee Agency of October 11, 1985 have been in effect in Belarus since 1992.

With a view to creating the conditions conducive to investment activities and free movement of capital in the member states of the Single Economic Space, a draft relevant agreement and draft agreement on investment promotion and protection in the member states of the Eurasian Economic Community have been prepared. Thus, the Belarusian legislation sufficiently guarantees the safety of foreign investment in the national economy.





## FREE ECONOMIC ZONES

There are six free economic zones in Belarus. They are Brest, Vitebsk, Gomel-Raton, Grodnoinvest, Minsk and Mogilev.

As of January 1, 2007 there were 269 companies residing in the Belarusian free economic zones. More than 250 of them (93.3%) are active. Most resident companies are registered with the free economic zones Brest (87) and Minsk (71).

The resident companies of the free economic zones specialize in manufacturing of industrial products. A total of 219 companies (87.3%) are engaged in this sphere.

The list of resident companies also features five banks, eight companies specializing in trade and public catering, six organizations providing transport and construction services, three research institutions. The number of personnel exceeds 32.6 thousand.

The amount of taxes, duties and payments paid by the companies of the free economic zones to the budget and special-purpose funds came to Br255,4 billion in 2006.

Comparing with 2005, in 2006 the companies posted a 44% increase in profits (proceeds from sales of products and services). The sum of taxes to the budget and special-purpose funds surged by 28%. Return on sales of products stood at 13.2%.

As of January 1, 2007 the resident companies of the free economic zones (not considering banks) accumulated \$233.9 million worth of foreign investments.

Vitebsk. Kirova Street



Mattresses of Vegas LTD,  
a resident company  
of the Free Economic Zone Brest



In 2006, the resident companies of the free economic zones exported goods to the tune of \$804.5 million, or 33.2% up from 2005. The exports to the CIS member states came to \$674.2 million (125.9% up from 2005), those to Russia – \$598.5 million (127.7% up over 2005). Export revenues accounted for 51.7% of the total sale proceeds.

Major exports were furniture and its component parts (14.3%), finished and tinned fish products (9.3%), sausages and other finished and tinned meat products (6.4%), plastic goods (1.7%),



Brest

Gomel. Internatsionalnaya Street

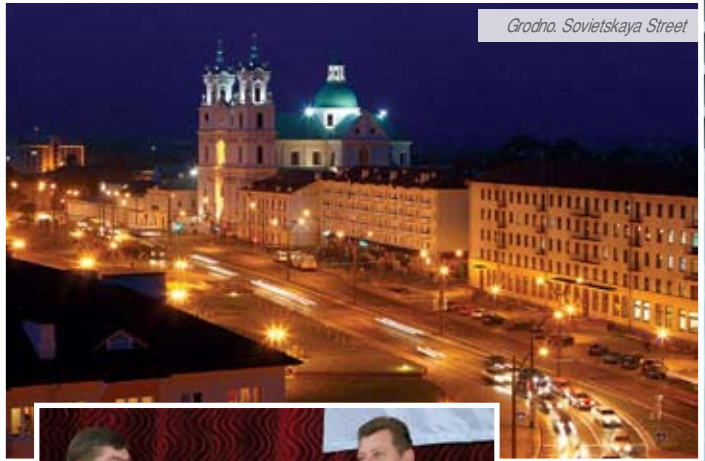




*Administrative headquarters of the Free Economic Zone Gomel-Raton*



*The foreign company Multipack, a resident company of the Free Economic Zone Gomel-Raton*



*Grodno. Sovetskaya Street*



*Registration of the DGH-Sad Company as a resident company of the Free Economic Zone Grodnoinvest*

aluminium metalware (8.3%), corking and packaging accessories made of non-precious metals (4%), refrigerating equipment (2.2%).

In 2006, the resident companies of the Belarusian free economic zones imported goods at the sum of \$804.7 million, or 22.2% up from 2005. Goods were mainly imported from non-CIS countries. Major imports were plastics and goods made of it, technology equipment, fish and seafood, ferrous metals and goods made of them, particle board and wood fiberboards, goods made of aluminium, meat and meat by-products.

One of the main ways of boosting foreign economic activity is the development of free economic zones. Their main goal is to increase the manufacture of products, goods and services, develop co-operation with the companies located in non-CIS countries, boost export potential, upgrade import-substituting productions, set up new jobs being guided by the priorities of the structural investment policy and also promote new technology.

To achieve the goal, additional challenges need being tackled. They are:

- creation of production infrastructure for medium and large investment projects based on leading-edge science-intensive technologies;
- creation of an effective system of attracting foreign investments;
- improvement of information support for investment activity;
- development of engineering and transport infrastructure.



*Mogilev*

Implementation of investment projects in 2006–2010 will help increase production in the free economic zones 1.47–1.61 times (8-10% annually), boost export of goods and services – 1.68–1.76 times (11–12%), imports of goods – 1.45–1.55 (8–9%) and capital investments – 1.68-1.76 times (11–12%).



*Minsk. Filimonova Street*

## SOCIAL AND LABOUR POLICY

*The Government of Belarus approves the draft state programme of employment promotion for 2007*



The social policy is aimed at improving the quality of life of the population. In 2006, real earnings grew by 17.3%, wages by 17.6%.

Nominal wages in December 2006 totalled \$311.8 in equivalent, in the budget-covered sectors – \$287.

Further growth of wages and money incomes is to come on the back of an increase in the qualitative parameters in the real economy sector. The policy of remuneration of labour will be based on gradual expansion of the rights of economic entities and wider use of market mechanisms to regulate the real economy sector.

The policy of the Government in the social and labour sphere is geared to ensure efficient employment on the basis of improvement of employment structure and rational use of

labour resources. Thus, new jobs will be created in science-intensive industries and in the sphere of services and in small business.

In 2006, the jobless figures reduced down to 1.2% of the people in prime working years (1.5% in 2005). As the demand of manufacturing industries for workforce increased, the situation in the labour market eased (the number of the unemployed registered with the state employment services, as calculated per one vacancy, fell from 1.9 unemployed in 2005 to 1.2 in 2006).

The near-term targets of the labour policy are to create prerequisites for a stable manageable labour market, increase the efficiency of labour resources and keep the unemployment level within socially acceptable limits. Main efforts will be invested into renewal and improvement of the structure of working places, rationalize the branch-wise structure of employment with the focus on increasing the employment in the services industry. A special emphasis will be placed on increasing the employment rate in rural areas, first of all by means of setting up new jobs in social sphere and developing rural business.

Among priority areas of the social policy is enhancing pension security. In 2006, the average monthly old age pension surged by 28.5% in nominal terms from 2005. In real terms the pension grew by 20.1%. The ratio of the average monthly old age minimum pension to the subsistence wage made up 105.7%.

The improvements in the pension system are aimed at ensuring its stability and growth. Terms and legal norms of the pension security are being changed in the interests of the majority of nonworking citizens. To ensure further development, there is a need to provide financial stability of the pension system as the number of pensioners continues outgrowing the number of workers. Introduction of professional pension insurance of workers in hazardous industries will help solve the problem.

A special attention is attached to social support for families with underage children. Family benefits are paid to more than 512 thousand children under 18, or around 27% of their total number. A range of programmes to protect maternity and childhood have been in progress. Families with children are provided financial support and various benefits. Large families are entitled to government assistance in addressing housing problems.

This five-year period the monthly benefits for children under 3 will be increased to the subsistence level. Lump-sum payments for the birth of a child will be boosted.



*The territorial social services centre in Mogilev*

*The 6th specialised Day of Career Growth of students and young specialists*



*One of the priorities is to enhance the level of pension security*



The state seeks to support citizens with low incomes and those who are in a difficult situation. In 2001 targeted assistance was provided to more than 420 thousand people. In the next few years the right to targeted social assistance will be granted to all citizens whose incomes are below the guaranteed level.

In 2006, the challenges in the healthcare system were to redistribute the resources more efficiently and to install less costly medical services – general practice, hospital at home, daytime hospitals, out-patient surgery centres, creation of interregional medical centres, with high-tech medical services being concentrated on the national level. The programme to develop the healthcare system for 2006-2010 has been adopted.

As of January 1, 2007 there were 95 nursing hospitals. Equipment has been delivered to 162 out-patient departments, of them 99 in agro-towns.

In 2007, the efforts in healthcare will be focused on:

- developing a new quality management system based on standardization of medical technology;
- upgrading and delivering equipment to healthcare establishments;
- introducing preventive and rehabilitation technologies;
- optimizing the provision of medicines;
- reconstructing healthcare establishments in rural areas meeting the needs of the population;
- streamlining the system of paid services by concentrating them in state-run unitary therapeutic institutions.

In 2006, main efforts in education were placed on improving the quality of education, legal regulation, development of new information educational technologies, extending the list of paid educational services.

A special emphasis in the system of preschool education was placed on the development of new forms. Step-by-step reforms in the sphere of general school education were implemented to ensure transition to the 10-year education programme in basic school and 12-year programme in secondary school, to optimise the network of general education schools in accordance with the demographic situation in the regions.

In 2007, the education system will seek:

- to improve quality of education at all stages;
- to develop teaching materials and methods including the one of new generation;
- to polish up the legal regulation of the system;
- to ensure interaction between general and vocational educational systems with a view to creating adaptive educational space;
- to continue optimizing the network of educational establishments making allowances for regional needs.



A new house for large family from the Minsk region



A new tomograph in operation in the Vitebsk oblast clinical hospital



An outpatient hospital of Naftan Oil Refinery



An educational-pedagogical complex Day Nursery-Kindergarten-Primary School #1 in Brest



The Kopyl central regional library

## LIBERALISATION OF FOREIGN TRADE AND ACCESSION OF THE REPUBLIC OF BELARUS TO THE WTO

The Republic of Belarus is a country with an open economy. Belarusian products are exported to around 170 countries, while foreign trade exceeds the national GDP. More than a half of indigenous products are destined for exports. The development of foreign-economic activity is one of the main vehicles for economic growth, efficient production and thus for growing well-being of the population. Foreign trade of the Republic of Belarus is based on the principles of the openness of the economy, liberalisation, observance of the terms envisioned in trade-economic agreements.

Developing foreign trade, the Republic of Belarus aims to increase the competitiveness of indigenously-produced goods, create favourable environment for involvement of Belarusian products in international trade-economic turnover, ensure the conditions conducive to the growth of exports, promote imports of high technology in order to speed up the development of the national economy, to ensure access to the sources of feedstock and products which manufacture is impossible or inefficient in the Republic of Belarus.

In this respect major efforts will be concentrated on:

- meeting commitments of the Republic of Belarus under international treaties and exercising rights ensuing from them;
- implementing a set of measures aimed at ensuring the energy security of the country including attracting investments to modernize technology and reduce production energy/material intensity;
- developing export of national capital and corporate links with world leading companies and participating in transnational projects;
- further rationalizing the import structure, developing the import-substituting industries and stabilizing and improving foreign trade and payment balances;
- simplifying the procedures in foreign trade in line with the principles of international organizations including customs clearance of cargo at border checkpoints and e-exchange of data;
- ensuring the conformance of Belarusian export goods with international standards;
- developing state standards in ecological certification of products and manufactures based on international ISO 14000 standards;
- pursuing sci-tech policy and developing innovation vehicles to

A ceremony of signing of a protocol with Kyrgyzstan on Belarus' accession to the WTO



increase the technological level, science intensity and efficiency of production at the enterprises.

An important goal of the foreign economic activity of the country is geographical diversification of trade-economic relations. Belarus strives to apply multi-vector principles in foreign-political and foreign-economic activities.

### Foreign Trade Turnover

In 2006, the trade turnover of the Republic of Belarus came to \$42.1 billion, or 28.7% up from 2005. The trade with the CIS member states amounted to \$23.1 billion, or 54.9% of the total trade turnover of the country, with non-CIS countries – \$18.95 billion, or 45.1% of the total trade turnover.

In 2006, exports of goods from the Republic of Belarus arrived at \$19.7 billion, those to the CIS member states came to \$8.6 billion, including to Russia – \$6.8 billion, to non-CIS countries – \$11.1 billion. Exports in actual prices grew by 23.5%.

The CIS countries accounted for 43.6% of Belarusian exports, including Russia – for 34.7% of the total volume. In 2006, Belarus' major exports were oil products (34.1%) of the total exports, potash fertilizers (5.1%), ferrous metals (4.0%), trucks (3.6%), milk and dairy products (3.1%), crude oil including gas condensate (2.6%), tractors (3.0%), tyres (2.1%), refrigerators and freezers (1.6%).

In 2006, imports of goods amounted to \$22.3 billion, those from the CIS countries to \$14.5 billion, of them from Russia to \$13.1 billion. Imports from the non-CIS countries arrived at \$7.8 billion. The total imports of the Republic of Belarus surged by 33.6%. Imports from the CIS countries ramped up by 30.1%, including from Russia – by 29.3%. Imports from the non-CIS countries soared by 40.6%. The CIS countries accounted for 64.9% of the total Belarusian imports, Russia – 58.9%. In 2006 major imports were crude oil including gas condensate (25.1%), ferrous metals (6.4%), cars (3.6%), oil products (2.2%), pipes made of ferrous metals (1.7%), fish (1.1%), internal combustion engines (1.1%).

In 2006, the Belarus foreign trade deficit hit \$2584.7 million, including the deficit trade with the CIS countries – \$5882 million (in trade with Russia the deficit came to \$6234,7million). In trade with the non-CIS countries the Republic of Belarus had a surplus of \$3297,3 million.

The accession of the Republic of Belarus to the World Trade Organisation (WTO) is to ensure uniform, stable and predictable conditions in trade and economic relations with 150 WTO member states, among whom there are all Belarus' biggest trading partners. Once a WTO member, Belarus will have an access to a legal mechanism



Alexander Lukashenko and Amina Mohammed



A visit of the chairperson of the WTO General Council, Amina Mohammed, to Belarus



of solving disputes within the WTO framework with a view to defending economic interests if they are infringed upon by its trading partners in an unjust manner. Belarus will also be able to use the WTO as an instrument of promotion of specific trade and economic interests in the markets of the WTO member states. Such international legal base will allow to secure favourable framework conditions for the expansion of Belarusian exports as well as for encouraging the inflow of foreign investments in the country.

The work on joining the WTO, which the Government of Belarus started in 1995, is a set of measures to adapt the foreign trade regime of the country to the requirements of the organization which today regulates more than 95% of the international trade. Using the opportunities which come with the status of a country-observer, the Belarus promotes its vision of the WTO development as an international organization and legal framework of the international trade.

Eight meetings of the Working Party on WTO Accession of the Republic of Belarus and also 23 rounds of bilateral negotiations with the WTO member-states were held as of early 2007. As a result Belarus has completed several stages of negotiations. A Memorandum on Foreign Trade Regime was circulated in 1996. During the 4th meeting the WTO Working Party on Accession of the Republic of Belarus took a decision to compile a Checklist. During the 5th meeting of the Working Party the member states approved the beginning of the preparation of Factual Summary (or general report). The outcome of the 6th meeting was a decision to prepare the second wording of Factual Summary. The discussion of the document was launched at the 7th meeting of the Working Party and continued during an informal meeting. However, during the last two meetings no decision was passed to proceed to the preparation of the Draft Report of the Working Party – the final document containing a set of commitments of the Republic of Belarus as a WTO member state.

As for bilateral negotiations on market access, Belarus has completed negotiations with seven countries (China, Turkey, Cuba, Bulgaria, Armenia, Moldova and Kyrgyzstan). Belarus and China have also signed a memorandum on mutual recognition of a status of the country with market economy. Bilateral negotiations are in progress with some countries who wish to work on a constructive basis.

For the process of negotiations on Belarus' accession to the WTO to run smoothly, it is important that the national legislation of

**GEOGRAPHICAL STRUCTURE OF EXPORTS OF GOODS (2006)**

Country	Volume, \$mln	% of total exports	% as against 2005
Russia	6849,6	34,7	119,8
Netherlands	3494,5	17,7	145,1
Great Britain	1474,9	7,5	131,6
Ukraine	1234,0	6,3	135,9
Poland	1032,8	5,2	121,9
Germany	752,6	3,8	106,2
Latvia	462,0	2,3	143,2
USA	446,7	2,3	178,6
Lithuania	432,7	2,2	123,0
China	399,1	2,0	92,6

**GEOGRAPHICAL STRUCTURE OF IMPORTS OF GOODS (2006)**

Country	Volume, \$mln	% of total imports	% as against 2005
Russia	13084,3	58,6	129,3
Germany	1669,9	7,5	149,0
Ukraine	1224,7	5,5	137,0
Poland	765,0	3,4	132,1
China	548,6	2,5	193,1
Italy	496,9	2,2	126,3
USA	283,2	1,3	122,1
France	270,4	1,2	153,6
Netherlands	220,0	1,0	136,4
Brazil	209,9	0,9	147,6

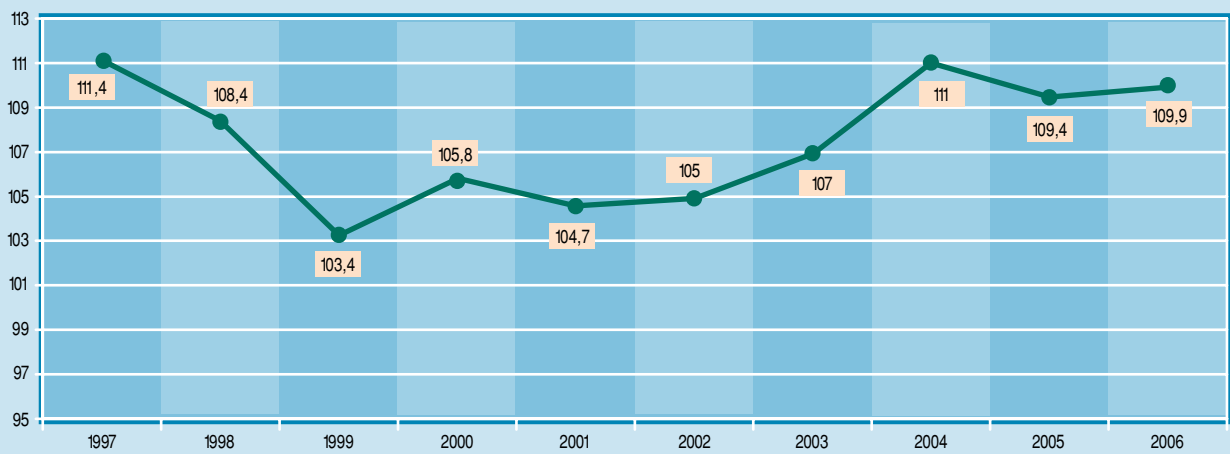
Belarus be brought in conformity with the WTO rules. At present the law-making activity is aimed at completing the process of bringing the national legislation in line with the WTO requirements and is based on the conceptual changes which took place earlier. The work is focused on bringing the legal standard acts of lower level in compliance with the fundamental laws which are tuned to the WTO rules. First of all, this is the Law of the Republic of Belarus "On State Regulation of Foreign Trade" of November 25, 2004.



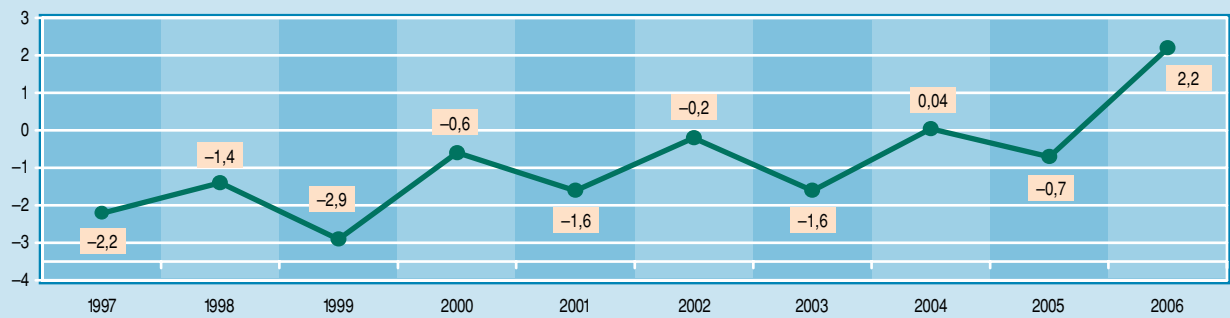
## APPENDICES

### MAJOR SOCIO-ECONOMIC INDICES (GRAPHICS)

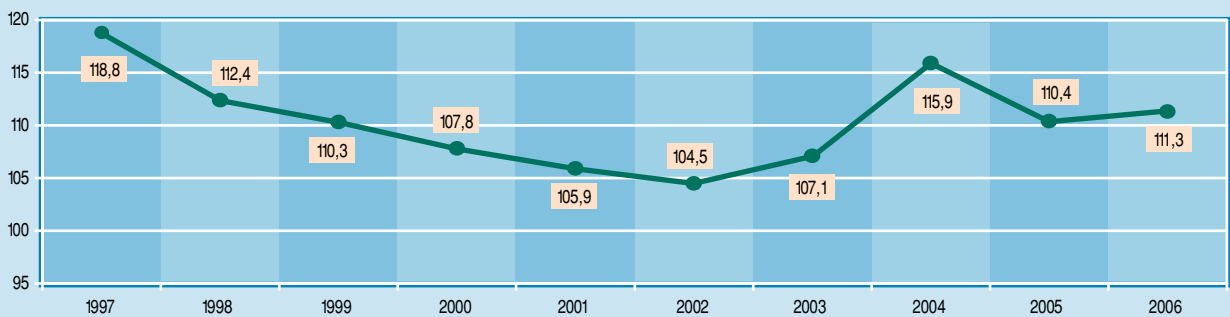
GDP, nominal (growth over the previous year)



Consolidated Budget Deficit (% to GDP)

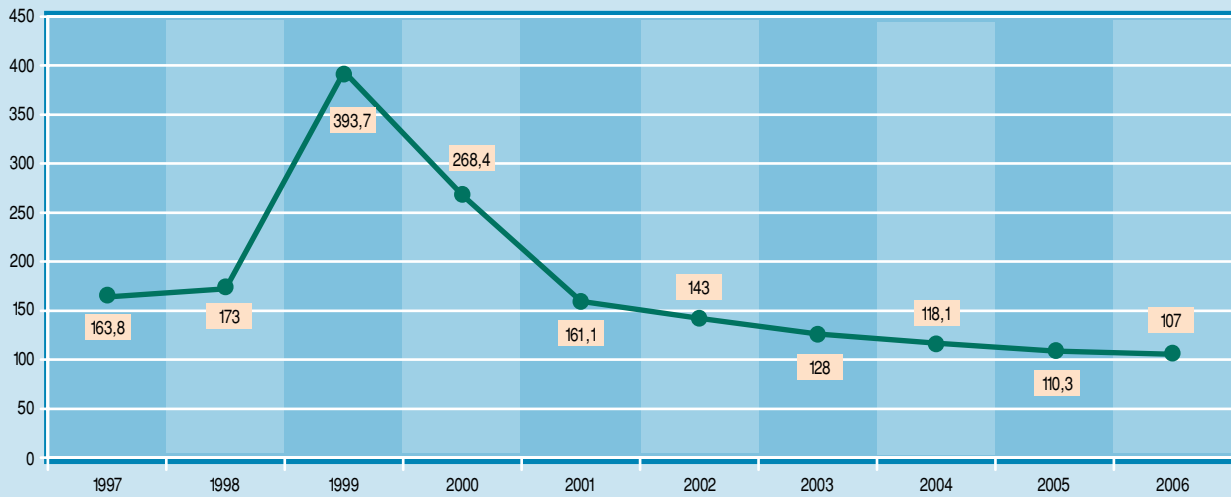


Industrial Output (growth as against the previous year)

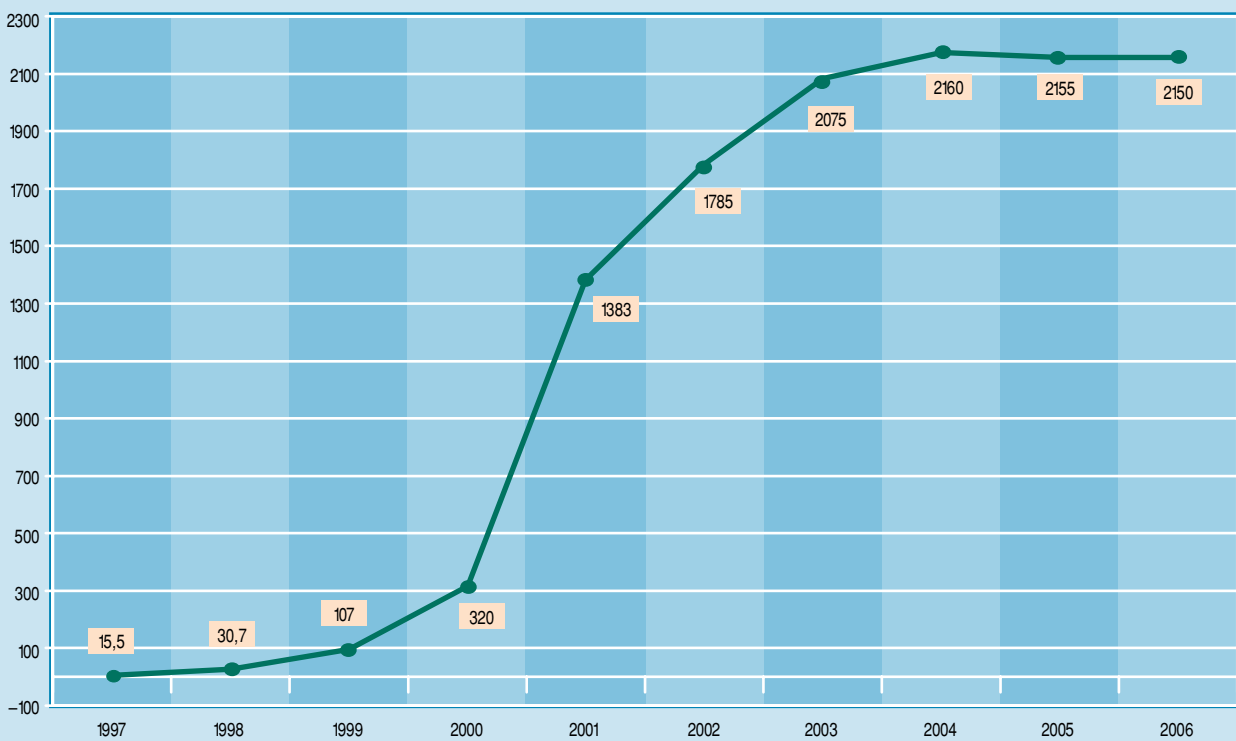




### Consumer Price Index



### Exchange Rate (average annual Belarusian rouble per US dollar)





## INVESTMENT PROPOSALS OF COMPANIES OF THE REPUBLIC OF BELARUS

Investment Projects	Company
<b>Ministry of Architecture and Construction of the Republic of Belarus</b>	
Manufacture of sheet polished glass with the capacity of 450 tons of fluid mass per day	Gomelsteklo: 25 Gomelskaya Street, Kostjukovka, Gomel, Belarus 246901.
<b>Ministry of Industry of the Republic of Belarus</b>	
Upgrade program at Amkodor	Amkodor: 8 P. Brovki Street, Minsk, Belarus 220113
<b>Ministry of Sport and Tourism of the Republic of Belarus</b>	
Freestyle skiing facility with a sports-rehabilitation compound in Surganova street in Minsk	Ministry of Sport and Tourism of the Republic of Belarus 8/2 Kirova Street, Minsk, Belarus 220050
<b>Ministry of Energy of the Republic of Belarus</b>	
Adjustment of the project on construction of the first phase of Minsk CHP plant #5	Ministry of Energy of the Republic of Belarus, 14 Karl Marx Street, Minsk, Belarus 220030
Construction of the Grodno hydroelectric power station on the Neman River	Ministry of Energy of the Republic of Belarus, 14 Karl Marx Street, Minsk, Belarus 220030
Construction of the Polotsk hydroelectric power station on the Western Dvina River	Ministry of Energy of the Republic of Belarus, 14 Karl Marx Street, Minsk, Belarus 220030
<b>Belbiopharm Concern</b>	
Reconstruction of production premises to start manufacture of medicines of Dialek Company in Minsk	Research and production company Dialek, 52a S. Kovalevskoi Pereulok, Minsk, Belarus 220014
Manufacture of solid dosage forms at Borisov Pharmaceutical Plant	Borisov Pharmaceutical Plant, 64/27 Chapayeva Street, Borisov, Minsk region, Belarus 222120
<b>Belneftekhim Concern</b>	
Construction of a complex of production premises to manufacture nitrogen fertilizers at GrodnoAzot	GrodnoAzot 100 Kosmonavtov Prospect, Grodno, Belarus 230013
Production of home textiles for Rechitsa Textile	Rechitsa Textile 131 Naumova Street, Rechitsa, Gomel region, Belarus 247500
Construction of petrochemical production facilities at Polymir	Polymir Novopolotsk-5, Vitebsk region, Belarus 211440
<b>Belarusian Union of Cooperative Societies (Belcoopsoyuz)</b>	
Reconstruction of the Chervenskiy market place in Minsk	Belcooprynok, 4 Mayakovskogo Street, Minsk, Belarus 220006
<b>Brest Region Executive Committee</b>	
The tourist compound Oriental Star	Avtotur, 35 Masherova Prospect, Brest, Belarus 224015
<b>Gomel Region Executive Committee</b>	
Development of road-metal production in the Lelchitsy district, Gomel region	Gomelobldorstroj 28 Krasnoarmeiskaya Street, Gomel, Belarus 246017
The tourism compound in the place of Chenki	Gomel region capital construction department 7 Biletskogo Street, Gomel, Belarus 246000
<b>Minsk City Council</b>	
Development of the city-wide cable TV communication network in Minsk	Minsk TV Information Networks 23a Tsianskaya Street, Minsk, Belarus 220100
Development of the joint venture BelSel for 2006-2010	Joint venture BelSel 5 Zolotoaya Gorka Street, Minsk, Belarus 220005
<b>Free Economic Zone Gomel-Raton</b>	
Starting the high-tech eco-friendly manufacture to process phosphogypsum	Administration of the free economic zone Gomel-Raton 17 Feduninskogo Street, Gomel, Belarus 246061
<b>Free Economic Zone Grodnoinvest</b>	
Creation of the international transport-logistic center in the free economic zone Grodnoinvest	Administration of the free economic zone Grodnoinvest 2/1 Dzerzhinskogo Street, Grodno, Belarus 230023
<b>Department for Entrepreneurship of the Ministry of Economy of the Republic of Belarus</b>	
Creation of the Belarusian Finance Company for Support of Small Business	Ministry of Economy of the Republic of Belarus 39 Miasnikova Street, Minsk, Belarus 220050

Cost of the Project (\$mln)	Type of Financial Instrument	Required Investment (\$mln)	Countries – Equipment Suppliers
64	Loan	64	China, Western European countries
33,115	Loan	6,043	
25	Loan, foreign direct investment	15	Hungary, Germany, Italy, Spain
230	Loan	135	Italy, Germany, France, China
33,6	Loan	16,8	Austria, Germany, Switzerland, Slovakia
40	Loan	20	Austria, Germany, Switzerland, Slovakia
20,965	Foreign direct investment	20,965	Poland, India, Italy
52,8	Loan	37,5	Germany, China, Italy
700	Loan, Foreign direct investment	500	USA, Germany, Italy
18	Foreign direct investment	17,2	Switzerland, Italy, France
966,8	Loan, Foreign direct investment	817,3	China, Germany, England, Russia
32	Loan, Foreign direct investment	32	
2	Foreign direct investment	1,5	Scandinavian countries, Poland, USA, Russia, Germany
100	Foreign direct investment	100	Belarus, Russia
4,607	Foreign direct investment	4,108	
15,22	Loan, foreign direct investment	13,2395	Belarus, Germany
40,03	Loan, Foreign direct investment	38,021	China
30	Loan , foreign direct investment	30	Germany, Austria
30	Foreign direct investment, portfolio investment	30	Germany, Italy, the Czech Republic, China
20	Foreign direct investment	10	