

# Business corridor expanded

Belarusian and Latvian businesses eager to enjoy mutually beneficial co-operation, as confirmed at *Minsk-Riga Investment Forum*

By Vladimir Levshunov

The Ambassador Extraordinary and Plenipotentiary of Belarus to Latvia, H.E. Mr. Alexander Gerasimenko, notes that a promising area for mutual collaboration is industrial co-operation and the establishment of joint companies — such as Minsk Automobile Works' assembly facility in Riga. He stresses that Latvia has plans to assemble Belarusian tractors and communal machinery.

Mr. Gerasimenko states that Latvia is an important transit corridor for Belarusian freight, while the port of Riga is the shortest route to the sea for Belarus. In 2010, an impressive 12m tonnes of Belarusian cargo were shipped via Latvia and almost half was

sent via Riga's Freeport. The issue of increasing cargo transit volumes through the port was high on the agenda during an official visit from Riga to Minsk, headed by the Deputy Chairman of Riga City Hall, the Chairman of Riga Freeport Andris Ameriks.

Latvia remains an important trade and economic partner for Belarus. Last year, bilateral trade reached almost \$1bn, with the range of Belarusian export items to Latvia increasing. Moreover, 120 new joint ventures were established. The Ambassador Extraordinary and Plenipotentiary of Latvia to Belarus, H.E. Mr. Mihails Popkovs, notes that Belarusian-Latvian economic relations have become increasingly dynamic, although the global financial



Participants of *Minsk-Riga Forum* view stands by the promising construction branch of the Belarusian capital

crisis has affected certain areas to some degree — in particular transit. "Over all, our co-operation continues to develop. Last year, Latvian statistics showed that bilateral trade between Belarus and Latvia rose 10 percent, which suggests that we have overcome the negative impact of the crisis. We hope that this positive trend will consolidate in the future," Mr. Popkovs adds.

Latvia is one of the largest investors in Belarus, injecting

over \$600m to date and the sphere of Latvian investors' interests is wide. Recently, a large Latvian construction company won a tender to begin construction of a \$100m hotel complex for the Hyatt hotel chain, near Komsomolskoye Lake in Minsk. Latvian IT companies are also actively operating on the Belarusian market, alongside firms offering logistical services and catering. Negotiations are underway regarding the opening of a Riga Freeport

office in Minsk. "We believe that the level of investment co-operation between our two countries is yet to reach its limit; there is much untapped potential," the diplomat stresses.

One of the promising areas for co-operation is the establishment of joint companies — a process which has been gaining momentum. Already, over 1,000 joint ventures operate in our two states. Among those being debated is a new, modern

pharmaceutical company (using Latvian capital) — to be situated in the north of Belarus, bordering Latvia. There are also plans to set up a large Belarusian-Latvian logistics centre close to one of the border checkpoints. Another promising project is the creation of a facility in Riga to maintain and, probably, produce lifts (made in Mogilev). A joint project on constructing a large truck service centre near Minsk has already been launched.

## Enough sweet produce for all

Sugar prices persuade customers to limit their sweet tooth

By Tatiana Kovalevskaya

The price of sugar has risen countrywide by 10 percent on average. Since last December, the price has risen by more than 25 percent. Belgospishcheprom Concern and the Trade Ministry explain this unpopular decision by noting 'current higher retail prices for sugar in neighbouring states'.

The level of consumption of this strategic product has proven stable, with rising prices failing to cool the enthusiasm of Belarusians. Annual sugar consumption in our Republic is estimated at about 380,000 tonnes. Belgospishcheprom Concern promises that there won't be any interruption in supply, although the world market is experiencing a deficit. Limited supplies are the major reason for rising prices.

According to the UN's Food and Agriculture Organisation (FAO), in January, the sugar price index rose by 5.4 percent (on December 2009) with raw sugar quotations on world exchanges reaching a 30 year record. This was largely due to great harvest losses of sugar cane in Brazil — the world's major supplier. Even if



Sugar industry newly modernised

the harvest improves this year, prices will continue to grow, as the technologies of sugar cane growing become more costly.

Meanwhile, countries which are major buyers of Belarusian sugar are gradually acquiring their own facilities. "We're seeing a gradual narrowing of our sales markets," explains Ivan Danchenko, Chairman of Belgospishcheprom Concern. According to his forecasts, within a couple of years, Ukraine will be completely fulfilling its own processed sugar needs. This year, we will sell just 25 tonnes of sugar beet to our southern

neighbour, against 93 tonnes last year. Central Asia is also developing its sugar processing, with a Turkish investor setting up a large company in Azerbaijan; it is already a rival to Belarusian plants within this market. Russia is aiming to increase its production capacities to handle 4m tonnes of beet sugar, and up to a million tonnes of raw sugar. In the coming five years, our domestic sugar branch should expand its output by up to 630,000 tonnes.

Belarusian factories plan to raise revenue by increasing their depth of processing

to create more refined sugar, packaged more carefully. "We won't be selling in bags anymore; we'll improve our packaging to make it more attractive," notes Mr. Danchenko. Moreover, each sugar factory will diversify its produce. Tinned fruit in syrup, marmalade, jam and yoghurt fillers are to be made in Gorodeya while Skidel Sugar Refinery is to add citric acid to its line-up. A yeast factory is to be constructed in Slutsk while a line of caramel production is to be put into operation in Zhabinka.

As far as the construction of a fifth sugar refinery is concerned, Belgospishcheprom believes that this project can only be implemented by attracting direct investments. The idea is being negotiated with a range of Polish and German companies, with results yet to be announced. "We have spheres in which to invest and, by developing our existing factories, could gain the same capacities while spending 50 percent less on resources," adds Mr. Danchenko. He notes that a fifth sugar refinery could be constructed with state support but the factory is unlikely to pay for itself.

## Considerable support for small businesses

**In 2010, seven commercial banks of Belarus granted loans to businessmen at an interest rate not exceeding the refinancing rate of the National Bank, as a result of the 2010-2012 state programme to support small entrepreneurs.**

The business community is positively responding to state initiatives, with over 100 small-sized businesses registered as part of state economic programmes. Statistics show that, last year, 116 applications were received from small businesses, with 108 selected. Alexander Likhachevsky, the Director

of the Economy Ministry's Entrepreneurship Department, lists several successful projects. The manufacture of veterinary medicines is being set up in the Gomel Region while entrepreneurs in the Mogilev Region are taking part in the construction of a wind-driven power plant. Soon, a plant to refine and deodorise vegetable oil is to appear in the Grodno Region, involving small businesses.

The state aims to continue dialogue, with a draft plan on the implementation of Directive #4 being prepared. This should inspire further business activity.

## Expansion possible

**Marko Company to expand presence on European market**

Marko has begun 'cutting a window to Europe' with participation in Scandinavian footwear and accessory fairs. The first exhibitions are proving successful, with Marko footwear being sold in Lithuania, Latvia and Estonia. Two branded shops are soon to open in one of these states. Meanwhile, Marko plans to continue co-operation with its Russian and Ukrainian partners; Kazakhstan is also

showing steady interest.

Apart from trade, Marko is to develop production ties with European manufacturers. An agreement with two Italian design studios is now being agreed. The Italians are to develop and technically oversee the production of elite footwear, produced under the 'Bravo' trademark. Such co-operation with European designers should meet demand for more expensive, prestigious footwear and perfect the quality of the company's products.