

## New member of transport network

By Anton Klebanov

### Azerbaijan may join 'Viking' project of container transport

'Viking' is a container train travelling between Ukrainian Ilyichevsk, Belarusian Minsk and Lithuanian Klaipeda.

If Azerbaijan joins the project, cargo transportation could extend from the Baltic States, via Belarus and Ukraine, onto Kazakhstan, Turkmenistan and other Central Asian states. Turkey and Syria voiced their interest in the project this January.

The 'Viking' combined transport train has been travelling for eight years to date, covering a distance of almost 2,000km. The transport corridor unites a network of sea containers and piggy-back lines, from the Baltic Region to the Black, Mediterranean and Caspian seas. In 2009, it was acknowledged to be the best European cargo transport project by the European Intermodal Association.

# Long term injections

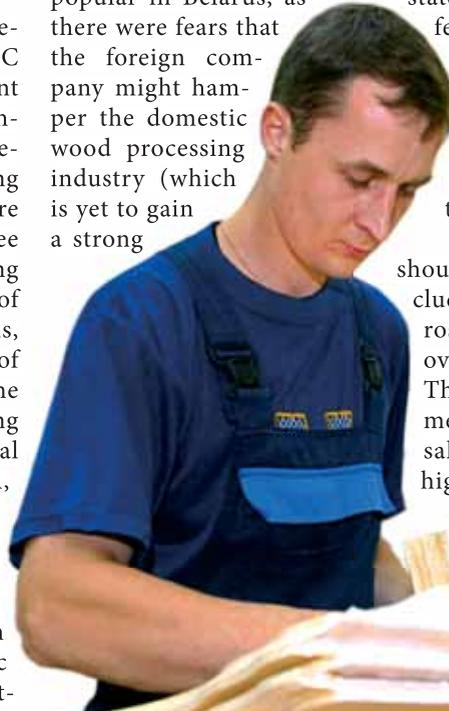
Modern technologies come to Belarusian wood processing industry, jointly with Lithuanian company, representing Swedish IKEA

By Kirill Merkuriev

Lithuanian Vakarų Medienos Grupė (VMG) JSC has signed an agreement envisaging the establishment of 'a vertically integrated wood processing complex'. Three plants are to be built in Mogilev's free economic zone. According to the General Director of VMG, Viktoras Adomaitis, the project will be one of the best in Belarus. The Lithuanian firm is acting under the aegis of global furniture produce IKEA, bringing top grade technologies to our wood processing industry.

The project is helping attract about 80m Euros into the domestic economy. Despite its attractiveness,

the idea was initially unpopular in Belarus, as there were fears that the foreign company might hamper the domestic wood processing industry (which is yet to gain a strong foothold and requires some state support). These fears have no grounds of course, since all manufacture is to be exported: 50 percent to Russia and 50 percent to the EU.



In fact, the facility should bring benefits, including about 1.5m Euros in annual tax and over 1,000 new jobs. The modern establishment will pay good salaries while ensuring high labour efficiency. Additionally, it opens the way to another idea — discussed in detail at the 5th In-

ternational Investment Forum, held in Mogilev several months ago. A network of facilities (wood processing, wood cutting and transport-logistical) is soon to be established with foreign partners. This large scale production network is to involve many existing companies, giving them new orders. Annual purchases of their products for the needs of the forestry branch should reach about 20m Euros.

Mogilev's Governor, Piotr Rudnik, was authorised by the Government to sign an agreement with VMG on behalf of Belarus. He stresses that the Mogilev Region is especially interested in the project, with three enterprises launching next year. Since the project is worth over 10m Euros, the local administration must provide heat, elec-



Viktoras Adomaitis

tricity, gas and water to the new industrial buildings, while building rail track and roads to the new sites. Our foreign partners note that establishing favourable conditions for future businesses is promoting the location of high-tech factories at Mogilev's free economic zone.

The Ambassador Extraordinary and Plenipotentiary of Lithuania to Belarus, H.E. Mr. Edminas Bagdonas, assures us that his country is eager to see Belarus become a fully-fledged member of the pan-European economic process. He sees the entry of major Lithuanian investments into the Belarusian economy as another serious step in strengthening our mutually beneficial cooperation.

Belarusian wood processing branch embraces high-tech manufacture

## Investors invited to develop deposits

By Yuri Inertny

### Mining industry to be reinvented over coming five years

According to the Natural Resources and Environmental Protection Minister, Vladimir Tsalko, amendments are needed to the Code on Mineral Resources, while the Investment Code also needs revision. Legislation needs to be brought in line with global practice.

Naturally, nature protective agencies need to rise above economic concerns, since water and air and our biological and landscape diversity is priceless; their preservation is paramount. In recent years, industrially developed cities such as Bobruisk, Grodno, Novogrudok, Svetlogorsk, Lida and Soligorsk have seen their air quality improve. However, vehicles in Belarus produce higher levels of harmful emissions than necessary and need

to be brought under stricter control. Their ecological classification is yet to be resolved, so it's too early to say that the burden on the environment has been minimised.

2011 is the International Year of Forests, as proclaimed by the UN General Assembly. In Belarus, 9.4m hectares of land are occupied by woods (almost half of our territory), which places our country among the top ten forest states in Europe.

## Money for modernisation

Over the next five years, around \$600m is to be injected into the most important investment projects in light industry

In line with the state's light industry development programme, almost 20 essential investment projects are to be realised within the coming five years, with outdated equipment being replaced with high-production and energy-saving. As a result, the range and quality of manufactured goods will be enhanced, aiding the promotion of new and existing domestic trademarks and brands. The programme also envisages the reduction of material consumption and power capacity and increased production profitability.

## Advantages of foreign credit

High level of foreign debt is certainly not automatic indicator of a country's economy facing severe problems

By Boris Alexandrov

Belarus' state debt concerns some Belarusians; as of January 1st, 2011, this amounted to over \$12.7bn (up a quarter on 2009) according to the Finance Ministry. Of course, there is no real cause for fear, but Belarusians traditionally have no habit of being in debt. It's a hard attitude to change.

The Finance Ministry notes that, by early 2011, Belarus' foreign debt stood at \$9,687.2m (accounting for 17.8 percent of GDP), rising 22.8 percent last year. The Government was responsible for \$9,486.2m of this amount, while economic entities were responsible for \$201m. In fact, the growth of foreign debt in 2010 was not a record; loans in 2008 and 2009 saw state debt rise by 50 percent; debt stood

at Br30,449bn (22.3 percent of GDP) by early 2010. In 2009, the country attracted money from the IMF (\$3.4bn) and the Russian Government (\$500m) while using export credits, including under governmental guarantee, from the banks of China, Germany and Italy. The money was used to finance various investment projects, such as those in the fields of energy, construction materials, wood processing and petrochemistry. The country took loans directly and via acknowledged financial instruments.

Last year, the country also issued Belarusian Eurobonds for the first time. In July, it placed \$600m of Eurobonds on the global market for a five year period, at an interest rate of 8.75 percent. The experiment was a success and, in August, an additional \$400m of Eurobonds

were placed. In late 2010, Belarus borrowed money on the Russian stock market.

A high level of national debt does not necessarily mean that the country's economic mechanism is facing problems. Most investors point out that India, Brazil and some other states with high national debt are actively growing. The Belarusian Finance Ministry believes that the volume of our state debt will remain at an economically safe level. Our debt portfolio is profitable, with the average interest rate standing at just 3.74 percent per annum, with an average payment period of just over six years. We have time to 'gather our forces', allowing us to repay our debt at a later date. Meanwhile, we just pay the

annual interest.

Throughout 2011, Belarus is likely to reduce its debt. So far, it plans to attract \$1bn (via Eurobonds) and 8bn Russian Roubles (via placement of bonds in Russia), in addition to money from the Eurasia Foundation.



## Trading for mutual benefit

By Tatiana Chumakova

### Orsha Linen Mill plans to increase exports to Japan

Japanese NBR Co. Ltd. is interested in deliveries of Belarusian linen. Taking into account great demand, sales volumes are to be agreed. The Orsha Linen Mill has been co-operating with the Japanese company for two years, with Japan also purchasing bed and kitchen linen.