

Unfavourable market conditions are driving force

Exports soon to become main indicator to all assessing our national economy

By Denis Krymov

The Internet, television and newspapers are hugely influential but often fail to show an objective picture of the world. The presence of competent and knowledgeable practitioners is the best indicator of economic success, asserted the President recently, speaking of export issues.

Exports of products and services are a critical source of income for Belarus, comprising 85 percent of GDP. We consume minimal goods but have retained the structure of an 'assembly line' from Soviet times. Adaption to foreign markets is vital, as the All Belarusian Assembly notes: exports are a top priority. Attention has been given to this sphere for some time, with results now becoming evident. Over the first 8 months of this year, sales of goods and services abroad grew by 22.5 percent, against a forecast of just 11.6-12 percent. Our positive balance is almost \$4bn — thanks to the hard work of enterprises. It seems that everything is good, but the experts create a real picture of the world.

The Belarusian Steel Works and BelAZ are working dynamically, retaining their leading place on world markets, despite prices falling and supply outstripping demand. New players are appearing, creating significantly more competition. However, giants like BelAZ are adapting their production, meeting the latest technological demands from mining companies. The markets for food, chemicals and potassium



Savushkin Product exports to 75 Russian regions, as well as other countries close and far abroad

fertilisers are all becoming tougher; there is a true global crisis but this is only inspiring our companies to push themselves forward, keeping pace with innovation. It is a case of sink or swim.

Mr. Lukashenko has emphasised that he is interested not in general facts but in the real picture of how exports are being expanded. He stresses, "Who is exploring and successfully developing foreign markets, at the expense of others? What

has caused the decline in production and exports and the expansion of warehouse stock for industrial enterprises? Why is Gospishcheprom seeing less profit? What is happening to the export of services, particularly in the spheres of construction and transport? Problems exist regarding payments for delivered products and the flow of currency earnings into the country. Why are we seeing low efficiency in our distribution network abroad?"

Listening to reports by the Prime Minister, Mikhail Myasnikovich, the Chairman of the State Control Committee, Alexander Yakobson, the Chair of the National Bank, Nadezhda Yermakova, and others, it's clear to see that they have a grasp of the situation and know how to tackle it. Of course, there are ongoing issues but these can be solved. It appears that the system is sound, so this does not require the direct intervention of the President but

Mr. Lukashenko is keen to see decisive entry of new markets. Personal contacts and relationships between state leaders, ministries and business leaders are vital. Such partnerships are built through face to face meetings, as the President asserts. Sales are not made by sitting at your desk.

Modernisation is a vital aspect of expanding sales, since competitiveness relies on innovation and cost effectiveness. Investment is required but funding must primarily come from export revenue, as Mr. Lukashenko notes. Ideas are plentiful regarding the best route to stimulating export growth, with improved terms (including leasing) suggested. The Chairman of the Grodno Region Executive Committee, Semyon Shapiro, has suggested a simple but effective mechanism: financial bonuses for managers who attract foreign investments and expand sales abroad. This scheme has been trialed in the Grodno Region for milk sales, with significant results. All ideas are welcomed and, as the President notes, final assessments will be made in January. Vice-Premiers are responsible for raising export volumes while the Head of the Presidential Administration, Andrey Kobyakov, has been tasked with judging the efficiency of modernisation of production lines (at the order of the President). Special attention is being given to timber enterprises, which have received major funding. As the President asserts, such investments must reap profit.

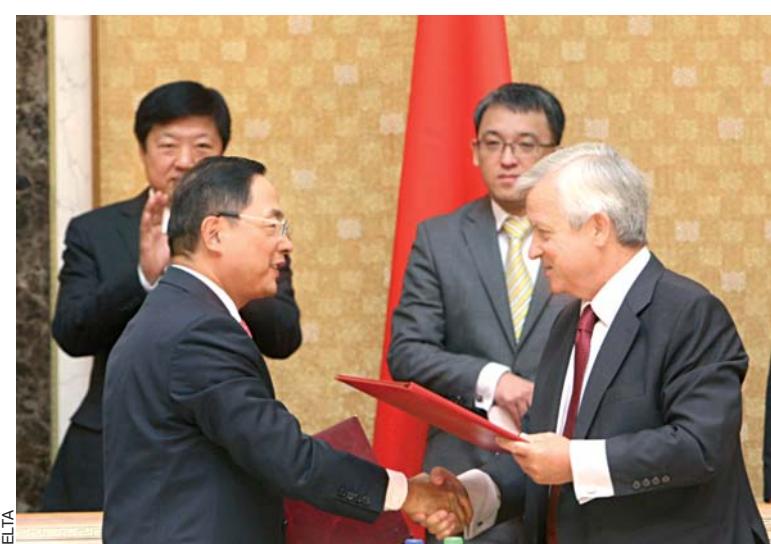
Financial sources easily found for park

Belarus and China sign framework agreement on financing of first stage of joint industrial park, while outlining plans to enhance investment co-operation

By Vasily Kharitonov

Following the results of the 13th session of the Belarusian-Chinese Intergovernmental Commission for Trade and Economic Co-operation, the Chairman of the Belarusian side of the Commission, Deputy Prime Minister Anatolik Tozik, joined the Chairman of the Chinese side, Vice Minister of Commerce Jiang Yaoping, in signing not only a final memorandum on the meeting of the Commission but a protocol for the first meeting of the Intergovernmental Co-ordinating Council of the Chinese-Belarusian Industrial Park.

According to Mr. Tozik, over the past year, our two states' credit-investment collaboration has formed the basis for bilateral economic relations, which are developing dynamically. Chinese loans of nearly \$5.5bn have helped Belarus realise major projects of economic modernisation. Several projects have been completed this year, with oth-



Meeting ends in signing of important documents

ers now entering an active stage and others just launching. As Mr. Tozik stresses, several joint projects which began 3-5 years ago are now complete. Among them are the newly modernised Minsk TPP #2 and #5 and two new cement plants in the Grodno and Mogilev regions. Some

projects are still adapting their design documentation, with equipment being supplied and financial resources being acquired. In this category are two new 400mW blocks at Bereza and Lukoml hydro-electric power stations, the new Vitebsk hydroelectric power station and Krichev

cement plant, and electricity supply for two sections of Belarusian Railways, as well as the supply of electric freight trains. New projects are also in the pipeline, with sites being chosen and designs debated: a new section of road for the Zhlobin-Gomel highway; and a facility for processing bleached pulp.

Over the last twelve months, several promising investment projects have been signed, as have new contracts and credit agreements: the construction of a plant to produce coated and uncoated cardboard (in April 2012, two credit agreements were signed with State Development Bank of China for a loan of \$348m); a new section of road between Bobruisk and Zhlobin; the creation of a national system of satellite communication and broadcast in Belarus; and the construction of a 330kW electric line (to receive power from the future Belarusian nuclear power station).

As Mr. Tozik notes, no obstacles have presented themselves. He tells

us, "The Chinese companies realising the projects are long known to Belarusian partners, as is vital to both sides in signing contracts. We each realise our duties to meet deadlines and to ensure the best quality. This applies equally to Chinese general contractors and to their Belarusian customers."

Direct Chinese investments have brought about the construction of the Beijing Hotel, a residential suburb in the Lebyazhy District and the establishment and development of Belarusian-Chinese BELJI (jointly with Geely) and Midea-Horizont. Mutually beneficial co-operation between Belarusian and Chinese machine builders is evident in joint facilities assembling tractors and combine harvesters in Harbin (in co-operation with Dongjin Group). Mr. Tozik stresses that work continues to attract further direct Chinese investments into agriculture and the food industry. Export-oriented plants are a priority, as is the processing of flax and potatoes.