

Question of capital amnesty being viable still remains unanswered

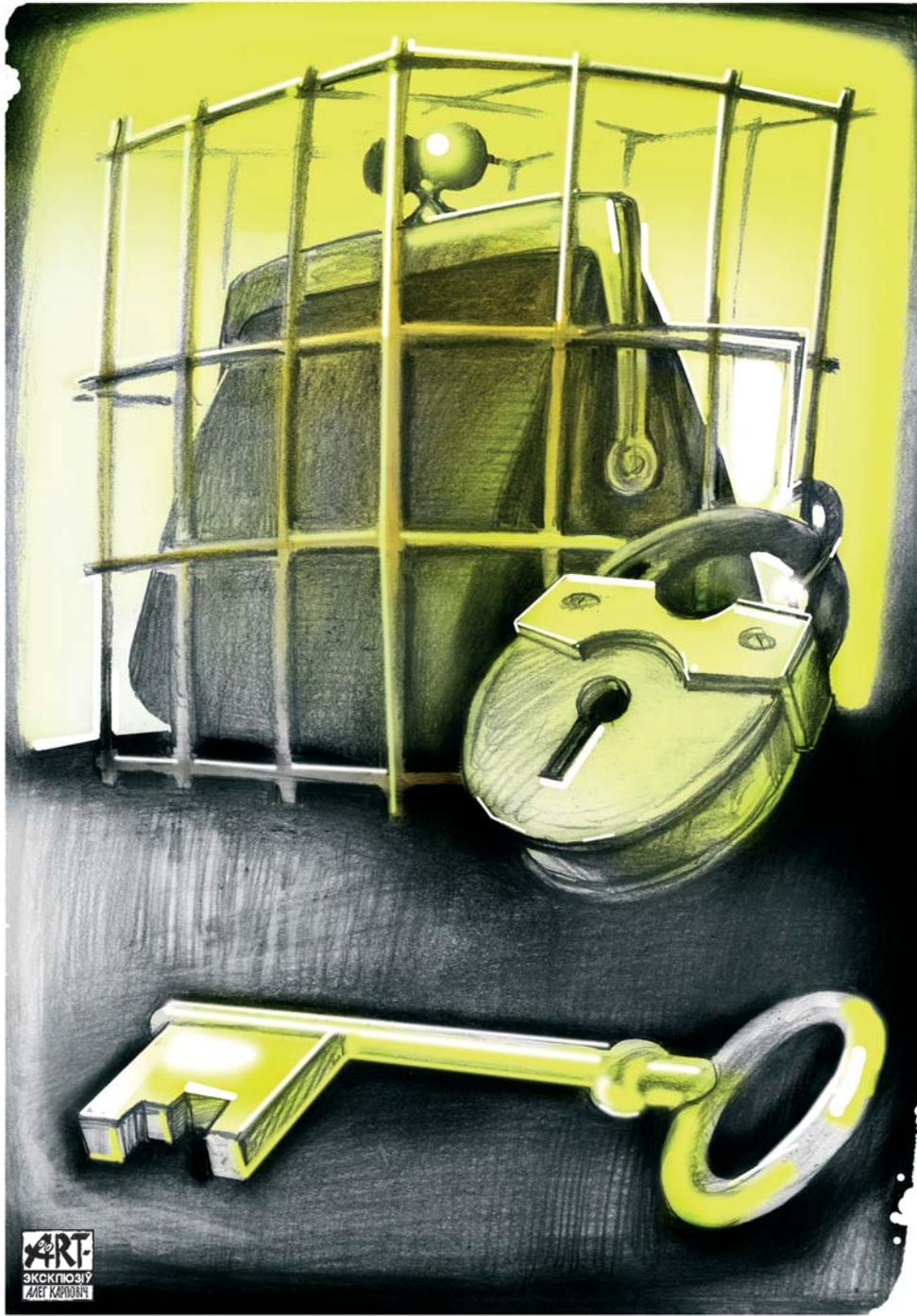
An amnesty on capital could bring millions of dollars out of the shade, allowing them to be recognised in the country's economic turnover. However, the state must convince businesses that legal status is mutually beneficial. The issue is much debated in Belarus, with no single view yet formed since, against evident advantages, there are also several fundamental disadvantages.

By Yevgeny Ivanitsky

The idea of capital investment was voiced a decade ago in Belarus but its discussion continues. Last year's economic crisis again inspired those in favour to promote the idea, pointing out that a significant share of the economy goes unregistered. Hundreds of millions of dollars are circulating 'in the shade' which could be included in legal economic turnover. This would allow the true economic situation to be revealed and allow it to be assessed from different angles.

The Head of State noted the fact in his spring address to the National Assembly and Belarusian people, saying, "If this is vital for Belarus and can bring serious economic effect, then it needs elaboration. However, in taking this step, we must strictly specify the conditions, objects and subjects of amnesty, ensuring complete protection of state interests."

The legalisation of 'shady' capital has been studied recently and, in summer, the National Bank mentioned that a corresponding law was being drafted, in consultation with the World Bank. Grigory Veremko, the Director of the State Control Committee's Department for Financial Investigation, tells us, "Honestly, the issue is ambiguous — with pros and cons. We understand that, where capital is kept abroad, it may have arisen from illegal sources." He notes that other countries treat the problem in various ways and that capital amnesty has not always produced positive effects.



Issue of capital amnesty remains in the wings

Don't repeat mistakes

According to some estimates, no less than a third of the Belarusian economy is 'shady'. However, it's the norm

in some developed states — where at least a quarter of the economy is hidden. According to the Johannes Kepler University of Linz (Austria), in 2011, 'shadow' trade in Eu-

rope comprised 7-8 percent of GDP in Austria and up to 30 percent in Switzerland; in some Central and Eastern European states, the percentage was even greater.

Within the Eurozone (which unites others beyond the European Union), Estonia leads, with 28.6 percent of GDP from 'shady' business. It is followed by Cyprus (26 percent) and Malta (25.8 percent). Large countries tend to demonstrate lower figures: in Spain, 21.2 percent of GDP comes from such sources and Germany has 13.7 percent.

Unsurprisingly, many countries consider capital amnesty at some point but the results are not always significant. Belgium's law on amnesty for capital taken out of the country came into force in 2004, allowing citizens holding savings with foreign banks to return money without sanction. Just 6-9 percent of the transferred sum would be paid to the state as tax. The Belgian Finance Ministry hoped that 10-15bn Euros would return, generating 850m Euros in taxes but the sum proved to be just over 50m Euros (a modest 6 percent of the planned sum). The state budget received around 1bn Euros. Experts believe that terms for investment in Belgian companies simply don't compare with those in neighbouring states, where it's more profitable to place capital.

Financial amnesty has taken place in post-Soviet Kazakhstan and Georgia and corresponding laws are being prepared in Armenia and Ukraine. In Kazakhstan, the first tax amnesty was conducted in 2001, after the Law on Amnesty was adopted. Not only capital but other property was subject to legalisation (except for assets settled in court and those generated as a result

of corruption, crimes against humanity, people's health or morals). The declared funds were not subject to taxation and all declarations on citizens' income and property — covering 1995-2000 — were erased. The period of amnesty lasted 30 days, generating a disappointing \$480m — just 12 percent of the supposed exported capital. In all, 82 percent of deposits were placed in cash with Kazakh banks, with sums varying from \$2,000 to \$800,000. Kazakhstan is now preparing a second tax amnesty, with repatriated sums taxed at 10 percent and all other conditions in line with the previous campaign.

Georgia's experience was among the most unsuccessful. Businessmen were offered amnesty on declared sums and property, with just 1 percent taxation on assets. Countrywide, only eight people declared their unregistered income and the country's budget received just \$35,000 (instead of the expected \$4m). Clearly, there was a lack of trust in the state authorities.

Choosing own path

Belarus continues to debate its choice but experts agree that the move is unworkable unless the public are convinced that authorities intend to honour the principles of the amnesty. The foremost concern is likely to be having data held indefinitely, for future use. Judging by foreign experience, two conclusions can be drawn: a capital amnesty must be combined with a tax amnesty and, once the campaign is finished, strict sanctions should be enforced.

Attractive conditions for residents

By Grigory Veremeev

Belarusians comprise most of those working at the Chinese-Belarusian Industrial Park, notes the Chairman of Minsk's Regional Executive Committee, Boris Batura, speaking at a press conference for regional and national media

"We're interested in involving foreign investors in the development of the Chinese-Belarusian Industrial Park. Our people will make up the bulk of its workforce but the Park may employ for-

eign managers or engineering specialists from China and elsewhere," Mr. Batura emphasises.

In late November, he visited the city of Guangzhou at the invitation of Guangdong Province's Governor, Zhu Xiaodan. Mr. Batura held a presentation on the Chinese-Belarusian Industrial Park and took part in the Guangdong International Exchange and Co-operation Week, which gathered heads of 18 regions from across the world. "I reported on opportunities at the Park and the advantages of investing in the

Minsk Region for those from the Guangdong Province and beyond. In January, we'll host another presentation on the Park in the Guangdong Province, and, next year, Belarus will host the Week of the Guangdong Province," he tells us, adding, "At present, we're designing the Chinese-Belarusian Industrial Park, including external and internal infrastructure. By May-June 2013, the first production facility should be commissioned."

The China Development Bank and the Company to Develop Industrial Parks

JSC have signed a framework agreement to finance the first stage of the construction project — worth \$1.5bn. Total investments are estimated at \$5.6bn, with construction in the Smolevichi District due to be completed within 30 years.

The major objective of the Park is to attract foreign and domestic investments while providing assistance to high-tech and competitive production and creating new jobs (aiding socio-economic development). The major focus is on attracting companies involved in fine chemis-



Techno-park in Guangdong Province

try, bio-medicine, electronic engineering and mechanical engineering.

The Chinese-Belarusian Industrial Park is an administrative-territory covering about 80sq.km, offering favourable long-term tax privi-

leges for businesses, encouraging investment. Necessary infrastructure is ensured for business development, and one-stop procedures enable companies to register and operate without wasting undue time on formalities.