

The investment environment in Belarus should be among the best in the world, guaranteeing bona fide investors absolutely. The law should contain rules of direct action, clear and understandable to everyone, so that there will be no need to write instructions or adopt Governmental decisions for every rule of this law.

It is important to create such conditions for investors, so that it will be advantageous for them to keep their profits in our country and not to export them.

Lately, there has been much talk of the practicality of **amnesty of funds**. If this subject is really of interest and will produce considerable economic effect, we must examine it carefully. In taking this step, we should clearly regulate the conditions, objects and subjects of this amnesty, to ensure full protection of state interests. I look forward to your suggestions.

Reform of ownership relations is a prerequisite of foreign direct investment.

Concerning this subject, our country has unique advantages. We know for sure how not to conduct privatisation, having seen the consequences of voucher experiments and shares-for-loans auctions.

Privatisation is not always to the benefit of an enterprise, as not all investors aim to develop a business or offer the best technology. Public ownership is also not a guarantee of success.

The world has many examples of huge errors being made, by state and private enterprises, in seeking to realise major capital-intensive plans. Unfortunately, we too have such examples.

Enhanced efficiency of state assets, including via the attraction of investors, is to be carried out consistently, following the body of the law. **There won't be any total or large-scale sales!**

The world community realises that privatisation should not be conducted en-masse. It should be transparent, understandable and focused.

This is the normal process when any enterprise, including state owned, is bought or sold. In Belarus, we have refused to create a list of sites for definite sale. This is not because we want to sell under-the-counter. That's not our reason at all! We have refrained from advance publication of lists of enterprises to be privatised to avoid the humiliation of their workers. People are sensitive on this point, as I know. I have spoken of it repeatedly.

I am directly asked: 'So, Mr. President don't you need us anymore? Have you decided to sell us?' We need people! We've said that any enterprise may become privatised; it's simply a question of price and the implementation of conditions by investors. If you're not satisfied with these terms, may the Lord bless you and follow you on your way.

Recently, I read in the media that a potential investor in Russia, negotiating on the corporatisation of Minsk Automobile Works, said that Belarus was being greedy. If you are not satisfied with the price, go away! We'll continue as we are, engaging in competition. Today, MAZ is a successful enterprise selling its products perfectly well, so we're in no hurry to privatise it.

We are ready, as I repeat again, to privatise even Belaruskali — where profitability is 70 to 100 percent. It's just a question of price. We have designated the price at not \$30bn but

\$32bn. If someone wishes to buy, they are welcome. There is no buyer as yet, so there's nothing to argue about. The enterprise is working and people are being paid. We sell potash fertilisers better than any other company in the world.

That's why we gave up on lists — certainly not to perform any underhand sales, dividing an enterprise for shady privatisation. Lord bless you. I've been reproached for this for decades: for shady deals. Belarus has never had such privatisation: none exists and never will! Even if I leave my post as President, the people of Belarus will never accept this and will never allow those in state office to conduct such privatisation. Any President or Government trying to do so would be swept away in a single day. Be calm and collected. Everybody must know and understand such sales!

In our country, as I've already said, any enterprise can be privatised — under certain well-known conditions. Anyone who wishes to buy something from the state should pay a fair price. Moreover, all employees of a privatised enterprise will be protected. Privatisation should bring greater success for the enterprise. If you're satisfied with these conditions, you're welcome. Those who hope to line their pockets from Belarusian privatisation are wasting their time. The decision will be taken under calm conditions, not under pressure of economic factors or international organisations. Moreover, the principal factor in making such decisions

auction. We chose a good enterprise in order to see how it would work and gain experience. There were ten businessmen queuing to buy so why didn't we sell? They only offered a trifling sum, so we refused. No! It will not be like this! We'll sell at the price defined by the market. If we do... We decided to leave 75 percent for ourselves, which I don't know whether was the right or wrong decision — but is transparent and honest.

Everybody sees the information transmitted via the media, so Heaven forbid someone in this process takes the wrong path and behaves dishonestly: you know what will happen next. This is my response to everyone abroad and within the country criticising me for privatisation. They don't understand the Belarusian method of privatisation. It is honest and candid without lobbying: at a certain price and under certain terms. If you're happy, then come and discuss matters.

If you'd like me to, I can outline the process: in order to privatise an enterprise, firstly, employees should be in agreement. The management can then apply to the local authorities. They must be in agreement, since they are responsible for local employment and economic success. They'll take the decision one way or the other. After that, the matter goes to the corresponding governmental department or, if it is of departmental affiliation, a minister. Only then will the Government, having deliberated all the pros and cons, submit the proposal to the President for signature.

we need a happy medium. Totally rigorous regulation leads to a deficit and the export of goods from the country. A 'free market' leads to speculation, which affects the common man greatly.

We'll keep the growth of consumer prices to within 20 percent this year. No country in the world abandons price adjustment completely.

You might have noticed that, in thriving Germany, with its highly advanced market economy, the Government took the decision to create 'petrol' police — as they called them. They were tasked with controlling petrol prices, with owners of service stations having to report each instance of increasing or decreasing their prices (plus from where and at what price they had purchased fuel). Here you have the market! As they thought it was necessary, the democratic Government of Germany, with its highly advanced market economy, took these steps without consulting Russia, the USA or us. Yet we fear! We are still trembling, saying: 'What will they think of us?' I repeat once again that we should 'tremble' only at what people will think about us.

World practice shows that actual competition ends price chaos immediately. We won't tolerate **monopolisation of the domestic consumer market by large trade networks** or price collusion in any form. Small private and state shops should develop alongside hyper- and supermarkets.

Furthermore, large trade networks should bear a social burden,

At the Fourth All-Belarusian People's Assembly, we promised people that we'd see an approximate mid-European level of wages by the end of the 5-year period, taking into consideration our social package, public utilities and so on. All needs to be calculated, so that we can come closer to the European level. It's the key task of the Government, and of every manager and of the executive chain of command! To begin with, we need to wait until the year's end, to see who is earning \$500 and who is not. We'll see what labour efficiency is evident and why some people may not be earning appropriate wages.

Yes, we'll still provide assistance to pensioners, public sector workers, large families and the disabled by means of a steady **increase in pensions and allowances**.

As for those in the production sector, everyone will be paid according to their labour: you'll receive as much as you earn. Moreover, nobody will blame me for the fact that civil servants are excessively 'spoiled'; they shouldn't be paid more than somebody else.

The fourth area is the effectiveness of the management of the economy.

We are tasked with the establishment of holdings and large production associations in industry, to initiate the growth of capitalisation of public assets. These are, in substance, **state corporations**. The same processes occur in agriculture. This year we'll finish enlarging agricultural enterprises and forming effective agricultural enterprises and holdings where possible.

We should see real results from organisational reform this year. We need to drastically reduce non-manufacturing costs and overheads and at least halve administrative staff in holdings and industry.

I charge the Government with elaborating a strategy of development and incorporation into the global economy, alongside co-operation with the principal partners of each state corporation.

First and foremost, those associations lacking enough internal resources for development, and those with highly competitive end markets need attention.

Our plans should be co-ordinated with the development strategies of Russia and Kazakhstan — and surpass them.

This year, we've been working on equal terms with our partners in the Customs Union, roughly speaking; the term does not mean what it used to one or two years ago.

The political authorities of the country have resolved their main task: the halving of the price of our principal energy source, which is imported: natural gas. We have also settled matters of co-operation with the Russian Federation in the oil sector.

Negotiated agreements for energy prices are not 'charity' or subsidies as some try to present. They are **basic terms of functioning of the Single Economic Space**.

Where differences in prices occur, as happened recently, there is no free competition. Our price was five times higher than that in Kazakhstan and Russia. Different standards and requirements for production quality cannot lead to a common market. This is the plain truth!

This is why **we do not ask for low prices for our enterprises** in the Sin-

This new generation is living in a new age, full of fundamental change and threats, which bring anxiety. Our common task — as representatives of power in modern Belarus — is to do all we can to turn these challenges into opportunities and success for the country.

will be the ensuring of ordinary workers' interests: jobs, salaries and wage supplements must be retained.

I don't want to be deliberately obscure but will give you a certain example of one successful enterprise. I've been told that, the 'current management' of Keramin was trying to seize this company through relatives and other nominees. The problem was resolved within a single day: now, the managers who were involved in these activities, and their relatives, are no longer employed there. Every enterprise will face the same action! You can criticise me for this if you wish but such matters will be suppressed in the blink of an eye! Privatisation must be transparent!

The Government is to sell 25 percent of shares in the Sparkling Wines Plant but I'm hearing discontented remarks from those who are wealthy, saying: 'They're only selling each person 999 shares... Why bother?' I say: don't bother. We aren't organising this for you but for those individuals who want to buy shares. If you wish to buy then do, if you don't wish to buy, then don't.

I don't think that there is landslide demand for these shares, which is no problem, as we don't need that. Don't worry. The factory is operating; it's a good factory, with demand for its products domestically. We'll always be able to find an honest investor and, while we wait, we'll provide support ourselves. We won't abandon this enterprise.

It is not the worst company that we've launched via IPO — a popular

Anything concerning community property will be decided by regional executive boards.

Is there anything odd? You might say that there is a lot of bureaucracy in privatisation and I'd agree. I've already spoken about this but the matter is very serious: we are trying to privatise enterprises which we didn't create. They are the property of the people, so we must be thorough and careful in our privatisation. The example of our neighbours is illustrative. If we are dishonest in some aspect regarding something created by the nation, there will be a suitable response towards the authorities, and we'll have to forget about stability and peace in the country.

This is why the matter of property is like that of land ownership after 1917 (remember, when they started to seize land, civil war broke out and people began to slaughter each other for the smallest piece of land). In this case, the cost is immeasurably higher.

The third area in our plan to update the economy concerns **raising individual people's income**. The most important task today is to restrain the growth of prices and restore the pre-depression level of the population's income.

We cannot give everything to the market. Reasonable **control over prices must be in place** in Belarus. The answer to the second question constantly asked is that there will be no price chaos.

We're steadily heading towards more free market pricing. However,

offering discount cards for pensioners, large families and the disabled. It should be an obligatory condition of their presence in our domestic market.

I charge the governors to take all these matters under their personal control, especially the Chairman of Minsk City Executive Committee.

Now, about wages...

Our approach is set: the task of the state is to create conditions for those who can work and provide assistance to the weak. Everything else will be done by people themselves.

We took an important decision, which was sought by businessmen and the majority of citizens: we allowed **freedom of wages and allowed a voluntary unified wage rate scale** for enterprises of all ownership patterns.

However, it's vital to know how to use this freedom.

The main economic principle is that **the growth rate of wages must be linked to labour efficiency**. This law was not abrogated! It is not me who invented it!

More simply, wages must be earned.

However, some managers, I will repeat, understood the new situation in a very simple way: they thought they could do nothing and were relieved of any responsibility for raising salaries.

Those who think so, delude themselves. The task of a manager remains the same: secure raised labour efficiency, which should lead to growth of staff wages.