

Import substitution guiding country in promising direction

Leading heads of state bodies arrive in Minsk from regions for two day meeting with President Lukashenko, alongside top state officials, to exchange experience and discuss economy

By Igor Slavinsky

The meeting allowed participants to openly debate today's burning problem of reducing imports. "Our strategic task is to achieve a positive trade balance. Enhancing exports and cutting foreign currency expenses — via import substitution — are major paths in solving the issue," Mr. Lukashenko announced.

The President's opening speech made clear that the meeting would be serious. Working and living under today's economic conditions is quite a challenge. "Get moving," stressed the President. "The authorities exist for this purpose: to enforce what needs to be done. We won't shield anyone with customs fees, as our economy is open. If we fail to do this [use import substitution], we'll be crushed as a state."

No explanation is needed; obviously, the financial shake-up experienced this year was largely brought about by years of the country spending more on buying imports than it has generated from export sales. Of course, experienced economists can find conceptual explanations for such imbalances but the devil is in the detail. In his speech, Mr. Lukashenko many times focused on these details.

Should we be importing laundry baskets, rakes and, even, toothpicks from Poland and Vietnam? Why do we spend foreign currency on buying canned fruit, vegetables and mushrooms, despite having rich forests from which we can earn currency? Why does it take two years to build a fuel boiler when only four months



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were planned? "Why do I mention these examples?" the President asked those present. "Such issues are not dealt with at presidential level. However, such seemingly insignificant aspects — when someone fails to install a device, misses a deadline or spends money uselessly — seriously affect the national economy," Mr. Lukashenko stated with sadness.

Analysing his speech, it's clear that those who oversee these problems in the regions have great responsibility. Figures are impressive: 75 percent of manufacturing revenue is spent on buying imported products. In recent years, the commodity structure of our exports has remained almost unchanged: we still sell few expensive high-tech products. We 'sell logs instead of furniture'. Where import substitution facilities are operational,

imported components tend to account for around 80 percent of the cost. Clearly, this can hardly result in a positive trade balance.

Of course, some objective reasons are behind import growth. The price of energy and other resources have skyrocketed several fold for Belarus; 70 percent of our imports comprise gas, oil, metals and other raw materials at present. However, we could save money if we used our fuel more efficiently; gas consumption per Belarusian worker is almost double that of Germany!

We can only hope that the President's words inspired those present. He noted, "The supreme state authorities and the Government have already done much to ease life next year. As you know, oil and gas prices are to change; we've not yet agreed on their rate but it's

already clear that they will differ. All the cards are in your hands. We'll save over \$3bn — or even \$4bn — from reduced energy prices. However, if we continue importing gearwheels, camshafts, engines and other components to manufacture cars and tractors, nothing can be done. Neither I nor the Government can reduce prices for such components."

Of course, talks with Russia are not a solution alone; nor is Rouble devaluation, which has resulted in increased prices for imports. A long term answer is required. According to Mr. Lukashenko, from early 2012, citizens' salaries, pensions and overall incomes should begin to rise. Belarusian manufacturers need to encourage us to spend additional income on purchasing domestically produced goods. Moreover, no prohibitive measures are to be

introduced on the consumer market — as announced. This means that we'll be able to sell our products domestically and abroad on competitive terms, while enhancing the quality of our produce.

Extracts from seminar speeches

Prime Minister Mikhail Myasnikovich:

The Single Economic Space is to launch within two weeks. Belarusian enterprises need to take advantage of new opportunities opening up. Three unique factors are evident: growing demand among our Customs Union partners; a favourable exchange rate for the Belarusian Rouble regarding exports; and a single market with high tariff protection. We need to remember that this window of opportunity is short lived; we have just five years, so we must grasp the

moment. Those who fail to take the initiative will be doomed.

Chairman of the Mogilev Regional Executive Committee Piotr Rudnik:

In Osipovichi, we're building a new factory to make synthetic washing detergents and household chemicals; in the future, it'll substitute 75 percent of similar products which are currently imported. Import substitution projects in the Mogilev Region include an expanded range of juices and children's foods (gaining an increasing share on the Belarusian market). Moreover, we're setting up production of nappies, with the Mogilev FEZ playing a special role.

Chairman of the Berez District Executive Committee Yuri Narkevich:

I believe that the country has established the necessary legislation to set up import substitution facilities and to stimulate exports. In recent years, the district has paid special attention to the production of new import substitution manufactures; since early 2011, over Br300bn of such goods have been made.

Some time ago, we were seeing most industrial enterprises operating at full capacity. Further economic development seems possible if we continue to modernise plants and create new lines. For our district, meat and milk products generate the most foreign currency, so we've fully re-equipped this branch. Just a few years ago, our shops only sold imported flavoured fermented milk products, alongside soft and processed cheese. Now, we're independently producing such foods — of equal quality but at a cheaper price.

Common interests exist but sovereignty is a sacred matter

Alexander Lukashenko interviewed by Russian News Service radio station

The name of the journalist who arrived in Minsk from Moscow to conduct the interview is well known to local audiences. Sergey Dorenko is the Editor-in-Chief of the Russian News Service, also hosting the *Russian Fairy Tales* analytical programme. He used to host his own programme on Russia's ORT TV Channel which, on the cusp of the new millennia, was a source of direct political information for one-sixth of the planet. It even pressed *Vremya* (Time) information programme from prime time viewing.

Most of Mr. Dorenko's questions to the President tackled Belarus-Russia relations. In particular,

he asked to comment on the opinion that recent successes in our two countries' bilateral relations are the result of Kremlin's preparations for presidential and parliamentary elections. There's a view that any integration related projects within the post-Soviet space positively influence Russian politicians' popularity.

"I don't believe that the pre-election process has pushed us closer," Mr. Lukashenko asserted. "I wouldn't be pleased to think that events were motivated by pre-election reasons. I think that, following our direct collisions with the Russians (the 'milk' wars, shutting off our gas and oil supply and so on) we now have an understanding that conflict yields no result and that

relations need to be built in a new way."

Mr. Lukashenko agreed that Belarus is a corridor between Russia and the West, with both sides having their own interests. In his opinion, it's vital for the state to preserve sovereignty. "The task of any power — primarily, Belarus — is to find a path which allows progress without affecting the interests of others, without selling out your country or sovereignty," he stressed.

Speaking of leadership, the President of Belarus noted, "I'm not creating an idol of myself. Leadership is unacceptable. Apart from a portrait in a governmental office, you won't see this in Belarus." He then added that the idea is unacceptable to him 'at a genetic level'.

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