

Safe injections

Foreign investments into Belarusian economy directed towards most popular projects

By Vladimir Bibikov

Attracting foreign investments into the Belarusian economy is a priority; our economy is developing dynamically, growing annually by 6-10 percent. 2008 saw record growth of foreign capital into the real sector. However, in H1 2010, foreign injections rose by just 4.4 percent (due to the global financial crisis). Nevertheless, their total volume is significant, standing at \$4.4bn.

This inflow of capital from abroad is inspired by several measures. The 2006-2010 state programme aimed to attract foreign capital, with serious future projects lined up, which promise stable returns. This year, around half of all foreign injections have been directed towards the transport sphere, with a further quarter directed towards industry. A decade ago, most foreign capital was directed towards trade and services, so what has inspired the change. Let's look closer...

Belarus is known to possess a rather favourable transit location, being crossed by two major international transport corridors — from the west to the east and from the north to the south. For example, the closest route from Western Europe to Russia's centre passes via Belarus. The transit sphere is one of the most stable and dynamically developing and, in the first six months of 2010, transit volume has reached the pre-crisis level. Moreover, according to Leonid Dosov, the Deputy Chairman of the State Customs Committee of Belarus, maximum transit parameters have been achieved over the last 15-20 years. The Council of Ministers recently approved the 2011-2015 transit potential development strategy, which should result in a 60 percent increase in transit revenue — including the creation of over 30 transport and logistics

centres.

Perhaps the largest is to be built at Minsk's National Airport, some 30km from the Belarusian capital, close to the Berlin-Minsk-Moscow high-speed motorway and railway. Over 288m euros is being invested in this logistics centre, with funds coming from AOI N.V., Lufthansa and Deutsche Bahn AG; each recently visited Belarus to discuss terms regarding this major site.

Cargo traffic is expected to rise while service facilities are due to improve. Forecasts have been made for the next 20-30 years, with railway stations and the airport modernised and additional roads laid. The Belarusian Government is enlisting the help of investors, who are ready to invest around \$10m this year alone. The first sites should come into exploitation in 2013, with the logistics park completely operational by 2021, recouping costs for its owners.

Chinese investors are to finance the reconstruction of one branch of the international automobile transport corridor, running between Minsk and Gomel. Their volume of investments may reach \$500m. China is also actively injecting funds into the Be-

larusian energy industry, with 34 sites (from power stations to heat- and hydroelectric power plants) currently being reconstructed and repaired using Chinese funds.

The Belarusian construction industry is developing dynamically, so is another promising area for foreign capital. In 2011, Belarus plans to build 9.1m sq.m of housing, with further plans for 10m sq.m per year. High-rise buildings, exceeding 130m, are also to be constructed. Over the past few months of 2010, the volume of building and assembly works has grown by 12 percent against the similar period of last year. Of course, this requires great amounts of high-quality cement and other materials; fortunately, Belarus possesses huge deposits of the necessary raw materials — enough to satisfy our needs for the next 150 years of active extraction. Three cement works currently operate in the republic. Meanwhile, three more enterprises are to be built, almost doubling the output of cement and using the most cost-effective dry production method. Chinese investors are taking an active role in implementing these projects,



Belarusian-Chinese Midea-Horizont JV plans to become a leader in Eastern Europe

with their total contribution into branch development assessed at around \$500m. These funds will provide various nodes and components and, in 2011, new manufacturing plants will come into operation. A cement plant involving Iranian capital is also being built in Belarus.

The construction industry has recently implemented over 100 investment projects, resulting in renovation and the expansion of the output of goods which are

proving popular at home and abroad. These include ceramic tiles, triple-fired decorative ceramic elements, glass bulbs and pharmacological bottles, silicate bricks, enhanced quality porous concrete blocks and Euro-windows. Many were previously imported but are now export items of our own. Of course, many projects have relied on foreign capital and technology to reach fruition.

Belarusian industry, particularly machine building, remains a priority for foreign investments. For instance, the Belarusian Automobile Works, located 60km from Minsk, manufactures 30 to 360 tonne capacity heavy-duty dump trucks, accounting for around a third of the world market. Between January and August 2010, exports of Belarusian heavy machinery rose 2.5-fold. The enterprise has overcome the consequences of the global financial crisis to master new markets, as well as new truck models. Several years ago, the plant underwent reconstruction, costing 200m euros and

given by Czech banks. Since demand for new, remote-controlled dump trucks has risen, the company now needs new investments and technologies.

In particular, the competitiveness of the enterprise is set to be enhanced by manufacturing 90 and 180 capacity heavy-duty dump trucks using hydro-mechanical transmission. Each is designed to run for at least a million kilometres, as is the 136 tonne heavy-duty electrical transmission dump truck. The company's 240 tonne capacity diesel-trolley cars should be able to run up to 1.1 million kilometres in their lifetime. To master the production of these goods within the next five years, hundreds of millions of US dollars of investments are required. Compared to 2008 — the most successful year — machinery output should rise 1.5-fold, with injected funds recouped within 5.4 years — not too long for the machine building industry.

Many similar examples will be discussed at the Belarusian Investment Forum.



BelAZ heavy-duty dump trucks are an example of efficient investment

Network expands

By Dmitry Alexandrov

Monopoly on external Internet traffic banished to the past

The Ministry of Communications and Informatisation has announced an open tender for the right to provide access to international Internet channels and connection to the networks of foreign states. In line with a recently adopted decree, the National Traffic Exchange Centre (to be launched by December 1st) will have this right, in addition to Beltelecom, and the winner of the tender will join them. Internet services should witness significant change next year as a result.

The Ministry is inviting applications free of charge — from October 26th to November 30th.

Proposals from investors will be accepted during December, while the contest itself will run from December 1st, 2010, to January 31st, 2011. The Operative-Analytical Centre is to co-ordinate with the President. Afterwards, the operator will receive a license to pass on international traffic while offering data transfer services (except IP-telephony).

"Investors have always been interested in obtaining the right to pass on external Internet traffic," the Minister of Communications and Informatisation, Nikolai Pantelei, has informed BelTA News Agency. "However, there have always been talks about receiving this right without any special conditions." Now, these conditions have been defined.

Convincing impetus for work

Belarus and Germany to build wind park in Dzerzhinsk district (Minsk region)

The Deputy Ambassador of Germany to Belarus, Peter Dettmar, is convinced that the successful implementation of the project will encourage other German investors to fund Belarus' energy sphere. This year, German Enertrag AG has signed a contract with Minsk Regional Executive Committee to establish a wind park, costing about 250m euros. "If everything goes as expected, this project will serve as an incentive for other German investors," the diplomat stresses.

When asked about the attractiveness of the investment climate in Belarus, Mr. Dettmar notes, "We are in dialogue with the Belarusian Government as to which changes can be made to improve the investment cli-



Contract to build wind park signed jointly with German partners

mate. Each investor must be able to see risks transparently, since these are somewhat higher in the energy sphere than elsewhere. If there is a lack of transparency (regarding legal security, tax burdens and bureaucracy) investors won't be interested. As we see it, this large German company

has signed an agreement to construct a wind park in Belarus, so the future looks optimistic."

Mr. Dettmar notes that 'potential for Belarusian-German investment co-operation is significant, but concrete decisions will be taken directly by investors.'