BELTA

Euroopt network includes more than a hundred shops countrywide today

Alfa-Bank to give $100m loan to private Belarusian company

Alfa Bank Group to give syndicated loan to Eurotorg — chain of Euroopt stores

The loan is mostly funded by Alfa-Bank JSC (Russia), with some contribution from Alfa-Bank CJSC (Belarus). Naturally, the attraction of such a large loan from abroad into the country's private sector is an extraordinary event.

Boris Medovoy, the Managing Director of the Large Corporate Clients Department of Alfa-Bank (Russia), tells us that Eurotorg is a Belarusian leading retailer and was the first from Belarus to set up in Russia.

The five year syndicated loan from Alfa-Bank — worth $100m — is a landmark event, being the first given to a private company in Belarus. "The loan is evidence of trust in the Belarusian company as a responsible partner, while confirming the reliability of retail as an attractive branch for investment," notes Mr. Medovoy.

Andrey Zubkov, Director General of Eurotorg Ltd., underlines that the agreement should be viewed as an investment. "The loan will be primarily used to develop the chain and give capital investment into building new outlets," he explains. The Belarusian company is keen to enter external markets, primarily using Russian capital. "Russia understands the situation in Belarus and knows how little risk there is — unlike some in the West," he asserts.

According to Mr. Zubkov, the loan is very attractive for Eurotorg, being long-term (five years) and offered on more affordable terms than are available on the Belarusian market. He stresses, "This is the first money we've managed to attract from abroad, allowing us to preserve our course of intensive development. Next year, we plan to expand our chain by a hundred trade outlets — made possible from the attraction of the loan."

According to Mr. Medovoy, further collaboration with this Belarusian company may involve syndicated loans from Alpha-Bank, involving other non-resident banks, including those in Russia.

Innovation helps to avoid long queues

By Anna Kotova

From mid-December, contactless banking cards will be available

The Director of Belarusbank's Plastic Card Processing Centre, Anatoly Bogovik, has announced that Belarusbank is to issue contactless cards. "Belarusians will be able to apply for a contactless card with Belarusbank from mid-December. The registration procedure will be identical. Cards can be tied to existing accounts," he explains.

In early November, Belarusbank was the first to receive certification from VISA International for issuing contactless cards (Visa payWave) having already been certified to accept payments from such cards. About a dozen pilot cards have been issued with ambitious plans for infrastructure; at least 1,000 payment devices for such cards will appear next year in supermarkets, larger canteens, petrol stations and other venues which process a large volume of payments. "This should reduce queues significantly," stresses Mr. Bogovik.

Debts and payments or profits from loans

The world's economy has been turned on its head. Fifteen years ago, the welfare and, even, the survival of the post-Soviet counties (including Russia) directly depended on western loans. Today, the situation is being reversed. Russia's international reserves totalled $513bn earlier this year: 2.9-fold more than its state debt of $177.7bn.

The debt crisis caused great problems, including a drop in the credit trust rating of such countries as the USA, Japan, the UK, France, Italy and other leading EU countries. Unsurprisingly, developing states, with their existing unemployment and falling living standards, have experienced full-scale socio-economic crisis. Sadly, Greece — the 'homeland of democracy' — witnessed street violence, as have some other states.

It's known from the theory of anti-crisis management that efficient or, vice versa, unprofitable work of economic systems is their own internal business. When companies cannot repay their debts, creditors may demand their property in lieu of payment, resulting in loss of economic and, then, political sovereignty. Economic security can only be preserved where a country's foreign debt doesn't exceed its GDP. Despite our general view of western states as islands of idyllic happiness, most fail to fulfil this formula. The World Organisation of Creditors (WOC) notes that, as of early 2012, Ireland boasted the greatest foreign debt in comparison to GDP: 11-fold more (1,081 percent). This was followed by the UK (407), Hong Kong (371), the Netherlands (316), Belgium (272), Switzerland (213), France (203), Sweden (189), Spain (172) and Germany (157). Meanwhile, Russia looked far more attractive (28 percent). According to mid-2012 data, the world's 50 largest economies saw combined foreign debt in excess of an astronomical $65 trillion. The USA accounted for $15.1 trillion and the UK for $9.8 trillion. France and Germany were each responsible for $5.6 trillion followed by Japan, Italy and the Netherlands ($2.7 trillion each).

Long suffering Greece has also performed poorly in its amount of state debt, which includes internal and, mostly, external borrowings by the Government. Nevertheless, even the Greeks — whose state debt reached 161 percent of GDP as of early this year — are located between the Japanese (230 percent) and Italians (120 percent).

Unfortunately, the WOC forecasts that the state debts of developed countries will continue to rise between 2013 and 2015: from $16.6 to $20 trillion in the USA, from $14.1 to $15.9 trillion in Japan, from $2.4 to $2.7 trillion in France and from $2.2 to $2.6 trillion in the UK. The destructive practice of solving economic problems by raising state expenditure seems likely to continue. The external debts of other western countries will rise in almost the same proportion.

Of course, it's pleasant to receive free resources from outside of your own country, preserving living standards by printing more money. The US Dollars and Euros held by Belarus, Russia and Ukraine are unambiguous testament to the developed powers having directly or indirectly received goods and services from our countries (corresponding to the nominal values of the issued banknotes which now belong to us).

Impressive debts aren't a problem if money has been injected into the development of the national economy, to provide ongoing returns; however, if it has simply been eaten by the population and stolen by oligarchs, trouble is afoot. Belarusian residents have no reason to worry, since our country's foreign debt stood at just 61 percent of GDP as of mid-2012 ($33bn). Firstly, this is significantly lower than the 100 percent mark of economic security; moreover, it has fallen by 1.7 percent since the beginning of the year. Secondly, this amount is reliably covered by annual revenue from exporting goods and services (worth $53.3bn). The country's gold and currency reserves are currently at a record $8.3bn. Thirdly, our borrowings haven't been misused. They are at work in the Belarusian economy: building the Belarusian nuclear power station; drastically modernising the domestic oil processing branch; and launching new stations for Minsk's metro — a recently implemented project.

Professor Valery BAINEV, Doctor of Economics at the Belarusian State University