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**OCDE/GD(94)56**

**INVESTMENT GUIDE FOR BELARUS**

**ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT**

**Paris 1994**

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## **FOREWORD**

A flourishing and dynamic private sector is a key element in ensuring the successful transition from a centrally-planned economy to a market based system. Given scarce capital sources and poor management know-how in the transition economies, foreign direct investment seems to be a critical factor to help develop a viable private enterprise sector. To attract such investment, transition countries must demonstrate that they offer to potential investors a sound and profitable environment for investment.

These considerations provide the background that led the Centre for Co-operation with the Economies in Transition (CCET) to support the Belarussian government in the preparation of its first comprehensive investment guide. In addition to providing detailed economic and political information, this guide clearly outlines the current legal and regulatory framework for investment and provides a detailed assessment of the country's science and technology sector. On the whole, it presents essential information for potential investors in Belarus.

This guide has been prepared under the auspices of the Belarussian Ministry for Economy and Planning and the CCET at the OECD. It was written by a team of consultants headed by Mr. Yuri Poluneev. The project was managed by Ms. Barbara Peitsch, Administrator in the Directorate for Financial, Fiscal and Enterprise Affairs at the OECD in co-ordination with Mr. Vladimir Mironovich, Mr. Mikhail Shkutnik and Mr. Eduard Petrovich of Belarus' State Investment Committee within the Ministry of Economy and Planning. The work was carried out in the framework of the Centre's programme of work with the NIS and was co-financed by St-Gallen University in Switzerland.

The information contained in this guide was collected before 25 March 1994, and unless otherwise stated, is based on data available at that time. The views expressed in this guide do not commit the Belarussian government, the OECD or its Member countries. It is published on the responsibility of the Secretary-General of the OECD.

**Salvatore Zecchini**  
Assistant Secretary-General OECD  
Director of the CCET

## **FOREWORD**

The competence of the OECD economic surveys and reports has been well established for many years. Within this organisation, the Centre for Co-operation with Economies in Transition (CCET) has, since the political upheavals of 1989, started a very thorough and efficient, if discreet, work of analysis which aims at providing decision makers of the business community with objective facts about the countries of the former Eastern bloc, thus contributing to investment opportunities. Uncertainty and legal insecurity, as well as the lack of general knowledge are the main obstacles on the road to market economy and a liberal order. Therefore, the St. Gallen Foundation for International Studies considers that it is worthwhile to support the task of the Centre by publishing this report on the occasion of the 24th International Management Symposium at the University of St. Gallen.

We are confident that the survey will contribute to a better knowledge of this part of Europe, and thus facilitate further steps towards market economy and private sector development.

**Prof. Dr. Hans Siegwart**  
Chairman

**Gérard Stoudmann**  
Executive Director

St. Gallen Foundation for International Studies

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## **PREFACE**

by

THE CHAIRMAN OF PARLIAMENT THE REPUBLIC OF BELARUS

The Republic of Belarus became an independent country on July 27, 1990. Since then, the country has been in the process of establishing itself within the international community. Belarus recently joined the World Bank, the International Monetary Fund, and the European Bank for Reconstruction and Development. It participates in seminars and training programmes sponsored by the Organisation for Economic Co-operation and Development. In addition, it was a founding member of the United Nations and supports the work of many of its specialised agencies.

The Parliament, or Supreme Council, and the government of Belarus attach great importance to improving the climate for international business activity in Belarus. Over the past three years, a number of laws and programmes have been adopted, including the 1991 Law on Foreign Investment and the Foreign Investment Promotion Programme for 1994-1995. The programme identifies the priority sectors in which international cooperation is sought, and lists the investment incentives offered.

During the Soviet period, the Belarussian economy developed its industrial base. It was internationally recognised for its achievements in theoretical and applied sciences and its developed research and development infrastructure in many sectors. It invented and manufactured some of the Warsaw Pact's most sophisticated military hardware, and pioneered production techniques in the area of machine tool building and electronics. Today, due to the economic and political changes that have taken place in the region, Belarus no longer has access to the same markets for its output, nor does it have the budget to support research and development on the same scale. The highly educated and innovative nature of the Belarussian population is undoubtedly our most important asset. I encourage foreign investors to make good use of it.

On behalf of the government of Belarus, I would like to thank the OECD for its assistance in publishing this investment guide. Such a guide should act as a vehicle for us to communicate our sincere desire to attract foreign direct investment, and should help to disseminate information on our laws, policies and programmes to potential investors.

**V.F. Kebich**



## OVERVIEW

Belarus, a founding member of the United Nations, is the most western state of the former Soviet Union. It borders the Russian Federation, Ukraine, Latvia, Lithuania and Poland. Its strategic location and scientific potential, together with its mineral resource base and highly educated population create a number of opportunities for foreign investors. According to a recent UN report, Belarus has maintained higher living standards and has displayed better economic performance than the other Newly Independent States of the former Soviet Union (NIS) during the transition period.

### Investment opportunities and risks

The government of Belarus adopted a comprehensive programme to promote foreign direct investment (FDI) in November 1993. The objectives of the programme are to facilitate industrial restructuring, develop resource saving, research intensive and environmentally friendly technologies, promote exports and import substitution and to encourage new product development.

The programme outlines the country's strategy for attracting FDI, clarifies the legal aspects of investment activity, including the issues of property rights, repatriation of profits, and investment protection, and sets forth proposals for the establishment of free economic zones in Belarus. According to the programme, foreign investors will have access to tax, customs relief and other financial incentives. Measures to develop the necessary business infrastructure, including the creation of a computerised database to record information about individual enterprises that seek foreign investment, are also underway.

The sectors of most interest to foreign investors are those in the area of science and technology. Belarus is known for its achievements in theoretical and applied sciences and developed R&D facilities in most industrial sectors. In addition, the country can boast of highly educated professionals, technical personnel and labour. Almost 1.5 million white collar workers are employed in the national economy, of which 657,000 have university or college degrees and 818,000 secondary vocational school degrees. The most educated segment of the population is under the age of thirty. 60 per cent of them have secondary school degrees, 26 per cent have secondary vocational school degrees and 13 per cent university and college degrees. The best developed industries in the country are military, electronics, engineering, machine building, instrument-making, and power engineering. Physics, mathematics, nuclear energy research, chemistry and biology are also recognized in terms of quality and depth of research.

One of the inherent weaknesses in the Belarussian science and technology related sectors lies in the low level of commercial utilisation of its results and achievements. This factor reinforces the need for foreign investment. The estimated volume of foreign capital required in 1994-1995 only for the top priority projects amounts to US\$ 430-440 million. The main areas of interest to foreign investors include: defence conversion, information and industrial technologies, telecommunications; environmental protection; biological and agro-industrial technologies, bio-medical research and health care; new sources of energy;

education and training, and specialised research centres, including a Western style economic research institute.

Belarus, like most of the other NIS republics, is an absolutely new market for the majority of potential foreign investors. Its market infrastructure is still in the process of formation. The mechanism and duration of decision-making, methods for dispute settlement and many other practical aspects of doing business in Belarus differ substantially from those in OECD Member countries. Certain problems and associated risks can seriously impede FDI, among them:

- 1) the lack of transparency, consistency and stability in the legislative framework for FDI, unclear ownership rights, complicated and bureaucratic entry and registration procedures, limited access to the most attractive enterprises and sectors (long "negative" lists) and unequal participation in the privatisation process;
- 2) the macroeconomic situation is characterised by substantial budget imbalances, high inflation and hidden unemployment, partial price controls, an extremely high degree of dependence on external markets, mainly on other NIS states, for raw materials and energy, and an inability to reorient exports to Western markets;
- 3) restrictions on foreign trade and other international transactions (excessive licensing, import quotas, and high export/import taxes);
- 4) a limited domestic foreign currency market and as a consequence, uncertain access to foreign exchange (rationing and favouritism, multiple exchange rates, mandatory sale of export receipts at a below-market rate), an inconsistent mechanism for calculating the exchange rate at which profits can be transferred;
- 5) a lack of bank financing for medium and long-term projects, and under-developed financial institutions and markets; and,
- 6) limited exposure of the Belarussian workforce to Western business, management and accounting practices.

Therefore, poor knowledge of the local market, an evolving legal and institutional framework for investment, and historic, cultural and economic differences may seriously affect a foreign investor's performance, particularly at the early stages of market entry. In order to reduce some of the risks specified above, it is advisable to target the priority sectors outlined in the respective government development programmes, including the programme for promoting foreign investment.

Moreover, foreign investors can substantially decrease risk if they are able to arrange alternative supply sources and maintain larger inventories than are usual in the West. This may also reduce losses caused by inflation. Until the implications of the monetary union between Belarus and Russia, which was agreed upon by both countries in late 1993, are clear, foreign investors should pay particular attention to the foreign exchange aspects of their investments. Insurance against exchange risk is now available from various Western official, multilateral and private sources. Hedging, however, is not possible due to the inconvertibility of the Belarussian Rouble. Political risk can be mitigated through official, multilateral and private insurance programmes as well.

## **General legal framework**

The law "On Foreign Investment on the Territory of the Republic of Belarus" identifies individual enterprises and priority sectors that require and are eligible for foreign investment. It states the forms investment can take and clearly outlines the establishment, entry, registration and approval procedures, as well as the rights and privileges granted to investors. Foreign investment can take two basic forms (a joint venture or a wholly-owned foreign enterprise). The minimum foreign capital requirement is set at US\$ 20,000. Entry procedures in a number of sectors require prior licensing by the relevant governmental agency(s). National treatment applies to all foreign investors, and the government of Belarus provides investment protection in the form of guarantees against changes in legislation, expropriation and unlawful actions by official agencies.

Upon the payment of taxes and final settlement of accounts, foreign investors are granted the right to transfer their profits and income abroad in any foreign currency. In the case of divestiture, foreign investors also have the right to repatriate their initial capital invested. The transfer of profit, however, must be funded out of a foreign investor's foreign exchange revenue obtained through hard currency exports or other legal hard currency sales.



**PART I**  
**THE REPUBLIC OF BELARUS**

**Background**

Favourable geographic location in the heart of Eastern Europe

Relative Political stability

Qualified and educated labour force

Modern transportation infrastructure

Developed energy distribution system

High potential of the science and technology sector



## **Chapter 1**

### **General Characteristics**

#### **Geography and climate**

The Republic of Belarus is situated in Europe. Its territory covers 207,000 square kilometres (sq km) stretching for 560 km from north to south and 650 km from east to west. In the north and east, the country borders Russia, in the south, Ukraine, in the west, Poland and in the north-west, Latvia and Lithuania.

Belarus is located in the western part of the East European plain. It lies along the Dnieper, the West Dvina, the Neman and the Bug rivers. The Volkovyssky, Novogrudsky, Oshmyansky, Minsky, Orshansky and Vitebsky Hills, separated by the river valleys, form the Belarussian range. The highest peak is 346 metres above the sea level. The Poleskaya plain is almost completely flat. In the west of Belarus, the Nemanskaya depression is characterised by swampy lands. The prevailing soils are sod-podzolic and podzolic-swampy types. Belarus is also famous for its mixed and broad-leaved forests. In order to save the country's natural treasures, the government created a number of nature preserves, among them the famous Belovezhskaya Puscha, Berezinsky biosphere and Pripyatsky wet lands.

The main rivers of Belarus are the Dnieper, the Neman, the Pripyat and the West Dvina. The country has many lakes, among them 280 whose area exceeds 1 sq km. Most of the lakes are located in the north or "the Poozerye". Belarus has a number of mineral water springs, some of which are used for medical treatment (Bobruisk, Zhdanovichi and Naroch).

The climate of Belarus is continental but relatively mild, with a low level of regional temperature fluctuations. The average annual temperature varies from 7.4 degrees C in the south-west to 4.4 degrees C in the north-east. The average temperature of January in Brest (the warmest place) is - 4.4 degrees C, in Witebsk (the coldest place) -7.8 degrees C. In July, the temperature ranges from 17.0 degrees C in the north to 18.8 degrees C in the south. The level of precipitation is usually from 500 millimetres (mm) in the south-west to 700 mm in the central regions of the country, where it exceeds the possible level of evaporation. The most humid month is July (60-90 mm) and the driest one is February (25-40 mm). The vegetation period is 178-208 days.

#### **History**

As archaeological findings prove, the territory of Belarus has been inhabited for 8,000 to 11,000 years. Historical documents dated early 2nd century (AD) speak about early feudal formations with centres in Turov and Polotsk, the latter being the most important principality which already bore signs of a feudal democracy. It played a significant role in trade between Scandinavia and the East. At the end of the 10th

century, principalities located on the territory of contemporary Belarus adopted Christianity of the Greek (Byzantine) model.

In the first half of the 13th century, a new centre of Slavic culture emerged with the capital city at Novogrudok, which gave birth to the biggest medieval state in Eastern Europe, the Great Lithuanian Principality. It gradually consolidated the eastern Slavic lands and successfully repulsed the attacks of crusaders and Mongol-Tartar invaders. In 1385, the Principality concluded a dynasty union with the Polish Kingdom. This was followed by the active spreading of the Catholic religion and the transfer of the capital city to Vilnius.

The Belarussian-Lithuanian state achieved a relatively high level of economic, social, legal and cultural development in medieval Europe. It utilised the Magdeburg Law for municipal administration, and established close commercial links with the West European countries and the Moscow state. Francis Scorina, a famous Belarussian scholar, who was the founder of East Slavic book-printing, became known outside of Belarus.

According to the Lublin Union of 1569, the Belarussian lands entered into a confederation with Poland, which was called Rzecz Pospolita. This historic event led to the adoption of Polish culture by the Belarussian nation, although the Belarussian language served as the second official language in the Polish/Lithuanian Principality until the late 17th century.

After the division of Poland in 1772, 1793 and 1795, the territory of Belarus was integrated into the Russian empire. The subsequent history of the country has been greatly influenced by this event.

Following the 1917 revolution, the Belarussian Peoples' Republic was proclaimed. Later, on January 1, 1919, the Belarussian Soviet Socialist Republic was founded. As a result of the Soviet-Polish War in 1920 and according to the Riga Treaty between Russia and Poland, the western part of Belarus was annexed by Poland. The eastern Belarussian lands were incorporated, for strategic reasons, by Russia as early as 1919, but returned to Belarus in 1924 and 1926.

In December 1922, the Soviet period of Belarussian history began when Belarus signed the Treaty to establish the Union of Soviet Socialist Republics. After a short period of official support to boost national and cultural development in the mid-1920s, the Stalin regime started brutal repressions and purges in Belarus. However, economic development at that time was characterised by growth and dynamic industrialisation.

Belarus gained territory from Poland after the Second World War. In spite of this, World War II and the German occupation brought an unprecedented disaster to what is now Belarus. Every fourth citizen perished (a total of 2,3 million people), the entire economic infrastructure as well as almost all cities and villages were destroyed. In 1945, Belarus became one of the founders of the United Nations.

After liberation, the Belarussian economy and social infrastructure were quickly restored. The post-War economic and social development of the Republic was considerable, but by the early 1980s signs of stagnation and decay became evident. The situation was further aggravated by the Chernobyl disaster, which took place in neighbouring Ukraine in 1986.

With the advent of *perestroika* in the mid-1980s, followed by the adoption of the Declaration of State Sovereignty (July 27, 1990) by the Supreme Council (the parliament), Belarus entered a new period in its history. Subsequently, decisions on political and economic independence were passed.

### **Political system and climate**

In recent years, the political climate in Belarus has been influenced by the establishment of an independent state. Since the 1991 collapse of the Soviet Union, Belarus has been led by the chairman of Parliament and has been one of the most politically stable of the NIS countries. It is one of the last of the former Soviet republics to introduce the post of President. The country will hold its first presidential election in June 1994.

The President, or head of state, will represent the highest executive branch. In order to exercise his authority over the economy, foreign policy, defence, national security and other spheres, the President will form a Cabinet of Ministers (the government), which will include ministers and chairmen of the state committees.

The development of political activity has given birth to almost 20 political parties and movements, the largest are the Communist Party, the Belarussian Social-Democratic Community (Gromada), the Belarussian Peasants' Party, and the Belarussian People's Front. Political views and platforms of the parties are diverse, however, so most do not enjoy significant popular support and membership. At the same time, since no political party or movement has overwhelming support, many are seeking coalition partners. At this time, however, there is no serious threat to the Communist Party.

The core of the political system is formed by the new Constitution, which was adopted by parliament on March 15, 1994. According to it, the Republic of Belarus is a unitary, democratic state founded on the basis of "Rule of Law". The Constitution guarantees basic freedoms and liberties to all Belarussian citizens, including the right to ownership, health care and education. The right to participate in the political process is exercised through the free election of national and local representatives. Direct participation is achieved through issue-specific referendums. The electoral system is based on direct voting procedures.

According to the Constitution, legislative power in the country rests with the Supreme Council (360 people's deputies at present) elected for a 5-year term. Elections for 260 seats of the Supreme Council may take place during 1994. The Supreme Council has created a number of standing committees to draft legislation, oversee the implementation of policy and to supervise the activities of the executive branch.

Local self-government is exercised through the councils of people's deputies on three levels - primary (village, rural settlement, or town), municipal (city) and provincial (provinces and the city of Minsk). All local councils are elected for 5-year terms.

The Belarussian government has been pursuing a consistent, realistic and predictable foreign policy. It has committed itself to neutrality and a non-nuclear status and is on good terms with all of its neighbours. Belarus is one of the most ardent supporters of economic integration among NIS countries.

The country already signed bilateral free trade agreements with Russia, Ukraine, Uzbekistan, Moldova and Lithuania. It is a signatory to the multilateral Treaty on the Establishment of an Economic Union (September 24, 1993) which envisages the gradual formation of a common market among its member states. The country has been working, together with other members of the Union, toward the establishment of an Inter-State Free Trade Association.

Special attention in Belarussian foreign policy is paid to relations with Russia. The policy is aimed at restoring the economic links that were broken after the collapse of the Soviet Union. The most significant event was the signing of the Agreement on the Integration of Monetary Systems between Belarus and the Russian Federation on September 8, 1993. A draft bilateral Agreement on further consolidation of economic integration is under consideration by both countries. The government of Belarus has abolished licensing (and quotas) of its exports to Russia. The creation of a Customs Union is scheduled to take place in late 1994.

### **Demographic patterns**

The population of Belarus is over 10.3 million (47 per cent male and 53 per cent female). Population density is about 50 people per square kilometre (the average figure for Europe is 67).

The demographic situation in the country is affected by the deteriorating economic situation. The birth rate fell from 13.9 in 1990 to 12.4 in 1992, and the death rate increased from 10.7 to 11.3. The distribution between the urban and rural parts of the population is 68 per cent to 32 per cent, while in 1970, this proportion was 43:56 (in 1980 - 56:44). The rural population has been shrinking due to a continuous migration to cities.

Moreover, the demographic situation is further aggravated by an ageing population -- the share of females aged 55 and over and males aged 60 and over has grown to 20.4 per cent in 1992 from 16.2 per cent in 1970, while the share of children aged 0-15 has fallen from 31 to 24 per cent.

According to the last 1989 census, 2.1 million Belarussians lived in other NIS countries, among them: 1.2 million in Russia, 440,000 in Ukraine, 183,000 in Kazakhstan, 120,000 in Latvia, 63,000 in Lithuania, 29,000 in Uzbekistan, 27,000 in Estonia and 19,000 in Moldova. Unfortunately, there is no data on the number of Belarussians living outside the NIS.

Administratively, Belarus consists of 6 provinces (oblast), 118 regions, 102 cities and towns, 109 rural settlements and 24,717 villages. Almost 15 per cent of the total population live in the Brest province, with 14.0 per cent in the Vitebsk province, 15.5 per cent in the Gomel province, 11.7 per cent in the Grodno province, 15.6 per cent in the Minsk province and 12.3 per cent in the Mogilyev province. The population of Minsk, the capital city, is 1.7 million or 16.3 per cent of the total. The other most populous cities are Gomel (506,000) and Mogilev (366,000).

### **Ethnic composition and languages**

Ethnically, the population of Belarus is made up of Belarussians (77.9 per cent), Russians (13.2 per cent), Poles (4.1 per cent), Ukrainians (2.9 per cent) and other ethnic groups (1.9 per cent).

Belarussians represent a dominant share in the provinces of Minsk (85.1 per cent), Brest (82.8), Gomel (80.2 per cent) and Vitebsk (79.4 per cent). The communities of ethnic Russians are quite significant in the city of Minsk (20.2 per cent) and in the Vitebsk province (15.2 per cent), of Poles in the Grodno province (25.9 per cent) and of Ukrainians in the Brest (4.2 per cent) and Gomel (4.1 per cent) provinces.

The official language is Belarussian. Legislation stipulates, however, that Russian is the official international business language (within the NIS). All citizens of the country have the right to freely use their native language. According to the last census of 1989, 65.6 per cent of the population consider Belarussian as their native language, 31.9 per cent Russian, 1.3 per cent Ukrainian, 0.5 per cent Polish, and 0.1 per cent Lithuanian. In the cities, Russian is still the most commonly used language of communication.

There is no statistical data as to the knowledge of foreign languages, but, as a rule, the foreign language proficiency is generally low in comparison to Western countries. The most commonly used foreign languages are English and Polish.

## **Education**

Education at the primary, secondary and higher levels has been free for all citizens. More than 4,000,000 people are involved in various forms of education. The number of high school graduates per 1,000 employed is very high (44 per cent) and exceeds similar figures for many developed countries. More than 230 persons per 1,000 employed continue their high school education, 392 are vocational school graduates and 132 graduate from secondary school.

The country has 37 higher educational institutions, among them 4 universities, which annually award degrees to almost 33,000 students. Vocational training schools (253) annually train more than 67,000 people.

The potential in science and research is characterised by the following facts: the total number of people employed is 10,000 including more than 770 Doctors of Science and more than 7,700 Candidates (equivalent of Ph.Ds).

## **Labour and employment patterns**

The labour force amounted to about 6 million people in 1992, 93 per cent of which were of economically active age (15-55 years for women and 15-60 for men). Of the economically active, 51.7 per cent were men and 48.3 per cent women.

Of the total labour force, 4.9 million (81.3 per cent) were employed in the national economy, 0.7 million (11.6) were engaged in housekeeping and 0.4 million (7.0) took various training and retraining courses. Among those employed in the national economy, 51.2 per cent were men and 48.8 per cent women. The latter play an increasingly important role in management, scientific research, health care, education, culture, retail trade, services, telecommunications and other industries and sub-sectors. As the data in the table below demonstrates, industry, construction, agriculture, education, culture and arts account for 70 per cent of total employment in the country.

**Table 1. Employment Distribution by Sectors  
1992 (per cent)**

Industry and Construction	39.9
Agriculture and Forestry	22.1
Transport and Communications	7.2
Trade and Public Catering	7.7
Education, Culture and Arts	10.1
Health Care, Social Security	5.5
Public Utilities, Services	3.3
Science	1.6
Public Administration	1.9
<b>Other branches</b>	<b>0.7</b>

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Low unemployment rates (1.4 per cent of the total employed as of January 1, 1994) reflect the rather slow pace of economic reform. The enormous housing shortages restrict the mobility of labour, especially in urban areas.

## **Chapter 2**

### **The Economy**

#### **Economic management**

Similar to all other post communist states of the former Soviet Union, Belarus inherited little of the institutional infrastructure necessary to formulate and implement market-based economic policy. Since independence, the country has undertaken a number of steps to improve macro and micro-economic management. The search for an optimal executive power structure and division of responsibilities among state bodies are still under way, however.

Though the Supreme Council is in charge of the entire state administrative system, the Council of Ministers, by issuing various mandatory resolutions and regulations to all enterprises and government agencies, plays a paramount role in managing the economy and implementing reform. The government has a number of the economy-related ministries and state committees, under its supervision, the most important of which are the State Committees for Labour, Industry, Statistics and Analysis, Foreign Economic Relations, Anti-Monopoly and Customs, the Ministries of Economy, Natural Resources, Energy, Agriculture, Transport, Communications and Information Technologies, Finance, the State Securities Commission and the State Tax Authority.

A specific role is played by the National Bank of Belarus (NBB), which performs the functions of a central bank. The NBB issues foreign exchange licences to commercial banks, exercises foreign exchange controls and regulates interest rates charged by commercial banks.

According to the law "On the Principles of External Economic Activity" (October 25, 1990), the general supervision of these activities in Belarus is executed by the Council of Ministers. The State Committee for External Economic Relations is responsible for coordinating activities of all state agencies and enterprises in this field. It sets licensing procedures and grants export and import licences.

The Ministry of Economy lists goods subject to import and export taxes and determines corresponding tax rates. It also evaluates investment proposals made by enterprises which apply for hard currency loans. The Commission for Foreign Exchange and Credit of the Council of Ministers makes the final decision about which investment projects will be supported and coordinates foreign borrowing.

The Ministry of Finance is not only responsible for all matters concerning the state budget, but also for financially supervising enterprises with foreign investment. It manages all inter-governmental credit agreements, the country's public and private sector relationship with international financial institutions and overseas foreign currency loans to Belarussian enterprises. The Ministry oversees external debt servicing

and manages re-payments. It also co-ordinates foreign technical assistance, monitors the performance of projects financed through the inter-governmental credit lines or through other international sources. For this purpose, the Agency for the Implementation of Projects Financed by International Organisations was set up by the Ministry of Finance.

## **Structure of the economy**

With a territory of only 0.9 per cent and a population of only 3.6 per cent of the former Soviet Union, Belarus accounted for about 4 per cent of its GDP in most years. The share of Belarus in the aggregate national income of the NIS is 3.5 per cent and 4.6 per cent in aggregate industrial production.

In Soviet times, Belarus accounted for about 19 per cent of the total production of mineral fertilizers, including 50 per cent of potash, 31 per cent of chemical fibres and threads, over 10 per cent of machine-tools, 20 per cent of tractors, 32 per cent of agricultural harvester combines, over 12 per cent of TV sets and 11 per cent of refrigerators. By per capita GDP, the Belarussian SSR reached almost 50 per cent of the level existing in some developed European countries.

In 1992, the share of Belarus' exports to other NIS republics in its GDP exceeded 42 per cent. At present about 75 per cent of required raw materials and fuel are imported from NIS countries and over 30 per cent (in some cases - 70-80 per cent) of goods produced in Belarus are intended for export to the same area.

In 1992, industry accounted for 30 per cent of GDP, agriculture for 21.3 per cent, construction 7.0 per cent, transport and telecommunications 8.3 per cent and services and other sectors for 27.5 per cent. One specific feature of the Belarussian economy is the dominant role of heavy industry and high technology sectors.

The country possesses important competitive strengths, namely a strategically advantageous geographical position and mild climate, some important natural resources, a highly educated and skilled labour force, a developed transportation infrastructure, significant achievements in the sciences, and a highly developed R&D infrastructure.

### **a) *Natural resources***

#### *Minerals*

More than 4,000 deposits of various minerals have been identified in Belarus, including major deposits of potassium and rock-salt. There are also deposits of oil, brown coal, bituminous shale and peat, dolomite, chalk, iron ore, various construction materials, mineral water and industrial brine, beryllium, aluminium and clay (see the table below).

There are geological prospects for the discovery of phosphorates, graphite, gypsum, amber, flint, kaolin (china-clay) and some other minerals. Highly concentrated underground industrial brine of the Pripyat River depression have good prospects for the extraction of iodine, bromine, boron, strontium, lithium, rubidium and cesium. The Okolovsk deposit of ferrous quartzite (26 per cent content of iron) has

reserves of 500 million tons. The possible prospecting of diamond deposits is also being assessed. About 60 identified sources of mineral water (sulphate, sodium chloride and sodium chloride-carbonate) have potential for further development.

By now, only potassium oxide is a major exportable mineral in the form of potash fertilizers (over 2.3 million tons in 1992). In the near future, exports of rock-salt, dolomite, some construction materials, mineral water and clay may be expanded.

### *Energy resources*

Belarus is quite poor in energy resources. Domestic production covers electric power by 87 per cent. The country imports 98 per cent of its natural gas, 91 per cent of oil and 100 per cent of coal. The local deposits of primary energy sources include peat, oil, wood, bituminous shale, and brown coal, which are not suitable to support the needs of the Belarussian industry. Unfortunately, the Belarussian economy is energy inefficient at present.

About 11.0-11.5 million tons of extracted peat are used in agriculture, and 4.5-5.0 million tons are used as household fuel. At existing technology and consumption levels, the peat reserves may be exhausted in the near future. The extraction of oil (2 million tons) and liquified gas (295 million cu.m) will probably fall to 1.4 million tons and 159 million cu.m, respectively, unless new deposits are discovered. The reserves of bituminous shale, estimated at 3 billion tons, cannot be regarded as an efficient fuel due to its inferior quality. The brown coal extracted in Belarus has a low heating capacity and is only suitable as household fuel.

The total volume of electricity produced amounted to 37.3 billion kWh (1992), with more than 99 per cent generated at thermal power stations. New power plants will be put into operation in the near future.

The structure of energy consumption in 1992 was as follows: industry - 43.5 per cent, construction - 1.1 per cent, transport - 5.5 per cent, public utilities - 22.7 per cent, agriculture - 10.4 per cent, losses and self-consumption of electric power stations - 16.8 per cent. The energy intensity, which increased since 1991 by 2.1 per cent, was estimated in 1992 to be 0.0641 kilo of conventional fuel per Rb 1.00 of national income.

## MAIN MINERAL RESOURCES OF BELARUS

Minerals, units	Explored deposits	Preliminary estimates	Annual extraction
Oil, million tons	73.9	9.9	2.0
Peat, million tons	406.1	-	20.0
Sapropel, million cu.m	140.0	2,038.0	1.5
Potassium oxide, million tons	1,128.7	494.3	2.5
Cooking salt, million tons	22,028.0	-	0.37
Dolomite, million tons	777.3	389.3	8.4
Construction stone, million cu.m	343.3	152.8	5.0
Clay, million cu.m	-	-	4.0
Construction sand and gravel, million cu.m	1,043.0	596.7	30.0
Fresh water, million cu.m per day	5.9	0.5	3.7
Mineral water, million cu.m per day	13,169.0	-	1,500.0
Industrial brine, million cu.m per day	-	36,000.0	-
Brown coal, million tons	120.7	31.1	-
Iron ore, million tons	-	598.0	-

Data provided by the State Committee on Geology

Belarus is almost fully dependent on Russia for the supply of primary energy resources. The potential for non-traditional and renewable sources is limited and will not ensure more than 5 per cent of the country's energy needs. Stable energy supplies and the elimination of energy shortages are to be achieved through increased power generation capacity based on highly efficient technology at existing and newly-erected thermal power stations. Small hydro-electric power stations, which are being constructed or reconstructed, highly efficient small central thermal power stations and wind-operated power installations will help address the energy problem. Increases in nuclear power generation are being considered by the Belarussian government.

The territory of Belarus is crossed by a network of pipelines (1,065 km), which can ensure the transportation of up to 130 million tons per year of crude oil from Russia to Belarus, Lithuania, Latvia, Poland, Germany, Ukraine, Hungary and Slovakia.

Belarus has a well-developed electric power grid which used to be an integral part of the former Soviet north-west United power grid. The required electricity (6.7 billion kWh in 1992) is imported through 330-kW transmission line from Lithuania, Russia and Ukraine. The total length of power transmission lines in Belarus exceeds 200,000 km.

#### **b) *Agriculture***

Agriculture plays an important role in the Belarussian economy. Cultivated land (9.4 million ha) occupies almost half of the country's territory, with 30 per cent of the latter (6.0 million ha) arable. Live-stock breeding (cattle, pigs, fowl) which accounts for two-thirds of total agricultural output, is the country's area of expertise. In 1992, the share of Belarus' live-stock in total CIS agricultural production was 6.3 per cent in meat, 6.9 per cent in milk, and 5.2 per cent in eggs.

The most cultivated crops are grain (barley, rye, wheat, oats, and buckwheat) and fodder (annual and perennial grasses, maize, and root crops). They account for 50 and 40 per cent of the total arable land, respectively. Potatoes grow well on Belarussian soil and are an important part of the daily diet. Another strong crop is flax. Climatic conditions do not allow Belarus to cultivate all necessary vegetables. The main vegetables harvested are carrots, cabbage and beets. Gardening is relatively well developed, with a prevalence of apple orchards. In 1992, the share of Belarus in total CIS agricultural output was 3.9 per cent in grains, 12.6 per cent in potatoes, 25.0 per cent in flax, 1.9 per cent in sugar beets and 3.2 per cent in vegetables.

In 1990-1992, Belarus produced annually an average of 6.8 million tons of grain, 9.9 million tons of potatoes, 0.8 million tons of vegetables, 0.4 million tons of fruits and berries, 1.2 million tons of sugar beet, 63,000 tons of flax fibre, 6.7 million tons of milk, 1.6 million tons of meat and 3,626 million eggs.

The per capita production of some agricultural products, compared to that of key Western European countries, is shown in the table below. Please note that this table does not indicate output per person employed in the agricultural sector, which is how such data is commonly expressed in the West.

PRODUCTION OF KEY AGRICULTURAL PRODUCTS  
(kilograms per capita, 1992)

	Belarus	Germany	France	Italy
Grain	701	432	1,112	351
Potatoes	871	129	111	43
Meat	92	92 (1991)	116 (1991)	65
Milk	571	349	453	188

Data provided by the State Committee on Statistics and Analysis

In 1992, Belarus exported about 100,000 tons of meat and meat products, 279,000 tons of milk and dairy products, 425,000 tons of potatoes, 20,500 tons of flax and 57.4 million cans of preserved fruits and vegetables. The major importers of meat products are the Russian Federation, Poland, Hungary, Italy and Germany; of grains are the Russian Federation, Germany, Poland, Switzerland and Sweden; and of canned or processed foods are the Russian Federation, Rumania, South Korea, Poland, Switzerland and Austria.

Belarussian agricultural imports in 1992 included 2.0 million tons of grain, 141,600 tons of sugar and 72,200 tons of vegetable oil. The country imported its grain from Kazakhstan, the United Kingdom, Denmark, Germany, Austria and France, vegetable oil from Germany, Ukraine and Poland and sugar from Austria, France, Cuba, Ukraine and Poland.

Large state (sovkhoz) and collective (kolkhoz) farms are still the core of the agricultural production system. Being both diversified and specialised business entities, they own the major share of agricultural machinery and other resources. Each of 659 state farms employs, on the average, 323 workers and possesses 3,018 ha of land. For the 1,862 collective farms, the corresponding figures are 357 workers and 3,055 ha. The 2,372 individual (peasant) farms possess only 19 ha. Similar patterns are characteristic for production and sales volumes.

The agricultural policy of the Belarussian government, aimed at increasing agricultural production to meet domestic demand and expand export capacity, includes a comprehensive set of measures to encourage rational and efficient land use on the basis of modern technology.

Since 1989, the process of deregulation and partial privatisation has been under way. It has transferred land ownership to municipalities, and permits enterprises to lease land. State farms are being transformed into collective farms, and large farms are split up into a number of smaller entities. This process is aimed, in the long run, at the complete transformation of the ownership structure in favour of joint stock companies, co-operatives and individual farms.

Recently, new legislative acts have been passed that grant farmers the right to lease land, but they are still not entitled to full land ownership.

c) **Industry**

Belarus has a highly developed industrial base. It ranks first among the NIS countries in the production of potassium fertilizers, fodder combine harvesters, organic fertilizer spreaders, industrial stitch machines; second in the production of trucks, tractors, chemical fibres and threads, motorcycles, industrial wood; and third in the production of metal-cutting machines, AC electrical motors, tires, lumber, paper, window glass, household refrigerators and freezers, TV-sets, radio receivers, bicycles, and knitwear.

*Machine-tool building* is represented by 36 enterprises and their associations which produce a wide range of metal-cutting, forging and squeezing machines, foundry equipment and automated lines.

*Automobile* assembly encompasses more than 20 enterprises that manufacture 30-180 ton heavy-duty trucks, dump-trucks, automobiles, trams, special-purpose trucks and tractors, self-propelled scrapers, trailers, chassis, bicycles and motorcycles.

*Iron and steel* is represented by five specialised enterprises and foundry works at large machine-building enterprises that produce steel and cast-iron pipes, high-test rolled metal and wire rods, castings, moulds, wire and metalware.

*Tractors and agricultural machinery* embraces more than 25 enterprises which manufacture all-purpose tractors, engine modules, self-propelled harvesters, crop-gathering vehicles, trailers of various types, mowers, potato planting, picking and sorting machines, land fertilizing machines, presses, swath turners and agitators, truck loaders, and clamp loaders.

*Equipment for food and light industries* is manufactured by 20 enterprises, which produce industrial sewing machines, sales and production equipment for public catering, beef and poultry processing equipment, refrigerators and freezers.

*The chemical industry*, represented by ten large amalgamations and enterprises, is known for its chemical fibre and threads, polymer films, polymer resins, polyamide and its derivatives, polyethylene and its bi-products, fibre glass and related products, pipes and various polymer-made goods, paint and varnish products and detergents.

*The petrochemical industry* is formed by six industrial enterprises. They produce tires of 30 standard sizes for trucks and passenger cars, tractors, agricultural machines and large dump trucks. Their output also includes moulded rubber products, rubber footwear, reclaimed rubber and related products.

*The oil-refining industry* with its two major refineries produces a wider range of petroleum derivatives -- petrol (gasoline), aviation and diesel fuel, motor oils, liquid paraffins, solvents and aromatic hydrocarbons.

*The mineral fertilizer industry*, formed basically by two large production conglomerates ("Beloruskali" and "Azot") and the Gomel chemical plant (phosphoric fertilizers), is capable of producing annually 5.4 million tons of potassium chloride, about 700,000 tons of nitrogen fertilizers, and 275,000 tons of phosphoric fertilizers. They also produce caprolactam, sulphuric acid, ammonium nitrate, ammonium sulphate, etc.

More than 250 large enterprises specialise in electronics, electric engineering, instrumentation and fibre-optics. Large production facilities, including five R&D institutes, and 16 works and machine-building plants constitute the core of the *electronics industry*. The research and production enterprise "Integral" is the largest manufacturer of microelectronic components in Eastern Europe (integrated chips of all types, semiconductors, electronic watches, laptop computers, etc.). Other enterprises in this sector manufacture semiconductors, AC generators, electric motor control systems, equipment for electronic assembly, and ceramic capacitors and materials.

*Electric engineering* embraces 16 enterprises that manufacture cables and conductors, synchronous motors, main and low-power transformers, low-voltage devices, lighting equipment, electrical measuring and analytical instruments.

*The fibre-optic mechanics industry* produces household radio electronics, computers, V-SAT navigation and telemetry devices, automotive electronic devices, electronic wrist watches, telephones and medical equipment.

*Instrument engineering* is represented by enterprises that manufacture optical electronic and optical mechanical devices, telecommunication equipment and heat measuring and regulation instruments.

*Radio engineering* comprises a number of research and production amalgamations, plants, R&D institutes, and design and technology institutes. The enterprises manufacture automated control systems, related hardware and software, systems and devices for tractors, ultra-sound welding devices for non-frame electronic chips, thermometers and various consumer goods.

*The food and consumer goods sector* is known for its production of a number of items, including kitchen furniture, lime and sand stone bricks and ceramic tiles. Knitwear and other textiles are important products of this sector as well. Different types of carpets and flax-fibre goods are also produced. In the total output of this sector, processed food accounts for 38 per cent, light industrial goods for 23-24 per cent, and household electronics and appliances for 21 per cent.

*The heavy industrial sector* comprises more than 1,515 large enterprises of various forms of ownership. State ownership has been dominant. In 1993, its share in the total volume of industrial output amounted to 84 per cent. Private enterprises accounted for only 16 per cent. Most enterprises that are considered to be privately owned lease their land and premises from the State because it is still not possible to own land outright in Belarus.

The main problems of Belarussian industry are rooted in its extremely high dependence on external factors. The output of most large industrial enterprises cannot be sold on the limited domestic market. At the same time relatively low levels of technology and international competitiveness impede the rapid expansion of exports to non-NIS markets. At present, about 70 per cent of the country's raw material and fuel requirements are imported from NIS countries, mainly Russia. Because the prices of key inputs are approaching international levels, and exporting to other NIS republics is becoming more and more problematic, Belarus will need to comprehensively restructure industry in the near future.

This task is aggravated by the problems associated with defence conversion, since many branches of the former Soviet military-industrial complex constituted one of the foundations of the Belarussian

economy. The conversion currently under way is focused on the development of information systems and other civil-use technologies.

Another urgent task is privatisation which has not started yet, though much of the preparatory work has already been done. Enterprises intended for privatisation form three main groups. The first consists of those enterprises that are to be privatised immediately through public auctions. The second group is made up of the so called "hopeless" cases or enterprises which are bankrupt and will be liquidated (at the moment, this list contains 20 enterprises). The third group is represented by enterprises that are to be restructured (organisationally, financially and technically). Large and potentially viable machine-building enterprises, the defence sector and the chemical industry, which are currently in a difficult financial situation, form the bulk of this group.

#### **d) Infrastructure**

##### *Transportation*

The country possesses almost all modes of modern transportation. The main transportation junctions are Minsk, Brest, Gomel, Mogilev, Baranovichi, Grodno and Vitebsk.

The total length of the railroad network is 5,468 km, 868 km of which is electric. In 1993, railroad cargo turnover was 81.1 million tons, while passenger turnover was approximately 400,000. The rail road transportation system is owned and operated by the state.

In 1993, the road network had a total length of over 50,300 km, more than 96 per cent of which is paved. In 1992, total freight transported by truck amounted to 303.6 million tons. Passenger turnover was 1.5 billion.

The country is covered with a dense network of navigable rivers (Pripyat, Sozh, Dnieper, Berezina, Neman, Zapadnaya Dvina and their tributaries) with a total length of 2,579 km. The main waterways are the Pripyat (462 km) and the Dnieper-Bug Channel (244 km). In 1993, river cargo turnover was 8.9 million tons. Passenger turnover was 313,600. River transportation, operated by the state, has suffered a considerable decline in freight volume due to a lower transit volume from Ukraine and decreased domestic demand.

Belarus has seven airports, four of which are able to accommodate international service. In 1992, the air transportation system carried 1.2 million passengers (3,457 million pass/km) and 9,304 tons of cargo (334.4 million tons/km). Belarus has connections to more than 100 cities in the former Soviet Union. Internationally, flights are provided on a regular basis by Belarussian (Belavia, Belair and Transaviaexport) and foreign carriers between Minsk and Frankfurt, Berlin, Vienna, Warsaw, Zurich and Tel Aviv. Services between Minsk and London, Rome and Nicosia are expected to begin in the near future. Charter flights to Turkey, China, Bulgaria, United Arab Emirates, Syria, Lebanon and Cyprus are also available.

After the collapse of the Soviet Union, Belarus lost its direct access to seaports in Russia (Kaliningrad and St. Petersburg) and Ukraine (Reni, Ismail, Belgorod-Dnestrovsky, Illyichevsk, Odessa, Yuzhny, Nikolaev, Kerch, Berdyansk and Mariupol). Currently, sea cargo is handled through the above ports as well as through Poland (Gdansk and Gdynia), Latvia (Ventspils and Riga), Lithuania (Klaipeda),

and Estonia (Tallinn). The bulk of Belarussian exports (fertilizers, petroleum products and other freight) is handled through Ventspils, Riga, Klaipeda, Odessa, Nikolaev and Kherson, while the bulk of imports (grain, sugar and mixed fodder) pass through Riga, Tallinn, Kaliningrad, and Illyichevsk. Sea transportation for Belarus is carried out by foreign shipping companies. In 1992, the government decided to form a Belarussian merchant marine with its share of the former Soviet merchant marine. Because it lacks a seaport, it established a joint shipping venture with Poland.

Belarus has a number of border control points with customs offices. On the border with Poland, there are six rail road and seven highway border crossings, with 14 customs offices belonging to Grodno, Zapadny Bug and Brest. On the Belarus-Ukraine border, four rail road and 11 highway control points exist, with 15 customs offices of Zapadny Bug, Pinsk, Mozyr and Gomel. The border with Russia has seven rail road and 17 highway border crossings, with 24 customs offices of Gomel, Krichev, Orsha, Vitebsk, Polotsk and Verkhnedvinsk. In addition, there are seven customs offices at the river ports of Vitebsk, Surazh, Gomel, Rechitsa, Mozyr, Narovlya and Komarin. Customs offices are also located at seven major airports: Minsk-1, Minsk-2, Mogilev, Grodno, Brest, Gomel and Vitebsk.

### *Telecommunications*

The telecommunications system requires substantial modernisation. The domestic telephone network comprises 3,405 automatic telephone exchanges with a total capacity of 1,975,000 telephone numbers. More than 1,925,000 telephones have already been installed, 73.5 per cent of which belong to the private sector. Belarus has 18.1 telephones per 100 citizens (21.3 in cities and towns, and 11.3 in the country side). The telegraph network is better developed and telex and facsimile technologies are becoming more widely used. Mobile networks are almost non-existent, embracing only 0.01 per cent of the population. In 1993, the first section of the cellular phone network (200 channels) was put into operation in Minsk. By 2000, the network capacity is projected to reach 15,000-20,000 numbers.

Direct-dial calls within the country and to major cities in the NIS are possible from all provincial centres and many smaller towns. Outgoing international calls are routed through the Moscow and Minsk telephone exchanges. There is a limited number of direct lines from Grodno and Brest to Poland and Lithuania. International public phone services (land and satellite) are available only for a small number of countries (Poland, Germany, Slovenia, USA, Italy, Croatia, Canada, and the UK). However, only hard currency subscribers can access these services. Digital exchanges, fibre optic cables, cellular systems, and advanced data network capabilities are virtually non-existent.

The adopted State Programme for the Development of Telecommunications focuses on several important objective, including the establishment of large international digital gateway switch centres and direct land and satellite channels to Western Europe, America and other continents; the formation of a basic digital data transmission infrastructure and expansion of voice communication capacities which will provide local, long-distance and international connections to 90 per cent of city households and 45 per cent country side households by the year 2,000.

In 1992, the European Bank for Reconstruction and Development (EBRD) approved a ECU 32 million loan to Belarus International Telecom intended for the construction of digital international communications facilities, an overlay network for business subscribers in Minsk and modernisation of local networks. A data switching network is also under construction, the first stage of which has been completed.

In order to design, construct and operate a cellular phone system, the "BelCel" joint venture was established in August 1991, with the investment from CommStruct International B.V. (the Dutch subsidiary of CommStruct Corporation, USA). With equipment supplied by Ericksson (Sweden), the first section of the system is already operational. Draft contracts for joint ventures have been prepared with Cable and Wireless and Elegant Logic for the international and digital communication networks.

e) ***Financial sector***

*Banking*

The legal basis of the country's banking system is formed by the laws "On the National Bank of Belarus" and "On Banks and Banking in the Republic of Belarus". The laws are supplemented by a number of regulations issued by the National Bank of Belarus (NBB). The country's banking system, similar to that in most of the NIS, inherited the 1987 Soviet banking reform which transformed the Soviet monobank system into a two-tier banking structure.

Further changes in the financial sector occurred in 1991, when the establishment of privately owned commercial banks became possible. However, the banking system is still not able to efficiently allocate resources. Instead, the National Bank allocates credit by extending loans through specialised quasi-commercial banks to public-sector enterprises at subsidised interest rates.

The emerging banking sector has the following *structure*:

- National Bank (NBB), a tax-exempt legal entity designed to play the role of a central bank and made independent within the limits of legislation. The NBB is responsible for overall monetary policy, credit and foreign exchange regulation, organisation of inter-bank settlements, registration of commercial banks, their branches and representative offices, issuing bank licences and bank supervision, and for the development of a uniform accounting system. The NBB functions as a central depository. It is exclusively responsible for the country's foreign exchange policy. It has the right to extend loans to the government and local authorities as well as to provide lines of credit to commercial banks in order to maintain their liquidity. Jointly with the Ministry of Finance, it is responsible for managing state and municipal budgets and for managing public debt.

- The four following specialised banks are being transformed into joint-stock commercial banks:

*Savings Bank (Sberbank)*, a state-owned retail bank which inherited almost all household deposits in the country through more than 2,800 branches and regional offices. The bank also collects state taxes, rents and other charges and transfers about 20 per cent of its deposits to the National Bank. Recently, the bank has diversified into inter-bank, corporate and mortgage lending;

*Agroindustrial Bank (Belagroprombank)*, a wholesale bank owned by the state, major agroindustrial enterprises, and private individuals. The bank specialises in lending to collective and state farms as well as food processing and related industrial enterprises;

*Industry and Construction Bank (Belpromstroibank)*, a wholesale bank reorganised recently as an open joint stock company with liabilities of corporate deposits and central bank refinancing loans. Its assets consist of short-term working capital loans to large industrial enterprises;

*Foreign Trade Bank (Belaruseconombank)*, a joint-stock bank in which the state is a major shareholder that specialises in state-related foreign trade and other transactions. It also acts as a principal financial institution that handles state-guaranteed inter-governmental loans and external debt re-payments.

- New commercial banks, established by physical and legal entities, excluding public associations of a political nature, on the basis of state, private and mixed ownership. Fourteen commercial banks were founded as open joint stock companies, four in the form of closed joint stock companies, and six as limited liability companies.

Presently, 24 commercial banks with over 500 branches (most of them belonging to the four specialised banks) operate in Belarus. The largest banks include the Savings bank, "Belpromstroibank", and "ProirBank". The most profitable are "Sotrudnichestvo", "Minsk" "Gomelsotsbank", "WestBank", "Brest" and "Belagroprombank".

In 1992, bank assets amounted to Rb 467 billion, including cash (74 per cent), loans to the government for servicing domestic public debt (10 per cent), enterprises (10 per cent) and inter-bank funds (6 per cent). Interest revenue and expenses constituted a dominant item on the balance sheets of most banks.

In order to strengthen the reliability of the banking system, the NBB is pursuing a policy of increased capital requirements for commercial banks. In June 1993, the minimum capital requirement was fixed at Rb 500 million (Rb 250 million for banks that service only small businesses). This requirement was raised at the beginning of this year to Rb 1.0 billion.

The current banking legislation emphasises the independence of commercial banks. However, the National Bank introduced a new mechanism of prudential regulation over commercial banking which resembles EC standards (as of April 1, 1994). For all banks, the capital/risk weighted assets ratio has been set at 8 per cent (for both the balance sheet and off-balance sheet assets). The maximum single-client exposure was fixed at 30 per cent of bank capital, including borrowers that are founding shareholders. The reserve requirements are now set at 20 per cent of the bank's liabilities. As stipulated by law, the above ratios are mandatory for all commercial banks. In addition, new accounting standards in banking, compatible with international standards, are being actively developed. This is especially important since banks in Belarus, similar to those in other NIS countries, still do not account for loan loss provisions in their balance sheets.

Being of the universal type, banks can render the following range of banking services:

- 1) corporate and personal deposits in local currency (demand and term);
- 2) corporate current accounts;
- 3) commercial loans;
- 4) trade finance;

- 5) trade in negotiable financial instruments and securities;
- 6) factoring;
- 7) leasing;
- 8) corporate and personal accounts in foreign currencies (demand and term);
- 9) international payments (wire transfers, documentary collections, letters of credit), collection of cheques;
- 10) foreign exchange operations on domestic and international markets;
- 11) trust operations; and
- 12) fee-based advisory services.

The ability of newly-established commercial banks to compete for deposits has been rather limited due to 1) the inherited monopolistic nature of the banking sector (dominance of the former state banks with their nation-wide branch networks); 2) the dominance of large state enterprises in the loan portfolios of major banks and the non-performing "bad debts" of these enterprises; 3) under-developed banking technology and telecommunication network; 4) a strong dependence on central bank refinancing and interest rate subsidies and; 5) negative real interest rates (see the table below).

Inter-bank clearing, done through correspondent accounts held with the National Bank, has performed relatively well. The settling of accounts is based on electronic-mail verified by regularly dispatched documents to ensure that settlement occurs on a timely basis. The lack of a unified computerised network and unreliable telecommunications, however, inhibit the effectiveness of the payments system which is governed by detailed regulations on the use of cash, payment orders and settlement checks and on the priority of payments.

The banks most actively engaged in the international business are Belvnesheconombank, "PriorBank" and "BelarusBank". In addition, another 14 banks have obtained general foreign exchange licenses (see Appendices for a complete list). In order to accelerate the internationalisation of banking activity and improve the quality of foreign trade payments, eight domestic banks are in the process of negotiating their membership in SWIFT. <sup>1</sup> At present, all banks use telex facilities. Many commercial banks are actively seeking direct correspondent relationships with major foreign banks.

Foreign banks are allowed to operate in Belarus through wholly-owned subsidiaries, representative offices, or through equity participation in existing Belarussian banks (for detail, see Part II, Chapter 3).

Non-residents may freely open foreign currency accounts with Belarussian banks. Foreign firms are permitted to hold current accounts in foreign and local currency.

### *Money and capital markets*

As almost everywhere in the NIS countries, the money and capital markets in Belarus are still at the initial stages of development.

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<sup>1</sup> Recently, the commercial banks "DUKAT" and "PRIORBANK" have become members in this organisation, with the membership of another seven banks expected in June 1994.

INTEREST RATES  
(annualized, as of September 1993)

<i>NBB discount rate</i> (December 8, 1993)	170.0%
<i>Inter-bank</i>	124.3%
<i>Commercial banks:</i>	
- deposits	65.3%
- loans, including	83.8%
short-term (90 day)	94.1%
<i>Loans at Inter-bank Foreign Exchange</i>	247.0%
including	
NBB credit	283.0%

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Of money market instruments (T-bills, retail CDs, commercial paper, eurodollar deposits, banker's acceptances, inter-bank funds and repurchase agreements), only retail CDs, inter-bank funds and in the form of short-term inter-bank loans and bills of exchange have been introduced in Belarus so far. Central bank credit facilities and inter-bank funds are actively traded.

Of capital market securities (government notes and bonds, municipal bonds, corporate bonds and securities), only government bonds and a limited number of enterprise securities are traded.

As far as the evolution of equity markets is concerned, new issues of "workers' collective" shares, which were widely issued in 1990-1992 have been suspended (they are in circulation since 1994 and will subsequently be repurchased or replaced with new securities issued under effective legislation). The State Securities Regulatory Committee registered 195 issues of Belarussian industrial stocks (common and preferred) worth more than Rb 15.3 billion as of October 1, 1993. Most of them (138) are stocks of closed joint-stock companies with a capitalisation of Rb 4.1 billion. Only 57 stocks of open joint-stock companies worth Rb 11.2 billion were issued. Foreign equity participation in these stock issues is estimated at Rb 1.9 billion (or 12.2 per cent of the total). In addition to the above issues, subscription to another 26 stocks of open stock companies worth 32.1 billion was recently announced. In addition a number of companies have registered their stock with local authorities.

The country's commercial banks are the most active issuers of securities. They also issue some money market securities. By September 1, 1993, they had sold CDs in the amount of Rb 20 billion.

In order to establish a secondary market for securities, the *Belarussian Stock Exchange (BSE)* was set up in November 1991 as an open joint-stock company (with branches in four provincial centres). Its operations commenced on January 28, 1992. 18 financial institutions are members and over 150 brokerage firms have registered. The Stock Exchange trades once a week "on the floor" of its headquarters, and electronically during the rest of the week through an "on-line" system.

The major securities traded at the Stock Exchange are stocks, CDs and bills of exchange. During the first half of 1993, the volume of trade amounted to Rb 20.8 billion, mostly in CDs and bills. No foreign stocks have been traded at BSE yet. The insignificant volume of trade in shares can be explained by the slow pace of structural reform and privatisation. The National Bank has recently initiated the trading of CDs on the secondary market, the total volume of which has reached Rb 2 billion.

Presently, the National Bank is developing a computer-based central depository of securities. Equipped with modern information and telecommunication systems, it is expected to become operational in late 1994.

Debt instrument markets are currently in the embryonic stages of development. The government recently redeemed its long-term debt securities of the former Soviet government (1982 government bonds, Treasury bonds, a 1990 debt-for-goods swap and non-interest bonds) from Belarussian citizens. The government issued long-term bonds in 1990 worth Rb 500 million (with 5 per cent interest and a 16-year maturity) which are held exclusively by Belarussian legal entities.

At present, the Ministry of Finance is working out the terms and conditions for issuing short-term government notes expected to be in circulation in the near future. At the municipal level, the only example of quasi securities issued was a Rb 1.0 billion municipal lottery held by the Minsk City Executive Council in March 1993.

The CIS Agreement on the Regulation of Inter-State Securities Markets (January 22, 1993) created the necessary conditions for inter-republic trade in CIS securities. However, there is no noticeable activity in this field so far. Foreign stocks are not yet traded in Belarus due to the general under-development of the capital markets infrastructure in the country. Legislation on investment and trust funds, financial and investment companies and other professional intermediaries is currently being drafted.

#### *Foreign exchange market*

At present, Belarus has *de facto* limited internal current account convertibility of its national currency.

The basic elements of the domestic foreign exchange market have been created with the establishment of the Inter-Bank Foreign Exchange Market (IBFEM). Foreign exchange operations are conducted only at this exchange, which holds its regular trades once a week, on Wednesdays. The member banks trade on their own behalf and on behalf of their clients through appointed brokers.

Trades are made in US dollars (USD), Deutsche mark (DM), Russian rubles (RUR) and Ukrainian karbovanets (URK).

In early 1994, considerable changes took place in the regulation foreign exchange. The 20 per cent mandatory sale of export earnings at a fixed rate (previously 60 per cent below the market rate) was replaced by mandatory sales of 50 per cent of export earnings at a unified market exchange rate (for current account transactions concluded after July 31, 1993 and thereafter, the mandatory sale rate has been replaced by a unified exchange rate). The government also purchases foreign exchange for its own needs on the IBFEM. The National Bank rate is fixed according to the closing rate on the previous day at the IBFEM.

A *cash rate* exists, which is used by commercial banks for purchasing and selling hard currency to individuals. The NBB does not regulate the level of the cash rate, allowing it to float according to supply and demand. On average, in December 1993, the exchange rate varied from Rb 4,800-5,205 (buy) to Rb 5,200-5,550 (sell). The official NBB rate averaged Rb 7,775 to the US dollar during that period.

One measure taken to strengthen the national currency was to allow foreign investors to hold local currency accounts. Income in Roubles generated through an investment can be converted into any foreign currency and freely transferred abroad. The residents of Belarus, though, need special permission from the National Bank to open overseas accounts and invest abroad.

### *Current economic outlook*

The economic outlook for Belarus is affected by a number of internal and external factors. Among them, an over dependence on imported commodities (raw materials, energy, grains, sugar, medicines, spare parts and components), the one-sided orientation of the key industrial sectors toward former Soviet markets, an under-developed foreign trade infrastructure, and the after effects of the Ukrainian Chernobyl disaster.

### *Major economic indicators*

In 1991, the economy's growth rate turned negative for the first time in many years. As is the case in other former Soviet republics, several factors contributed to the decline. Among them:

- 1) the breakup of economic linkages with other former Soviet republics, mainly Russia, resulting in a deterioration of its terms of trade;
- 2) an inefficient industrial structure;
- 3) a crisis in agriculture; and
- 4) difficulties in determining the proper economic development strategy.

The country's economic difficulties are largely due to deteriorating terms of trade with the NIS countries. In 1991-1992, this indicator fell by 20 per cent and resulted in higher price-led inflation in industrial sectors. While the average producer price inflation rate in industry was 1,575 per cent in 1992 and 1,432 per cent in 1993, in electricity generation it reached 3,367 and 2,724 per cent and 4,986 and 2,182 per cent in fuel, respectively. Shrinking profit margins in most manufacturing branches, accompanied by a heavy tax burden have further pushed prices upward. Further prospects will depend on developments in the rest of the former Soviet Union and on external supplies of energy and its pricing. According to official figures, GDP declined 9.5 per cent in 1993 and is forecast to fall by 6 per cent in 1994.

Monthly inflation rates of 20-35 per cent persisted until October 1993. Since then, due to another sharp increase in import prices of energy and a weakening of the Belarussian currency against Russian ruble and US dollar, the inflation rate reached a dangerous 50 per cent a month. Another reason for persisting hyper-inflation is the highly monopolistic structure of the Belarussian economy, in particular, in the high tech branches of machine-building, petrochemicals, in the production of some metals, potash fertilizers and construction materials. Low productivity, high energy intensity and continuing soft budget constraints applied to state-owned enterprises are also a structural problem. Therefore, inflation in Belarus has both

monetary and structural origins which make it difficult to address in concrete policy measures. An unrealistic credit policy of the central bank (negative interest rates, highly subsidized re-financing of state-owned banks and the lack of a targeted long-term credit policy) has resulted in further deterioration of the macroeconomic situation.

Monetary policy in the country is loose, which is evident from the growth in National Bank credit to state-owned enterprises. As a result, the gap between nominal and real interest rates widened considerably putting additional inflationary pressures upon the state budget. The latter had swung from a surplus in 1991 to a deficit estimated at 4.7 per cent of GDP in 1993.

Unemployment has been low but is growing (it increased three times in 1992-1993). By structure, "white collar" (engineers and researchers) represents the most prominent category. The unemployment rate is forecast to accelerate significantly (although temporarily) if more active market reforms take root in the country.

#### *Foreign trade, investment and balance of payments*

Belarus has one of the most open economies of the NIS. For several consecutive years, its total trade with former Soviet republics and the rest of the world exceeded 50 per cent of GDP. Externally, Belarus is closely linked to the other NIS republics, which accounted for over 84 per cent of the country's total trade turnover in 1991.

The country's major trading partners are Russia, Ukraine, the Baltic states, former East bloc countries, primarily Poland, Germany and Italy. Because it is highly dependent on external trade, Belarus suffered notably from a deterioration in its terms of trade, which contributed to the contraction in inter-republican trade since 1991.

Belarus currently exports more than 1,000 items to 92 countries. Hard currency exports comprised 44.4 per cent of the total in 1991, 39.9 in 1992, and 52.4 per cent in 1993. The share of barter in total trade turnover was 55.6 per cent in 1991, 53.1 in 1992, and 38.7 per cent in 1993. Exports on commercial credit terms accounted for only 6.9 per cent of the total in 1992 and 7.5 per cent in 1993. The structure of trade is dominated by minerals (27 per cent), chemicals (27 per cent), transportation (8 per cent), machinery and equipment (6 per cent) and textiles (7 per cent).

MAJOR ECONOMIC INDICATORS

	1991	1992	1993*
Gross domestic product (billion Rb, current prices)	84.2	914	12,619
Growth rates ( per cent, constant prices)	-2	-10	-9.5
National income (billion Rb, current prices)	62.6	780.0	8,860
National income per capita (Rb, current prices)	6,101	75,869	856,394
Budget deficit (per cent of GDP)	+2.2	- 2.0	- 4.7
Inflation (CPI, per cent)	94.1	1,116	995.0
Unemployment (thousand)	...	24.0	66.3
Exports (non-NIS, million US\$)	1,661.0	1,081.9	710.1
Imports (non-NIS, million US\$)	1,957.0	792.7	744.6
Trade balance (million US\$)	- 296.0	289.2	-34.5
External debt (billion US\$)	...	3.5	1.0
Industrial output:			
Electricity (billion kWt/h)	38.7	37.6	33.3
Oil (including LPG, million ton)	2.1	2.0	2.0
Gasoline (million ton)	3.8	2.2	1.7
Diesel fuel (million ton)	6.8	4.5	3.3
Black oil (million ton)	15.7	9.0	6.3
Rolled metal (1,000 ton)	665.0	543.9	642.9
Fertilizers (million ton)	5.2	4.1	2.5
Metal-cutting machines (1,000)	16.2	12.2	10.0
Trucks (1,000)	38.2	33.0	30.8
Tractors (thou.)	95.5	96.1	82.4
Colour TV sets (1,000)	1,103.0	797.5	584.2
Refrigerators and freezers (1,000)	742.6	740.2	737.7
Washing machines (1,000)	56.7	61.9	71.1
Meat (1,000 ton)	1,589.8	1441.5	1,239.0
Sugar (1,000 ton)	154.0	208.1	149.7
Milk (million ton)	6.8	5.9	5.6
Cereals (1,000 ton)	6,295.7	7229.6	7,500.0

Data provided by the State Committee on Statistics and Analysis

\* Estimate

**BELARUSSIAN EXPORTS IN 1992**  
(excluding exports to other NIS countries)

Item	% Share	Major Trading Partners
Household Refrigerators	35.8	Great Britain, Germany France and Greece
Watches and Clocks	25.9	Hong Kong, Nigeria and Great Britain
Wood Fibre Plates	14.4	Afghanistan, Hungary, Italy and Germany
Tractors	12.5	Hungary, Egypt, U.S.A. and China
Television Sets	8.0	Hungary, the Netherlands and Poland
Motorcycles	5.8	Argentina, Venezuela and Bulgaria
Bicycles	3.8	Bulgaria, Germany, Hungary and Poland
Trucks	3.4	Argentina, Iran, North and South Korea
Machine Tools	1.3	China, Thailand and Turkey

In 1992, the country also exported 172,300 tons of ammonia, 2.3 million tons of potassium chloride, 258,100 tons of carbamide, 1.35 million ball bearings, 15,900 cu. meters of plywood, and 3,707 cu. meters of wood-planed plates.

Hard currency imports accounted for 60.7 per cent of total imports in 1991, 45.4 in 1992, and 36.6 in 1993. Barter dominated and accounted for 39.3 per cent of the total in 1991, 46.2 in 1992 and almost 40 per cent in mid-1993. Imports financed through state credit lines exceeded 20 per cent of the total.

The main import items (excluding imports from the NIS countries) are metal-cutting machines (Switzerland), ball bearings (Poland and China), trucks (Austria, Hungary and Poland), cars and minibuses (Hungary, Italy, Austria, Germany and Poland), carpets and floor cover (Afghanistan, Mongolia and Poland), tires for automobiles and agricultural machines (Poland, Germany and Bulgaria), leather footwear (Italy, Romania and Poland), personal computers (Austria, Poland, Singapore, Germany and USA), automatic loaders (Bulgaria, Poland), sewing-machines (Austria, Finland, Germany, the Czech Republic, Poland and Slovakia), medical instruments, tools and appliances (Austria, China and Germany), disposable syringes (Poland, the Czech Republic and Slovakia).

The main non-NIS trade partners are listed in the box below.

Major exporters	Share*	Major importers	Share*
1) Poland	15.0	1) Germany	14.4
2) Austria	10.4	2) Poland	12.8
3) Switzerland	7.3	3) USA	12.5
4) Germany	5.8	4) Austria	6.8
5) USA	4.1	5) Switzerland	6.4
6) Netherlands	4.0	6) UK	4.6
7) UK	3.5		

\* 1992 data

Source: State Committee for Foreign Economic Relations

Recently, some signs of an improved external financial position with the non-NIS countries became visible which can be explained by continuous and dramatic cuts in imports. The country's balance of trade changed from a deficit (US\$ 223.0 million in 1991) to a surplus in 1992 (US\$ 289.2 million), but again swung into deficit in the first half of 1993 of US\$ 34.5 million.

It has been generally acknowledged that political and macroeconomic stability, commitment to market-oriented reforms and liberal foreign trade, investment and foreign exchange legislation are conducive to increased flows of foreign direct investment. Facing acute shortages of hard currency revenue during the period of structural reform and market transformation, Belarus regards foreign direct investment as a viable option for solving its short- and long-term economic problems.

The adoption of the Foreign Investment Law in November 1991, has led to considerable growth in the number of enterprises with foreign participation. There were 221 in 1991, 460 in 1992 and 1,097 as at November 1, 1993. Among them 279 companies wholly owned by foreign investors (compared to 34 on April 1, 1993). More than a half of all registered investments have not become operational yet.

According to official data, cumulative foreign direct investment is estimated at more than US\$ 265.3 million (US\$ 69.8 million in 1991, US\$ 33.4 million in 1992 and US\$ 10.1 million from January-March 1993), which constituted about 60 per cent of the capital of all companies with foreign participation. However, disbursed or "paid in" capital is estimated at only US\$ 70-80 million. Committed capital of wholly-owned foreign companies is estimated at US\$ 14.2 million of which only about one-third has been disbursed.

A dominant share in value terms of foreign investment (64 per cent) has been channelled into manufacturing, followed by retail trade and public catering (10 per cent), construction (6 per cent), agriculture (4 per cent), transport (4 per cent) and science research (3 per cent). The combined share of other sectors, including telecommunications (0.5 per cent), wholesale trade (6), public utilities, education and training and culture does not exceed 9 per cent. Of all operational joint ventures, about half are actively engaged in trade and intermediation.

The geographical composition of foreign investors continues to expand. In 1993, many new investor countries entered the market, including, Singapore, Turkey, and Israel. By the number of projects established in 1991-1993, Poland (392) followed by Germany (171), USA (83), Italy (56), Austria (33), Great Britain (31), Bulgaria (30), Hungary (21) and Lithuania (21) were the leaders. But, in terms of actual capital invested, the top 10 investor countries by mid-1993 were, Poland (28 per cent) of total investment, Germany (27 per cent), Taiwan (10 per cent), USA (6 per cent), Italy (5.4 per cent), Canada (5.2 per cent) Great Britain (3 per cent), Hungary (2 per cent), Croatia (1.4 per cent) and the Netherlands (1 per cent). About 80 per cent of total foreign capital committed came from Poland, Germany, Taiwan, USA, Italy and Canada.

Of the total number of 100 per cent foreign-owned companies, 77 were established by investors from Poland, 32 from Germany and 12 from the USA.

The majority of output produced by joint ventures or foreign-owned companies is for re-export. More than 80 per cent of total joint venture production is generated by the 10 largest investments from Germany, USA, Italy, Poland, Portugal, Switzerland, Liechtenstein and India.

Successful implementation of market-based economic reform in Belarus depends, to a large extent, on the availability of external financing and technical assistance. The share of foreign loans guaranteed by the government of Belarus exceeds 60 per cent of the accumulated foreign investment.

By January 1994, Belarus received US\$ 524.7 million in foreign credit, including US\$ 239.6 million in the form of a technical credit from Russia. Additional inter-governmental and multilateral credit lines totalling US\$ 2.0 billion are under consideration, including US\$ 500 million to be extended by Austria, US\$ 300 million by Germany, US\$ 63 million by Italy, US\$ 90 million by Kuwait, US\$ 250 million through Russia, US\$ 341 million by the European Community, US\$ 170 million by the World Bank (IBRD) and US\$ 196 million by the IMF. Foreign loans are granted to the government of Belarus on the following terms: interest rates vary from 3 to 12 per cent and maturities range from 3 to 10 years.

Total credit disbursements in 1993 included US\$ 125.7 million extended by Germany, US\$ 108.3 million by the European Community US\$ 98 million by the IMF, US\$ 239.6 by Russia and US\$ 6.5 million by the USA. Only 9.6 per cent of disbursed funds were allocated to finance hard-currency generating projects. The remaining resources were used to finance imports of grain, foodstuffs and

children's food (44 per cent), medicine and medical equipment (13 per cent), industrial equipment and spare parts (24.8 per cent), telecommunications (6 per cent) and rail road transport (4 per cent). Recently, however, the pattern of credit allocation has started to favour feasible "hard-currency" projects in the energy sector, forestry, light industry, construction materials and agricultural machinery production. Their share in total foreign credit can reach 70 per cent in 1993-1994 compared to less than 5 per cent in 1992. The newly disbursed external funds are allocated to market transformation and structural reform.

Multilateral agencies are supporting economic reform in Belarus. The first loan (SDR 70.2 million, or US\$ 98 million) was granted by the IMF within the framework of its systemic transformation facility (STF). The agreement between Belarus and the World Bank envisages US\$ 8.3 million to finance improvement in the state administrative system. The country's access to multilateral funding has widened significantly by its membership in the IMF and the World Bank in May 1992.

According to the "zero option" agreement between the Russian Federation and the Republic of Belarus on Soviet foreign debt of July 20, 1992, Russia assumed responsibility for Belarus' share (4.13 per cent or US\$ 3.5 billion) of Soviet foreign debt, in exchange for its share of Soviet foreign assets, including property abroad. If Belarus had had to service its share of the debt independently, it would have had to pay about US\$ 70 million by the end of 1993 (or 10 per cent of current hard currency export revenue and 2.4 per cent of the total export receipts). The total sum to be paid out in the near term would have exceeded US\$ 900 million, with the bulk of payments to be made in 1994-1995.

Belarus's hard currency debt was equal to roughly US\$ 398 million in 1992. It increased to nearly US\$ 1.0 billion in 1993 (including its indebtedness to Russia of US\$ 451.1 million for a technical credit for adjustment purposes). According to the Belarussian Ministry of Finance, the debt is likely to peak at US\$ 2.5 billion in 1995 and will subsequently decrease to US\$ 377 million by the year 2000. The following schedule of debt service payments is projected, US\$ 0.4 million in 1992, US\$ 71.3 million in 1993, US\$ 225 million in 1994, US\$ 400 million in 1995, US\$ 238 million in 1996 and US\$ 100 million in 2000. The debt/exports ratio in 1993 was estimated at 137 per cent. The following figures are projected: 156 per cent in 1994, 176 per cent in 1995, 120 per cent in 1996 and 24 per cent by 2000. Debt service payments as a percentage of export revenues, which amounted to 11 per cent in 1993, are forecast to be 25 per cent in 1994, 44 per cent in 1995, 22 per cent in 1996 and only 6 per cent by the year 2000.

By the end of 1993, Belarus had signed 19 inter-governmental agreements on commercial and economic cooperation that provide most favoured nation status in trade (see the Appendices). The country has also concluded several international treaties and bilateral agreements on trade and investment and has also signed bilateral treaties to prevent double taxation (see the Appendices).

Belarus is a founding member of the United Nations and actively participates in the work of its specialised agencies. It has also obtained membership in several leading international organisations dealing with the world trade (GATT), investment and development issues (the IMF and World Bank). Belarus participates in the OECD general work programme for the NIS.

### **Recent economic policy developments**

In 1993 the government passed and began to implement a structural reform programme intended to stabilise the economy, improve general business conditions and the investment climate in the country. The

major objective was to create a competitive market environment. However, this year, the government decided that during the transition period, it should continue to support, directly or indirectly, the most important industries and sectors. When the macroeconomic situation improves, it is not clear whether the state will re-examine its role or not.

One of the top priorities at the moment is to expand foreign trade, encourage exports of manufactured goods and stimulate efficient imports of energy, raw materials and modern technologies. With this objective in mind, the government defined another task -- to modernise the manufacturing sector and increase its international competitiveness, especially in machine-tool building, electronics, telecommunications, instrument-making, pharmaceuticals, polymers and construction materials. The production infrastructure is also to be considerably improved. The priority sectors will enjoy substantial tax incentives, accelerated depreciation and credit preferences as well as some state subsidies for financing R&D and imports of advanced technologies. The most favourable conditions for foreign investment exist in the above sectors (see Appendices and the Investment Promotion Programme).

Industrial policy will be consistent with *macroeconomic stabilisation and market transformation* including clear legislative guarantees to ownership rights, development of the private sector, mass privatisation, enforcement of anti-monopoly regulations, financial sector reform, development of the labour market, liberalisation of foreign trade and foreign exchange policy and tight monetary policy. Reform and restructuring the state-owned enterprise sector will take place pre-privatisation in order to increase competitiveness and efficiency of these enterprises.

The initial reform stage in 1993-1994 focuses on the macroeconomic stabilisation, commercialisation and privatisation of the state enterprises, support of entrepreneurship and competition, financial sector reforms, liberalisation of foreign trade and foreign exchange regimes.

During the subsequent stage (late 1990s), the priorities will be shifted towards looser monetary and credit policies aimed at the stimulation of domestic investment in the above-mentioned priority sectors as well as a stronger emphasis on foreign trade and a relaxation of foreign exchange regulations.

According to the state *privatisation programme* adopted in June 1993, 50-60 per cent of state-held assets will be privatised over the next three years through the distribution and use of vouchers. Until recently, practically all production assets have remained under the state control, except agriculture, where private ownership became possible due to the law "On Land Ownership" (September 1991).

In the field of *anti-monopoly regulation*, the State Anti-Monopoly Committee was established in July 1992, followed by the adoption of the anti-monopoly law in December 1992 (see Chapter II for more detail). On February 15, 1993, the parliament approved the Comprehensive Programme of Demonopolisation of the Economy, which envisages a consolidated legal framework for the anti-monopoly policies and further development of supervision in this field.

As the development of *entrepreneurship and market infrastructure* is concerned, the adoption of several laws (on foreign exchange operations, on promissory notes and bills of exchange, on auditing and a revision of the civil code) will complement the basic framework for market infrastructure and entrepreneurship necessary for private sector development. Over 20,000 private entities, including 16,000 small businesses, 4,000 co-operatives, almost 200 joint stock companies, more than 2,670 private farmer estates, 13 commodity exchanges, 25 commercial banks with 500 branches, 14 leasing and 60 insurance

companies operate currently in the country. The first privatisation investment fund has recently been established by 13 private firms.

A special non-governmental fund financed through the government budget has been set up in order to subsidise new business start-up costs as well as to support investment into priority sectors. The government has also adopted the state entrepreneurship development programme envisaging a network of entrepreneurial support centres (8 centres of this type are to be set up in 1994, their total number will reach 30).

In order to overcome the difficulties of the transitional period, the government recently adopted a 1994 anti-crisis package. The package envisages the following targets and steps in the *monetary policy*:

- reduction in inflation rates to 10 per cent a month;
- tighter credit control (260 per cent ceiling on NBB net inter-bank assets), including dramatic cuts in subsidised loans, realistic inflation-based interest rate policy with a positive discount rate target by year-end and unified reserve requirements for all commercial bank deposits;
- establishment of the NBB foreign exchange reserves sufficient for 3-month import coverage;
- gradual elimination of barter trade, the establishment of foreign exchange hedging mechanism for inter-NIS trade;
- an effective system of controls over export revenue;
- introduction of a temporary tax (2 per cent) on account balances held with foreign banks.

The Agreement on the Integration of the Monetary System of the Republic of Belarus with the Monetary System of the Russian Federation signed on September 1993 in Moscow can, to a very large degree, influence developments in this important area <sup>1</sup>. The above-mentioned agreement envisages that Belarus is to share a critically important domain of its national economic policy with the Russian Federation. <sup>2</sup>

The *fiscal and budgetary measures* would include:

- essential cuts in public spending and constraints on central bank lending to the government (4 per cent of the country's GDP);
- a rationalisation of taxation policies including a decreased tax burden (by 3 per cent of GDP), a reduction of VAT (from 25 to 20 per cent), limited application of excise tax on domestically produced goods, a lower "Chernobyl" tax, elimination of contributions to the extra-budgetary fund for retail price regulation, tax incentives to be granted only for investment in and development of the pharmaceutical industry, a projected 50 per cent reduction in tax on the proceeds of export revenue sales on the foreign exchange market, and lower export tax rates;
- the regular issuance of government debt securities to finance up to 15 per cent of the state budget deficit;
- the establishment of a state treasury system;

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<sup>1</sup> See the Appendices for more detail.

<sup>2</sup> This agreement has induced a serious dispute in the country. There are numerous opponents to it, primarily on the side of those political forces and movements that have risen on the wave of the national renaissance. Sharp political struggle around the Agreement makes it very hard to predict its final outcome.

- maintenance of a consolidated budget deficit at less than 6 per cent of the country's GDP.

*Price and foreign trade liberalisation* policies foresee the following steps and targets:

- further liberalisation of prices (including those still directly or indirectly subsidised);
- the use of free (contract) pricing in state purchases of agricultural output accompanied by targeted budget support for development of the agricultural infrastructure;
- projected elimination of ceilings for retail trade profit margins, except for basic food items and medicine;
- the development of a state export-import programme to increase the competitiveness of domestically manufactured goods;
- elimination of most quotas and licensing of exports (since March 1994, the number of export items subject to quotas have been reduced by 26 per cent);
- decrease in import tariffs as well as a revision of the list of goods subject to import duties, promotion of energy, raw materials and technology imports;
- further efforts to form a customs union among the NIS countries;
- development of a framework for the NIS inter-state free trade association;
- the implementation of organisational measures and domestic procedures for the formation of an inter-state bank as well as further steps in establishing a multilateral clearing system;
- the implementation of agreements with Russia on the integration of monetary systems envisaging the introduction of necessary changes in banking legislation, the unification of regulations relating to domestic non-cash settlements, the co-ordination of monetary and commercial bank reserve requirement policies;
- comprehensive support to joint stock and joint venture companies to be established with partners from the NIS countries, especially in the fuel and energy sector;
- the development of an internationally-acceptable mechanism for state guarantees to foreign investment in export-oriented projects.

The package places a special emphasis on the following measures in *privatisation and structural reform*:

- accelerated privatisation, especially in retail trade and services (up to 50 per cent of all assets during 1994) accompanied by the issuance of privatisation certificates (as of April 1, 1994);
- increased contributions of municipal privatisation proceeds to local budgets;
- privatisation of idle real estate, including unfinished construction projects;
- more active anti-monopoly activities, tighter controls over "monopoly pricing", closer coordination between privatisation and anti-monopoly activities and a decrease of 50 per cent in state control over pricing and profit margins of monopolistic enterprises;
- simplified business registration procedures, lower registration fees and a shortened list of business activities that require special authorisation (license) from state bodies;
- more active enforcement of bankruptcy legislation;
- the adoption of a state programme for structural reform, envisaging corresponding incentives for top priority industries and enterprises under the conversion scheme.

The above-mentioned measures are to be accompanied by a set of steps to establish a viable *social welfare system*, including:

- targeted support for selected social groups;
- a revision of income indexation;
- the introduction of additional monetary compensation to all citizens for price and tariff increases;
- additional measures to promote new employment possibilities (tax incentives, training and retraining systems and public works); and
- periodic increases in pensions indexed to inflation.

## **SCIENCE AND TECHNOLOGY**

The scientific and technological potential is one of the most important competitive advantages of the country. Belarus has always been known for its achievements in theoretical and applied sciences and developed R&D facilities in most industrial sectors. In addition, the country can boast of highly educated professionals, technical personnel and labour. Almost 1.5 million white collar workers are employed in the national economy, of which 657,000 have university or college degrees and 818,000 secondary vocational school degrees. The most educated segment of the population is under the age of thirty. 60 per cent of them have secondary school degrees, 26 per cent have secondary vocational school degrees and 13 per cent university and college degrees. The best developed industries in the country are military, electronics, engineering, machine building, instrument-making, and power engineering. Physics, mathematics, nuclear energy research, chemistry and biology are also well known for quality and depth of research.

### **a) Organisation and structure**

The Council of Ministers formulates, directs and coordinates the development of the entire science and technology sector in the country through its Department of Science and New Technologies and the Commission for Science and Technological Progress of the Presidium. It also determines the budget in this field. The Commission is headed by a deputy Chairman of the Council of Ministers.

There is no ministry for science and technology in Belarus. All practical matters in these areas are handled and co-ordinated by the newly established State Committee for Science and Technology (Decree by the Council of Ministers dated November 30, 1993). In addition, science and technology departments exist in various branch ministries.

In addition, there is a State Patent Office that provides information, advice and assistance to inventors on patenting and other related matters.

At present the core of the science and technology infrastructure is made up of the following organisations:

- 138 scientific research institutes,
- 57 design bureaus,
- 36 design, project planning and survey institutes,
- 29 higher educational institutions,
- 19 large R&D divisions at the industrial enterprises.

The total number of people employed in the R&D sector exceeds 54,300 (as of September 1993). In 1992, the Academy of Sciences of Belarus accounted for 17.2 per cent of those employed in R&D, 6.5 per cent of education and 76.3 per cent of industrial branches and sectors.

The **Academy of Sciences of Belarus** (ASB) was established in January 1, 1929, under the auspices of the Institute of Belarussian Culture. It plays a leading role in scientific and technological development. Its main responsibility lies in basic research in the major branches of science. The legal status of ASB has been shaped by the parliamentary decree "On the status of the Academy of Sciences of Belarus" (dated November 19, 1990) and the law "On Foundations of State Scientific and Technical Policy" (January 19, 1993). As of early 1992, more than 15,600 people were associated with the Academy, among them about 5,000 full time researchers, including 57 full members, 100 correspondent members, 389 Doctors of Sciences and 2,472 Candidates of Sciences (equivalent of Ph.D).

The supreme body of the Academy is a general assembly of its full and corresponding members as well as appointed representatives of academic institutions. The assembly elects a Presidium for a term of five years which has wide responsibility for managing both organisational and academic issues.

The ASB has the following *structure*: five department branches (physics/mathematics/information technologies; physical and technical problems in engineering and power generation; chemical and geological sciences; biological sciences; and humanities) encompassing 37 scientific research institutes and departments located in Minsk, Gomel, Mogilyev, Vitebsk, Brest and Grodno (see the Appendices), three problem solving divisions and five research and engineering centres.

Additionally, the Academy unites under its premises:

- a central design bureau with pilot production facilities;
- six specialised design bureaus with pilot production facilities based at the research institutes;
- a computer centre;
- central botanical gardens (1,860 flora and 5,000 flower species);
- a central scientific library named after Kolas (more than 3 million books and manuscripts);
- a "science and technology" publishing house.

Within the structure of the Academy, there are seven major design bureaus, including the above mentioned specialized ones. The four design organisations given below pursue the following activities:

- 1) A design bureau with pilot production facilities at the academic science and technology complex "SOSNY" (Minsk);  
  
specialisation - research-intensive technologies and equipment for energy, chemical engineering and food processing industries.
- 2) A central design bureau with pilot production facilities (Logoisky Tract, Minsk);  
  
specialisation - design and manufacture of experimental models, small-scale production for radio electronics, optics and other high tech sectors.
- 3) An experimental and design bureau "AKSIKON" (Zhodinskaya Str., Minsk);

specialisation - development, design and manufacture of analytical models, laser high resolution spectrometers, printed circuit boards, etc.

4) A special design bureau IMMS (Feduninsky Str., Gomel);

specialisation - development of new technologies and equipment for the production of polymers and composite materials.

The main directions of fundamental and applied research are concentrated around the five key sectors that constitute the core of the ASB structure: physics/mathematics and information technology; physical and technical problem solving in engineering and power generation; chemistry and geology; biology and the humanities. The humanities sector directs and co-ordinates comprehensive research conducted by the institutes of philosophy and law, economics, sociology, history, language and literature, fine arts, ethnography and folklore. The other sectors are described in detail below.

More than half of the scientific potential of Belarus is concentrated within the **higher education system** of 37 universities and advanced schools. Research is coordinated through the department of science within the Ministry of Education, the major objectives of which are: (1) improved management and higher efficiency of research, (2) a stronger linkage with production, (3) participation in developing various research programs, (4) cooperation with foreign partners, (5) improved quality of personnel and research staff training and education. Twenty advanced schools are part of the system, including the Belarussian State University, the Belarussian State Economic University, the State Teachers Training University, State Universities in Gomel, Grodno, Polotsk, the Belarussian State Polytechnic Academy, the Belarussian Technology Institute, Brest and Gomel Polytechnical Institutes, the Vitebsk Technology Institute for Light Industry, the Belarussian State University for Information Technology and Radio Engineering, the Belarussian Technology University, the Mogilev Technology Institute, Teachers Training Institutes in Brest, Vitebsk, Mogilev, Minsk and Mozyr and the International Radio-Ecology College named after Sakharov.

An important role in scientific and technological research is played by research institutions that operate within the framework of the education system. In this context, the Ministry of Education coordinates the activities of a number of institutions including the National Institute of Education, the National Institute of Vocational Training, the National Science and Enlightening Centre named after Skorina, the National Institute of Humanities, the research institutes for applied physics problems and for physics and chemistry at the Belarussian State University, the National Research and Training Centre for Particle and High Energy Physics and the International Laser Centre at the same university.

The following higher education institutions are not part of the Ministry of Education: the Academy for Physical Education and Sports, the Belarussian Agricultural Academy, the Belarussian Agricultural Technical University, the Belarussian Institute for Railway transport Engineers, State Medical Institutes in Vitebsk, Grodno, Gomel, Minsk, the Belarussian Music Academy, the Belarussian Fine Arts Academy, the Gomel Cooperative Institute, the Minsk Institute of Culture and the Minsk Higher Military Engineering College.

Aside from academia and educational R&D institutions, there are more than 200 **branch science and technology institutes**, including R&D, design, project planning and technological units that service various industries, including research-intensive sectors. The latter account for more than half of all R&D work in the country. The scientific cadres play an important role in Belarussian industry. The R&D sector employs

more than 90,000 people, including 6,400 D.Sc's and Ph.Ds. The major areas of research include radio electronics (semi-conductors, chips, micro processors, integrated systems), instrument engineering (radio-measuring devices, luminescence, optical and laser devices for medical and other applications), electronic machine building, digital television, telecommunication equipment and systems, air traffic control systems, CAD-CAM systems for control in mechanical processing, optical machine-tool engineering, vacuum technologies, software development and so on.

## **b) Government policy**

The government of Belarus encourages the development of science and technology in the country by promoting new innovative methods of managing research and development and introducing information, marketing, legal, financial and advertising services in this field. Practically, these efforts are coordinated through the Belarussian Engineering and Technology Academy established in 1990. The academy advises on the formation of small innovative ventures, develops research quality control methods and promotes international co-operation in science and technology.

In addition, these measures are complemented by governmental budgetary and fiscal support for the most promising research-intensive, energy-saving and export-oriented sectors and enterprises. The priority sectors include machine-tool engineering, electronics, instrument making, computers and telecommunications, medical equipment and instruments, and pharmaceuticals. Institutions and organisations engaged in R&D, irrespective of their form of ownership and type of entrepreneurial activity, qualify for full or partial tax holidays.

The law "On the State Science and Technology Policy" stipulates that the Supreme Council sets a lower limit for total science and technology expenditures in the state budget as a percentage of total revenue and for financing basic and theoretical research as a percentage of the total budgetary allocation for R&D expenditures. In the draft budget for 1994, total science and technology expenditures are envisaged to be 1.1 per cent of budget revenue as compared to 1.5 per cent in 1992 and estimated 1.3 per cent in 1993.

The economic crisis and its negative consequences for the science and technology sector (brain drain, ageing of cadres, the deterioration of traditional linkages among enterprises and research units, persistent budget deficits, and lower research-intensity of GDP<sup>1</sup>) has placed the issue of financing scientific and applied research on the agenda. There is strong pressure in parliament and academic and associated circles for the government to increase the share of the science and research allocations to 2 per cent of revenue in the coming year and maintain this level for the next 2-3 years in order to preserve the scientific and technological potential of the country.

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<sup>1</sup> This indicator, which is measured by the share of total R&D expenditures in GDP, dropped from 3.9 per cent of GDP in 1990 to 1.1 per cent in 1992 and close to 1.0 per cent in 1993

### c) Education

As mentioned above, there are 37 higher educational institutions in the country with an annual number of graduates exceeding 32,675, including 20,370 full-time, 970 part time and 11,335 correspondent students. More than 67,480 students graduate annually from 253 vocational schools.

Most science and research organisations in the country have facilities for post-graduate education. The *Academy of Sciences*, aside from academic research, is actively engaged in the training of highly qualified personnel for its own needs, for other organisations and higher schools as well as for foreign countries. Fourteen branches of higher school departments operate at 11 academic research institutes. Both PhD and D.Sc programs are available within the ASB structure where training and post-graduate education encompasses 111 subjects within 16 branches of science.

Post-graduate education within the *higher education system* encompasses 600-700 students on an annual basis within 160 subjects. The D.Sc courses exist at the Belarussian State University, State Economy University, State Teachers Training University, State Polytechnical Academy, the Belarussian Technology Institute, the Minsk Radio Engineering Institute, Minsk State Foreign Language Teachers Training Institute and the National Institute of Education.

According to the latest available figures, the human potential of the science and technology sector is impressive. There are 770 doctors of science (D.Sc) and 7,731 candidates of science (Ph.D) in the country. Among them, 88 D.Sc's and 994 Ph.Ds work in the field of physics and mathematics, 23 D.Sc's and 229 Ph.Ds in chemistry, 38 D.Sc's and 262 Ph.Ds in biology, 4 D.Sc's and 20 Ph.Ds in geology and mineralogy, 198 D.Sc's and 1998 Ph.Ds in the technical sciences and 157 D.Sc's and 774 Ph.Ds in medical science.

*Re-training* opportunities are also available through a number of institutions, including the Teachers Re-training Institute and the Inter-branch Personnel Upgrading Institute at the Belarussian State Polytechnical Academy. The principal institution for management training is the Management Academy at the Council of Ministers. But a growing number of private and semi-private management schools offer a variety of crash and longer-term courses on the basics of business education.

### d) Research and development by sectors

#### *Medical, biological and agricultural*

The research base in the **medical sector** is comprised of a number of research institutes of various profiles that operate on the premises of large clinics in conjunction with the corresponding departments of medical institutes. The institutional infrastructure includes the following:

under the auspices of the *Ministry of Health Care*:

- Belarussian Research Institute of Epidemiology and Microbiology,
- Belarussian Research Institute of Neurology, Neurosurgery and Physiotherapy,
- Belarussian Research Institute of Hereditary and Congenital Diseases,
- Belarussian Research Institute of Traumatic Injury and Orthopaedics,

- Belarussian Research Institute of Cardiology,
- Belarussian Research Institute of Radiation Medicine,
- Belarussian Research Institute of Pulmonology and Phthisiology,
- Belarussian Research Institute of Haematology and Blood Transfusion,
- Belarussian Research Institute of Oncology and Medical Radiology,
- Belarussian Research Institute of Maternity and Child Care.

under the auspices of the *Academy of Sciences*:

- Institute of Physiology;

under the auspices of the *Committee for Pharmaceutical and Microbiological Industries at the Council of Ministers*:

- Research and Design Medical and Biological Institute.

The major areas of research include oncology, neurosurgery, cardiology, maternity and child care. More than 2,250 people, including 65 D.Sc's and 385 Ph.Ds have been engaged in research activities within this sector. In addition, more than 1,000 people, including 111 D.Sc's and 560 Ph.Ds, combine research with pedagogical activities at the three medical institutes.

Recently, research in radiation medicine has been actively developed in order to eliminate the effects of the Ukrainian Chernobyl disaster which spread into Belarus. To coordinate activities in this area, the Radiation Medicine Department, the Centre for Individual Radiation Monitoring and the Research Institute for Radiation Medicine were established within the framework of the Ministry of Health Care. Branches of the institute as well as provincial radiation medical centres were opened in Gomel and Mogilev.

The strengths and achievements of medical research include new effective methods for prophylaxis and early diagnosis of cardiovascular, pulmonary, obstetric, hereditary and congenital disease, new treatment for traumatic injuries and bone, joint and vertebrae diseases, cancer treatment and new types of reconstructive surgery.

Several devices and instruments have also been designed and developed for mass production, including a world-class micro-cardiometer (mass production is being launched), physical load optimizer and thermo-contrast shower. New pharmaceuticals are also being introduced. In 1989, more than 10 new products had been invented by Belarussian medical researchers in the former Soviet Union covering such areas as cardiovascular pathology, oncology, maternity, child care and virology.

The most promising directions for cooperation with Belarussian scientists lie in pharmacology and the manufacture of medical equipment and instruments. Currently, talks are under way to establish joint ventures in the production of pharmaceuticals and polyvitamins (Dragichin, Borisov and the Minsk plant "Belmedpreparat"), deep processing of vegetable pharmaceutical components and production of medicines (jointly with "Belagrophormindustriya") and production of medical equipment at military plants under conversion (production association "Granat", Brest mechanical plant).

The following organisations constitute the institutional infrastructure for R&D activities in **biology, agriculture** and related fields:

under the auspices of the *Academy of Sciences*:

- Institute of Photobiology,
- V.F. Kuprevich Institute of Experimental Botany,
- Institute for Radio-Ecology,
- Institute of Microbiology,
- Institute of Genetics and Cytology, and
- Institute of Radio-Biology;

under the auspices of the *Academy of Agricultural Sciences within the Ministry of Agriculture and Foodstuffs*:

- Belarussian Research and Design Institute for Fishing Industries,
- Belarussian Research Institute for Pedology and Agrochemistry,
- Belarussian Research Institute for Land Reclamation and Pasture Cultivation,
- Belarussian Research Institute for Flax,
- Belarussian Research Institute for Plant Protection,
- Belarussian Research Institute for Farming and Forage,
- Belarussian Research Institute for Fruit Culture,
- Belarussian Research Institute for Olericulture,
- Belarussian Research Institute for Potato Growing,
- Belarussian Research Institute for Live-Stock Breeding,
- Belarussian Research Institute for Experimental Veterinary Science;

under the auspices of the *Ministry of Agriculture and Foodstuffs*:

- The Research and Production Association for Potato-Based Foodstuffs,
- Belarussian Research and Design Institute for Meat and Dairy Industries,
- Central Research Institute for the Mechanisation of Agriculture.

The **biology and agriculture** sectors deal with the following: the biology of reproduction, rational use and protection of flora and fauna, introduction and acclimatization of plants, genetic, physiological and biochemical issues of plant fertility, genetic cell engineering, molecular and membrane biochemistry, biophysics of photo-biological and regulatory processes in cells, physiological and biochemical mechanisms in substance exchanges in animals and human beings the microbiology of obtaining agricultural products and environment protection.

The most significant *results* of efforts in these fields include the development of highly-fertile forms of sugar beets, wheat, tomatoes and other agricultural plants, regeneration of animal and plant life threatened by urban development and new methods for neutralising the effects of the Chernobyl disaster on human beings.

## ***Chemistry***

The basic *academic* infrastructure for R&D activities in this sector and related branches includes:

- Chemical Technology Centre,
- Institute for Physical and Chemical Radiation,
- Institute for Bio-Organic Chemistry,
- Institute for Biochemistry,
- Institute for Inorganic Chemistry,
- Institute for Geology, Geochemistry and Geophysics,
- Institute for Physical and Organic Chemistry,
- Research Institute of Chemistry and Physics (Ministry of Education).

In addition, large research departments exist at the leading industrial chemical and petrochemical enterprises, including the Production Association "NAPHTAN", the Production Association "POLYMER", the Production Association "KHIMVOLOKNO" (Mogilev), the Production Association "AZOT" and the Ozocerite Plant.

Academic research within the area of **chemistry and geology** focuses on the chemical and biological impact of basic biopolymers and low-molecular bioregulators, organic synthesis, heterogeneous catalysis, sorbents, the synthesis and properties of polymers, surface phenomena in dispersed systems, non-organic synthesis, geology, geochemistry and geophysics and the appraisal of natural resources and their rational and eco-friendly utilization.

The recent most notable *results* include heat stable and active catalysts for ammonia synthesis, dehydration of alcohol, reforming, cracking, and isomerization of hydrocarbons, the polymerization of ethylene, the mobility of binary links in cycloalkadiene compounds and newly synthesized physiologically active substances.

### ***Engineering***

The R&D institutional infrastructure in this and related sectors includes the following organisations:

under the auspices of the *Academy of Sciences*:

- Academic Science and Technology Complex "SOSNY",
- Engineering Centre for Physics "PLASMOTEG",
- Institute of Mechanics of Metal-Polymer Systems,
- Institute for Reliability of Machinery,
- Scientific Centre for Machinery Mechanics,
- Physical and Technical Institute;

under the auspices of the *State Committee for Industry and Inter-Branch Production*:

- Research and Design Institute of Foundry Work for Automobile Manufacture,
- Minsk Research Institute of Instrument Engineering,
- Minsk Research Institute of Civil Engineering,
- Research Institute for Automation in Construction Material Production,
- Minsk Research Institute "Bearing",
- Research Institute of Automation,

- Belarussian Geological Prospecting Institute,
- Experimental Design Bureau of the Brest Machine Building Association,
- Specialized Design Bureau for Machine Building at the production association "TOGMASH",
- Specialized Design Bureau for Processing,
- Specialized Design Bureau "ZAPAD",
- Vitebsk (specialized) Design Bureau for Processing, Grinding and Sharpening Machines,
- Small State Enterprise "TOCHPRIBOR" (precision instruments),
- State (specialized) Design Bureau for Harvesting Machines,
- State Design and Experimental Institute "Belorgstankinprom" (instrumentation),
- Minsk Experimental Design Bureau for Engineering,
- Minsk (specialized) Design Bureau for Automation in Technological Processes,
- Project, Design and Technology Institute for Automation and Mechanisation at the research and Production Association "MOGILEVTEKHNOMASH",
- (specialized) Design Bureau for Technological Equipment "TEKHNOPRIBOR",
- Project and Design Bureau at the Association "MASHPROM";

under the auspices of *other ministries and state committees*:

- State Heat and Power Engineering Institute at the Ministry of Energy,
- Research Institute of Powder Metallurgy at the State Research and Production Association of Powder Metallurgy,
- Minsk Research Institute of Construction Materials at the Ministry of Construction Materials,
- Research Institute at the Committee for Petrol-Chemistry,
- Research and Production Association "TRANSTEKHNIKA" (transportation engineering) at the Ministry of Transport and Communications,
- Belarussian Research Institute "DORSTROITEKHNIKA" (road construction engineering) at the Ministry of Transport and Communications,
- Concern "AMKODOR" (road construction equipment),
- Minsk Furniture Production Association "MINSKPROEKTMEBEL" at the concern "BELLESPROM",
- Research and Production Firm "DIPOL",
- State Enterprise "AYAKS".

Academic research **in engineering and power generation** is conducted in the following areas: thermal and mass exchange, power generation, radiation, chemical engineering, radio-ecology, metallurgy, mechanics in metal-polymer systems, machine reliability, applied physics, non-traditional energy sources and energy conservation, natural resource conservation, nuclear energy security, composites and low-waste technologies in machine building, forecasting and higher reliability in engineering, measurement methods and automated systems, development of traction and wearing theory, and the development of new composite materials on the basis of polymers.

The latest *achievements* in this field include: new materials (on the basis of polymers, wood, metals and active fillers) that reduce metal inputs and increase wear resistance of parts and components and their weight; technology and equipment for producing grading materials with differing solidity on the basis of titanium alloys; original methods for material processing; new finishing technologies; heat mass exchange

and energy-saving equipment; and technologies for drying, thermal processing, granulation and other sophisticated processes.

### ***High tech***

Belarus possesses a relatively developed institutional infrastructure for research, design and development in high tech industries, which includes the following organisations:

under the auspices of the *Academy of Sciences*:

- Institute of Technical Cybernetics and its Brest branch,
- Institute of Solid State and Semiconductor Physics and its Vitebsk branch,
- the Computer Centre at the Academy of Science and its Gomel branch,
- Institute of Applied Optics,
- Institute of Applied Physics,
- Institute of Electronics,
- Division for Optics in Information Technologies at the Academy of Sciences;

under the auspices of the *Ministry of Education*:

- Research Institute for Applied Physics,
- Nuclear Research Institute,
- Project and Technology Bureau for Automated Programming Devices;

under the auspices of *State Committee for Industry and Inter-Branch Production*:

- Research and production association "TSENTRSYSTEM",
- Research Institute "AGAT",
- Leased enterprise at the central design bureau "SPEKTR",
- Research Institute of Optical Machine-Tool Engineering and Vacuum Technologies,
- Research and production enterprise "SPEKTROPTIK",
- Research Institute of Digital Television at the production association "GORIZONT",
- State research and production enterprise at the Design Bureau for Precision Electronic Engineering of Opto-Mechanical Equipment,
- Computer Research Institute,
- Minsk Research Institute of Radio Materials,
- Engineering Research Institute for high-power semi-conductor devices,
- Principal (specialized) Design Bureau for Microclimate Equipment,
- Vitebsk Project and Design Bureau for Automated Control and Management Systems,
- Principal (specialized) Design Bureau for Hydro-Devices with pilot production facilities,
- Principal Design Bureau "LUTCH",
- (Specialized) Design Bureau at the production association "KORALL",
- (Specialized) Design Bureau for System Programming,
- Grodno (specialized) Design and Technology Bureau for Radio Instrument Engineering,
- Research and production enterprise at the research and production association "PROGRESS",
- Specialized) Design Bureau "ELEKTROTEKHNIK",

- (Specialized) Design Bureau "ALPHA",
- (Specialized) Design Bureau "IMPULSE",
- Research and production association "AVTOPROMSBORKA" (automated assembly lines),
- Minsk (specialized) Design Bureau for Automated Production Lines,
- (Specialized) Design Bureau "NEMIGA",
- (Specialized) Design Bureau "KAMERTON" (acoustics),
- Design Bureau for Precision Electronic Engineering,
- Research and production complex "SIGNAL" at the Inter-branch production association "GORIZONT";

under the auspices of *other ministries and committees*:

- Belarussian Research Institute of Automated Control and Management Systems at the Academy of Agricultural Sciences of the Ministry of Agriculture and Foodstuffs,
- Research and production enterprise "DISPLAY" at the Ministry of Communications and Information Technologies,
- Belarussian Design Institute at the Council of Ministers,
- (Specialized) Project and Design Organisation "ORGTEKHSTROM" (information technologies in the construction materials industry) and the Minsk Research Institute for Construction Materials at the Ministry of Construction Materials,
- Specialized project and design organisation "BELAVTOMATSTROM" (automation in construction materials industry) at the Ministry of Construction Materials.

The **physics/mathematics/information technology** sector coordinates research in mathematics, physics, molecular and nuclear physics, applied optics, solid state and semi-conductor physics, electronics, technical cybernetics, computing, information technologies in algebra and theory of numbers, analytic geometry, differential equation theory, mathematical cybernetics and modelling, laser physics, physical optics, spectroscopy and luminescence, elementary particle theory, plasma physics, scientific instrument making, new semi-conductor, magnetic, super-solid and super-conductor materials, physical foundations of micro- and optoelectronics, theoretical and applied programming, wholly-optical data processing systems and graphics and video data processing technologies.

Some of the *results* include new research methods for algebraic groups and K-theory; theoretical and experimental methods for examining spectra-luminescent properties of complex molecular combinations in various aggregate states; the phenomenon of stabilisation-labialisation in electronically-agitated molecules; methods for computing optical quantum generators; lasers based on liquid solutions and complex organic combinations with adjustable wide-band frequencies; full phenomenal theory of optical properties in crystals; spectral methods of plasma diagnostics; a new type of infra-red filters and new methods and means for optical large data processing.

### c) **International co-operation**

The last years witnessed a growing international interest in Belarussian scientific and research institutions. The Academy of Sciences of Belarus, is an associate member of the International Council of Scientific and Research Unions, and has been actively expanding its international contacts. Agreements and memoranda on co-operation were signed with counterparts from Great Britain, Sweden, Bulgaria, Latvia, Lithuania, Poland, Russia, Slovenia, Kazakhstan, Azerbadjan, China, North and South Korea, Moldova, Ukraine and other countries. In 1993, joint research with 140 foreign institutions from 23 countries covered more than 140 subjects.

#### *Innovation, commercialization and foreign investment*

Traditionally, Belarus, along with the other former Soviet republics, has had difficulty in converting the results of its R&D efforts into the production of goods and services. The reason for this phenomenon lies in the risk/reward ratio associated with innovation and entrepreneurial activity. Under the Soviet system (and the majority of older managers and leaders in all CIS countries still preserve the Soviet mentality), the above ratio has always been negative (risks bigger than rewards), thus creating a hostile environment toward technical change.

On the risk side, the major factor that usually inhibited innovation and creativity was a conflict between innovation and plan (or state order) fulfilment due to: **(a)** the long-term implementation of innovation as opposed to a short-term planning horizon; **(b)** restricted supply; **(c)** difficulty in determining new product pricing; **(d)** enterprise strategy of minimising dependence on outside suppliers of spare parts and components; **(e)** necessity of extensive testing and bureaucratic approvals by various research institutes and governmental bodies that often entailed significant overhead expenses.

Despite these reasons for the technological conservatism of former Soviet enterprises, several factors worked in favour of creativity and innovation: **(1)** weak commercial secrecy and intellectual property rights that allowed the "borrowing" of technological knowledge from a wide pool of both domestic and foreign sources; **(2)** a large volume of translated technological information available in many CIS countries; **(3)** introduction of borrowed technologies is easier and less risky than "re-inventing the wheel"; **(4)** low resistance to the introduction of new technological processes since many new technologies are based on newly-erected plants; **(5)** co-operation between enterprises and the state bureaucracy in such high priority areas as aerospace and defence-related industries; **(6)** variable risk associated with the introduction of innovation; **(7)** conflicting interests within the state bureaucracy that often offset conservatism toward innovation.

Recently, steps were taken to utilize the potency and inter-play of the above factors to significantly expand the range of commercially viable innovations and turn the country's "know-how" into a powerful comparative advantage and locomotive for growth. The cuts in budget allocations to the science and technology sector force Belarussian R&D institutions to seek further international co-operation and foreign investment.

According to Belarussian experts, some R&D branches are internationally competitive. Among them:

- manufacture of space shuttle tiles and new metals;

- software development<sup>1</sup>;
- technologies for manufacturing binoculars and cameras;<sup>2</sup>
- different products in applied chemistry;
- tractor manufacturing technologies;
- improved crops, fertilisers and anti-viral agents;

Within the academic R&D sector alone more than 136 small businesses, including 30 joint ventures and *enterprises with foreign investment* have been established.

The most prominent venture in this field is the agreement on the establishment of "Stanford Technocenter RB", a joint venture aimed at developing, producing and servicing new equipment and technology. It will also be engaged in the production and sales of goods related to leisure, tourism, health care, and agriculture. As a result of this project, a "Technopark" will be created in Minsk, with a total 20,000 employees.

The "NOMATECH" Association, engaged in the sphere of new materials and technologies, has established close links with the Union of Industrial Research Associations of Germany and directs German investment funds into the manufacture of technological equipment and training of personnel.

Other significant ventures with foreign investment include:

- "**BELORIS**" (5/3 Zhodinskaya Str., Minsk) - established in 1991 by the Institute of Organic Chemistry, "SIS Bio International" (France) and "INK International" (Lebanon); specialisation - development, production and sale of devices for medical diagnosis;
- "**TEMPO**" (15, P. Brovki Str., Minsk) - established in 1989 by the Institute of Heat and Mass Exchange and "Hemisphere Publishing Corp." (USA); specialisation - development of new technologies and devices in thermodynamics, their marketing and sales.
- "**IEKO**" (7, Zhodinskaya Str., Minsk) - established in 1992 by the Belarussian state geological research enterprise "Bel GEO" and "DERU Export-Import, GmbH" (Germany); specialisation - modern waste and scrap recycling technologies.
- "**ELKERM**" (22, Logoisky Trakt, Minsk) - established in 1990 by the Institute of Solid and Semi-Conductor Physics and the joint venture company "Volat"; specialisation - development and production of ceramic components for electronics.
- "**BELOKRIO**" (Sosny, Minsk) - under the registration of the academic and scientific complex "A.V.Lykov Institute of Heat and Mass Exchange", Institute of Energy, Design Bureau with pilot production facilities and "Fulli Delfino s.p.a" (Italy); specialisation - heat exchange equipment.

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<sup>1</sup> The Belarussian R&D institutions used to produce software, computers, sensors and other sophisticated electronic hardware for the former Soviet defense and space programmes.

<sup>2</sup> Optics manufactured in Belarus have been used in military night vision equipment.

In many cases, it is extremely difficult to estimate the real market value of a particular technology or to quickly verify the assessments of Belarussian researchers because the approach to R&D in Belarus is not market-based.

According to an UN mission to the country in November 1993, the following academic and R&D institutes may be of interest to potential foreign investors:

- Institute of Applied Optics (fibre optics and other optical and electronic devices);
- Institute of Engineering Cybernetics (artificial intelligence, CAD-CAM, speech recognition systems);
- Institute of Solid State and Semiconductor Physics (ceramics, polymers, thin films, composites);
- Computing Centre (software engineering);
- Institute of Mechanics of Metal-Polymer Systems (ceramics, polymers, thin films, composites);
- Engineering Centre for Physics and the Technology of Thin Films and Coating "Plazmoteg" (thin-film structures and coatings);
- Institute of Genetics and Cytology (agricultural biotechnology, oncology);
- Institute of Microbiology (enzymes and biodegradation of man-made compounds);
- Research and Production Association of Powder Metallurgy (high-technology materials, including metal composites and high transparency glass for optics);
- Institute for Heat and Mass Transfer (thermodynamic devices used in the space industry);
- Advanced Materials Research Laboratory of the Gomel State University (ceramic filters and membranes for fluids and gases with applications in the food industry, pharmaceuticals, microbiology and other areas; porous ceramic matrices and bearers with applications in biotechnology, deodorants and insecticides; durable ceramic materials, including heat elements and porous conductive composites, new abrasives tools, base materials for optics and electronics, optical quartz glass for microelectronics, fibre optic lines and light filers);
- Centre of Advanced Technologies (a private high-technology enterprise known for manufacturing scanning and tunnelling microscopes with ultra high resolution);
- Minsk Radio-Engineering Technical Institute (aluminium printed circuit boards and other radio-engineering products);
- Research and Production Complex "Planar" (semiconductors, printed circuit boards and medical devices);

- Belarussian Research Institute for Epidemiology and Microbiology (diagnostic kits for detecting antibodies and antigens of certain highly pathogenic viruses, e.g. haemorrhagic fever, tick-borne encephalitis, West Nile virus, etc.);
- Belarussian Research Institute of Potato Growing (selection and breeding of high starch content potatoes);
- Belarussian Research Institute of Pedology and Agrochemistry (ecologically and biologically safe fertilisers that can increase crops yields by 10-20 per cent);
- Belarussian Research Institute for Flax (new grades of disease resistant flax with a 50 per cent higher yield);
- Central Research Institute of Mechanisation and Automation in Agriculture (computer programming, including software to shorten the seed-to-harvest time).

#### **f) Military conversion**

Great importance is attached to utilising the huge R&D potential created within the military industrial complex. The state policy for military conversion is a constituent part of the overall science and technology strategy. Nine large investment programmes are envisaged within the framework of the latter:

- "Belelectronika" (electronics, various devices and hardware);
- "Belsviaz" (telecommunications);
- "Computer" (computers);
- "Television" (TV systems);
- "Automated information systems" (data processing and information technologies);
- "Agroprompererabotka" (food processing);
- "Beloptika" (optics and optical devices);
- "Resursometriya" (resource measurement);
- "Medtekhnik" (medical equipment and technologies).

Therefore, the priority areas for the conversion of military enterprises include the establishment of a modern base for consumer electronics production, computers and automated systems, telecommunications, household and industrial radio-electronic and optical equipment, medical instruments, food processing equipment and sophisticated consumer goods. The most important results in the field of conversion can be summarised as follows:

**Consumer Electronics.** A wide range of modern electronic components are being developed. A mass production of new microchips for TV-sets of the fifth and sixth generations has begun. The development of a general use microprocessor and of four new types of monocrystal microcomputers are close to completion, while efforts to develop quartz resonators for television equipment are still under way. Production of chip-condensers and resistors according to chip technology has commenced.

**Computers and telecommunication equipment.** A mass production of IBM PC-compatible desk-top (EC 1849 and EC 1863) and lap-top computers has already been launched. PC half-tone scanners are being developed.

"Quant" automated telephone switches for rural, industrial and office use are being mass produced. Pilot models of potentially competitive "Beta-M" digital telephone switches have been developed. The annual production of all types of automatic telephone switches is to reach the capacity of 500,000 numbers by 1995. Production of cellular telephones is under way. Multiplex equipment is also one of the results of ongoing conversion.

**Medical instruments.** Thirteen new products, including equipment for the biological purification of blood and ultrasound instruments for urology are currently manufactured. 34 other sophisticated instruments are being certified for mass production (technology for guided electromagnetic hyperthermia, a double-ray laser scalpel for cutting tissue with instant blood coagulation and a high-pressure chamber for intensive maternity care are being developed. An important trend is the development of equipment for cardiology (a magneto-impulse heart defibrillation instrument, a multi-function probe for heart disease treatment, a double-leaf artificial cardiac valve, etc).

**Agriculture and food processing equipment.** Vacuum packing machines for foodstuffs are being developed and produced. Other items include electric mills and fodder-crushers for farmers, equipment for meat processing and milk-cooling units. The manufacture of low-temperature freezers for agro-industrial enterprises and retail trade is to be launched in 1994. A multipurpose pneumatic seeder has been developed. Efforts are under way to develop an express nuclear magnet resonance analyser for food ingredients.

**Sophisticated household appliances.** This field embraces the production of Bitvaz colour and small-size black-and-white TV-sets and development of new generation TV-sets. The enterprises under conversion manufacture portable TV-sets, washing machines, microwave ovens, car stereo systems, etc. Other items to be launched in 1994 include a variety of electric motors for household and industrial equipment, improved quality elements for electronics, starter accumulators for automobiles and tractors and consumption meters for electricity, heat and gas.

As a result of recent conversion measures, the adverse effects of the sharp cuts in military expenditures were partially offset. In order to facilitate the conversion process, the government grants considerable incentives to corresponding enterprises, including corporate tax deductions, real estate tax exemptions, subsidised interest rate loans, and in some cases, import tax exemptions and value-added tax reductions.

Since the domestic pool of available investment resources is rather limited, the government attaches great importance to promoting foreign investment into conversion. The pending law "On the Conversion of the Defence Industry in the Republic of Belarus" will become the core of the legislative basis for this process.

### **g) Industrial and intellectual property rights**

Pursuant to the foreign investment law, enterprises with foreign investment have the right to sign contracts on issues related to intellectual property with their employees in accordance with the objectives set forth by the documents of the enterprise. The EFIs can be granted patents for inventions if a corresponding contract is signed by an enterprise and its employee. This contract, accompanied by the assignment of patent rights, shall determine the enterprise's commitment toward its employee.

In February 1993, a set of special laws on intellectual property was adopted in Belarus: the law "On Patents for Inventions", the law "On Patents for Industrial Designs" and the law "On Trademarks". They establish an elaborate *framework* for the protection of intellectual property.

Novelty, level of inventiveness and industrial applicability are required for an invention to be protected in Belarus. The items which can be considered inventions are as follows:

- devices;
- techniques;
- substances;
- micro-organisms, cultures of plant and animal cells;
- new applications of previously known devices, techniques, substances or microorganisms.

The list of items which, on the contrary, cannot be regarded as inventions includes the following:

- scientific theories;
- production management and control methods;
- conventional signs, schedules, rules;
- algorithms and software programs
- projects and designs of construction, buildings, territories;
- proposals concerning only the external appearance of goods made for aesthetic purposes;
- items contradictory to public interest, principles of humanity and morale.

The right to an invention should be confirmed by the patent which certifies the authorship, priority and the exclusivity of an inventor's right to use the patent. The patent is valid for twenty (20) years following the date of filing the claim with the Patent Agency.

The following individuals and legal entities can be regarded as patentees:

- 1) authors of an invention;
- 2) persons indicated by the author in the application for a patent including the relevant agreement;
- 3) inventor's successors;
- 4) inventor's employers - as long as an inventor and an employer enter into an assignment agreement.

Industrial design determines the visual appearance of a product. It may be legally protected in cases of novelty, originality and/or industrial applicability. In the meantime, legal protection is not granted to:

- items performing exclusively technical functions;
- items contradictory to public interest, principles of humanity and morale;

- architectural designs;
- printed matter;
- objects having a changeable form.

The citizens and legal entities of Belarus can patent their inventions and industrial designs abroad unless prohibited by the Patent Agency. The expenses related to patenting are to be borne by either an applicant or any other person upon the consent of an applicant.

Trademarks distinguish goods or services of one entity or individual from similar goods or services of other entities and/or individuals. Verbal signs, drawings, three-dimensional signs, and any combinations thereof may be registered as trademarks in Belarus. Trademarks may be registered in any colour or combination of colours.

### ***Registration procedures for patents***

A patent application on invention should be submitted to the Patent Agency by the author of the invention, the employer under an agreement with the employee (author) or other persons to whom the author or employer delegate the right to apply. An application may be filed through a patent attorney registered with the Patent Agency.

An application should include data about the inventor/applicant; a description of the invention; drawings and schemes; summary; power of attorney for a patent attorney, and a receipt of the application fee paid.

The invention priority may be established pursuant to the following dates:

- 1) The date of filing by the Patent Agency of an application containing all stipulated documents; or
- 2) The date of submission of the first application to a patent agency in a foreign country, which is a signatory to the Paris Convention on the Legal Protection of Industrial Property, subject to the filing of such an application with the Patent Agency within twelve (12) months of the said date.

Once it is filed by the Patent Agency, the application should undergo a preliminary examination in order to check whether all necessary documents are presented and the applied invention belongs to the objects protected by the effective law. The preliminary examination is carried out within one month from the date of filing the application. The application then considered.

Information related to the application under consideration, including the formula of the invention, is published by the Patent Agency after eighteen months from the date of filing the application.

If the patent priority of the invention has not been established at the preliminary examination, the patent examination deals with this matter. It should be carried out within twelve months from the date of filing the documents. Following the patent examination, a decision is taken whether to issue the patent or deny it. If the applicant disagrees with the decision, he may appeal to the Patent Court of the Republic of Belarus.

### ***Registration procedures for industrial designs***

The patent application on industrial design submitted to the Patent Agency should include a claim for patent issuance; a set of photos of the product (model, drawings) giving a clear idea of its visual appearance; description of the industrial design containing its unique features; a power of attorney for a patent attorney; and a receipt of the fee paid.

The industrial design registration procedure is the same as that for inventions (the only difference is the 6 month term, instead of 12 months for inventions). After an appropriate examination of the industrial design, a decision is taken on patent issuance or denial.

### ***Registration procedures for trademarks***

An application for the registration of trademarks is filed with the Patent Agency. It should include a registration form; a list of goods and services for which the registration is requested (they should be grouped according to the international classification of goods and services for registration of marks; a receipt of the fee paid; power of attorney for a patent attorney; photo copies of the mark; and the statute of a collective mark (if a collective mark is under consideration).

The priorities in the establishment and examination of trademarks are similar to the procedures applied to inventions and industrial designs.

## **h) Standards**

Activities on standardisation, metrology and certification are conducted and coordinated by the Committee for Standardisation, Metrology and Certification at the Council of Ministers ("Belstandart"). The committee is responsible for developing a unified technical policy; developing and approving national standards for measurements; organising and conducting work on the certification of products and systems of quality control as well as on accreditation of certification bodies and test laboratories.

Since 1993, the Belstandart has represented Belarus in the international organisations on standardisation (ISO) and has participated in UN and EC working groups on standardisation policies. It also maintains close contacts with the German Institute on Standardisation (DIN).

In addition, the State Institute for Standardisation and Certification (BelGISS) was established for research and coordination of the most important activities within these disciplines.

A **National system of certification** (System BelST) has been created and introduced in Belarus. It is harmonised, to an extent, with international and regional ISO documents (ISO 9000 and EN 45000). Within its framework, it establishes the required *infrastructure* for the certification of products:

- certification bodies for quality control (14 territorial Belstandart branches in all regions),
- accredited testing laboratories,
- training centre for auditing experts (more than 100 certified specialists trained in the country and abroad),

- a register for the national certification system.

Today, product certification is based on European Community (EC) rules for the following:

- consumer electronics and electric devices
- telecommunication devices
- construction materials
- light industrial products
- children's toys
- measurement devices
- food and agricultural products
- automobiles.

Belarus has concluded agreements on mutual recognition of standards and marks of conformity with all CIS countries as well as with Poland and Lithuania (on certain product categories). Work is under way to further expand recognition.

*Part II*

**FOREIGN INVESTMENT POLICY FRAMEWORK**

National treatment of foreign investors  
Investment protection  
Material compensation of losses and damages  
Free transfer of profits abroad  
Certain custom duty and export/import tax exemptions  
Equal participation in privatisation



## *Chapter 4*

### **Foreign Direct Investment Legislation**

The basic legal framework for foreign direct investment in the country is shaped by the law "On Foreign Investment on the Territory of the Republic of Belarus" dated November 14, 1991. The law identifies assets, forms and types of investment and outlines the establishment, entry, approval and registration procedures.

#### **a) Investment Assets**

The assets eligible for foreign investment in Belarus include the following:

- a) any business enterprises or organisations engaged in activities that are not prohibited by current legislation;
- b) buildings and other immovable construction, property of Belarussian legal entities and individuals;
- c) stocks, bank deposits, insurance policies and other securities and funds;
- d) products of research and development activities;
- e) intellectual property rights;
- f) other property and acquired proprietary rights, including the right to use land and other natural resources of the country necessary to carry out business activity.

#### **b) Forms of investment**

Foreign investment in Belarus may take the following forms:

- a) equity participation in enterprises established jointly with Belarussian legal and physical entities;
- b) establishment of enterprises wholly-owned by foreign investors;
- c) acquisition of existing enterprises, real estate and other structures, as well as stocks and other securities;
- d) acquisition of the right to use land and other natural resources, as well as other proprietary rights;
- e) any other forms of business activity which comply with current legislation.

#### **c) Types and procedures for the establishment of enterprises with foreign investment (EFIs)**

As to the form of ownership, two types of EFIs are envisaged by the legislation:

- (1) a joint venture in which authorised capital is owned by foreign investor(s) and Belarussian legal entity(ies);

(2) an enterprise which is 100 per cent owned by foreign investor(s).

Both types of enterprises are to be registered as legal entities. The initial **minimum investment** is set at US\$ 20 000.

An enterprise with foreign investment can be established in two ways: (1) by setting up a new enterprise either jointly with a Belarussian partner or solely by a foreign investor; (2) by acquiring an existing enterprise either entirely or partially by taking an equity position. The first way is more common in Belarus, while the second, introduced in the 1991 law on foreign investment, has not become a popular option yet. It should also be noted that domestic managers have so far been reluctant to sell equity positions to foreigners. In most cases they prefer to set up a new joint venture, thus maintaining decision-making autonomy at their own enterprises.

According to current legislation, an enterprise established by a joint venture (its subsidiary) is not considered an enterprise with foreign investment and shall not enjoy the benefits of that status. However, the subsidiaries of foreign owned enterprises enjoy the same benefits as their parent companies.

#### **d) Registration procedures**

No specific registration is required for foreign investment itself. Only investments made by domestic or foreign investors in Russian Roubles are to be declared to local financial bodies as to their amount and sources of financing (according to the Council of Ministers' Regulation No 456 of November 29, 1991). Registration formalities apply to the establishment of a new company or bank. The establishment of representative offices of foreign firms and organisations also entails registration.

(1) *Registration of enterprises with foreign investment.* This kind of registration is executed by the State Committee for Foreign Economic Relations with the consent of a local council of people's deputies within its jurisdiction. For *joint ventures*, the list of documents to be submitted includes: **(a)** a written registration application; **(b)** two notarized copies of the joint venture agreement; **(c)** a notarized copy of the decision of the owner of the property to establish the enterprise or a copy of the decision of the body authorized by the owner, as well as notarized copies of the joint venture agreement for each Belarussian person participating in establishing the joint venture (for Belarussian legal entities) and **(d)** an extract from the register of the country of origin or another proof of the foreign investor's legal status in the country of its permanent residence (with a notarized Belarussian translation). For *foreign-owned enterprises*, the list includes: **(a)** a written application; **(b)** two notarized copies of the articles of incorporation; **(c)** an extract from the trade register of the country of origin of the foreign investors (with a notarized Belarussian translation) and **(d)** a copy of an identity document for foreign individuals, indicating the address for official notification (with a notarized Belarussian translation). For the registration of a *foreign consortium*, it is required to provide two notarized copies of the contract concluded among the co-founders or another document of similar nature. A foreign enterprise established on the basis of property purchased by a foreign investor, which is not a state-owned property, shall also submit a notarized copy of a document confirming the execution of a sales contract and a copy of a certificate on the exclusion of the enterprise from the state register or a modification of its status.

A foreign investor who invests in an enterprise on the basis of a pecuniary contribution fully imported from abroad shall transfer at least 25% of the declared statutory capital to a temporary current account by the registration date.

The official registration period should not exceed 30 days starting from the date the above listed documents have been submitted to a registering body. Within 15 days of registration, it should be also registered with a corresponding taxation authority.

An official denial to register an EFI will take place only in the event of non-compliance with registration procedures or if the joint venture or investment agreements are not in accordance with the corresponding requirements. Any groundless denial may be appealed in court.

During one year from the date of registration, the EFI should be capitalised by 50 per cent of the commitment, and by the end of the second year, the EFI should be fully capitalised. The extension of the above term is possible only with the consent of the Cabinet of Ministers. Otherwise, the venture may be liquidated.

(2) *Registration of banks with foreign investment.* More specific rules apply to banks and other financial institutions <sup>1</sup> with foreign investment which are subject to registration with the National Bank of Belarus. Banks and branches of foreign banks shall be established with the consent of local authorities if their authorised capital does not exceed Rb 30 million, or the consent of the Cabinet of Ministers if their authorized capital exceeds an equivalent of Rb 30 million.

The authorized capital of foreign banks as well as a foreign equity position in a joint venture bank shall not, as a rule, be less than the equivalent of US\$ 1 million <sup>2</sup>. Foreign investment should be made in a freely convertible currency and paid in full prior to registration. The registration fee amounts to US\$ 10,000, payable in a foreign currency.

The following documents are to be submitted to the National Bank or one of its provincial branches:

- a) an application accompanied by a feasibility study and data on the professional competence of bank managers, an estimation of the banks assets, a list of share holders and minutes of the shareholders meeting. Foreign bank shareholders may also submit a published report on bank operations and its statutes certified by the Belarussian Consulate. With respect to other foreign shareholders, an extract from the trade register of the country of origin or equivalent proof of their legal status and reputation (for foreign individuals, references from at least two foreign legal entities or individuals with credibility). For Belarussian shareholders, if need be, an auditor's report on their financial status shall be submitted (for individuals, an income statement is needed).

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<sup>1</sup> See the Recommendations of The National Bank of the Republic of Belarus "On Procedures for Establishment and Registration of Wholly Foreign-Owned Banks (Foreign Banks), Joint Ventures and Branches (Representative) Offices of Foreign Banks on the Territory of the Republic of Belarus" (October 17, 1991).

<sup>2</sup> For the time being, foreign investment in banks, insurance companies, and other financial services institutions in Belarus shall not exceed 50 per cent of capital.

- b) consent by the supervisory authority in the country of origin of a foreign shareholder to participate in the establishment of a bank in Belarus and confirmation of its solvency.
- c) bank statutes adopted by the shareholders' meeting.

All documents are first to be reviewed by the executive board of the National Bank, which within 10 days, will make a decision regarding the application. The registration will take place within 20 days.

3) *Registration of representative offices.* A representative office of a foreign firm and/or organisation may be established with the permission of the State Committee on Foreign Economic Relations upon the submission of the following documents <sup>3</sup>:

- a) a written application containing comprehensive information about an applicant firm;
- b) copies of the firm's statutes and an extract from a trade register certified by a Belarussian Consular office;
- c) a copy of the permit, from the relevant authorities in the country of registration, if required.

Foreign representative offices are opened, as a rule, for a maximum period of three years with the right to extend the term of operation. A registration fee of US\$ 2,000 is paid to the State Committee for Foreign Economic Relations, while the term extension fee is US\$ 1,000.

## **e) Restricted sectors**

### ***General restrictions on investment activities***

According to article three of the law "On investment activities in the Republic of Belarus", investment into assets, the creation and use of which do not meet security, public health, and ecological requirements, is prohibited. Other general restrictions may be specified by subsequent legislative acts.

### ***Sectors subject to special authorization***

The list of activities to be carried out under special permission (license), only granted by the Council of Ministers or its authorized bodies is quite long (see the Appendix B). In addition, projects, in the construction and modernization of enterprises, buildings and road works, require feasibility studies to determine whether they meet health, environmental, town planning and/or safety standards.

In order to register a holding company, written consent of the State Anti-Monopoly Committee must be obtained.

National projects and special purpose investment programs are to be approved by the country's Supreme Council (Parliament). The latter also possesses the exclusive prerogative to grant concessions to

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<sup>3</sup> See Regulations "On the Procedures for Opening and Functioning in the Republic of Belarus of Representations of Foreign Firms and Organizations and their Branches (Subsidiaries)" (approved by the Decree of the Council of Ministers of the Republic of Belarus No 242 of June 21, 1991)

foreign investors. Once granted, a concession shall exempt a foreign investor, within the business activities covered by the concession, from the necessity to obtain a corresponding license.

If an enterprise with foreign investment engages in activities subject to special authorization without a proper license, it may be penalized by the amount of revenue obtained. The normal time for obtaining a permit (license) or a warranted refusal is 30 days. In case more time is required, the term can be extended to 45 days from the date the application was submitted.

#### **f) Legal and international guarantees for foreign investment**

Government guarantees are set forth in the law "On foreign investment on the territory of the Republic of Belarus" which includes the following provisions:

1. *National treatment* is granted to foreign investors, which means that investment conditions should not be less favourable than those granted to Belarussian legal and physical entities. Exceptions are outlined in the relevant legislation.
2. *Guarantees against changes in legislation*: In the event that subsequent legislation on foreign investment becomes less favourable for investors, the legislation effective on the day an EFI was registered shall apply to it for the period of five years. According to the general legal principle "a law cannot promote a retroactive action", this stipulation of Article 34 of the foreign investment law, even if amended or cancelled by subsequent legislation, would apply to any foreign investment registered while the above Article remains in force.
3. *Guarantees against expropriation and unlawful actions of government bodies and officials*: Foreign investments in Belarus are not subject to nationalization or actions similar in their effect, with the exception of emergency cases (natural disasters, accidents, epidemics, etc.).
4. *Compensation for damages and losses incurred by foreign investors*: foreign investors have the right to compensation for any losses incurred as a result of acts on the part of the state administration or a local municipal body that do not comply with the legislation or infringe upon the rights of investor. Compensation shall be provided by the body that has committed the illegal act upon a court decision. In the event that state body does not have sufficient funds, the damage shall be compensated from the central or local budget. The amount of compensation shall be determined by the amount of actual losses and paid to the investor within a three month period in the currency in which the initial investment was made.
5. *Guarantees for the transfer of profits and other incomes*: Foreign investors are guaranteed the repatriation of profits abroad in foreign currency at the unified exchange rate set by the National Bank of Belarus. In the case of divestiture, a foreign investor is entitled to reimbursement of his share in the property of an enterprise in cash or in-kind assessed at the residual value on the date of divestiture.
6. *Guarantees envisaged by bilateral investment protection treaties* (See Appendices).

**g) Employment issues**

Labour relations at enterprises with foreign investment, including employment, work, recreation, salary/wages fringe benefits, are regulated both by collective agreements and individual employment contracts. The terms of a collective agreement and employment contracts may not be worse than those envisaged by existing labour legislation. Specifically, EFIs may not set a salary level lower than the minimum stipulated by the legislation in effect at the time.

Enterprises with foreign investment may employ both residents and non-residents. Foreign employees can freely repatriate their emoluments abroad in any convertible currency. According to current foreign exchange regulations, salaries in foreign currency shall not be paid to permanent residents.

Health insurance of employees at EFIs and their social security (excluding pensions for foreign employees) is regulated by the acting legislation. Contributions to pension funds of foreign employees at EFIs shall be transferred to corresponding funds in the countries of their permanent residence according to the procedures set forth by individual employment contracts.

**h) Settlement of disputes**

Disputes resulting from investment or related activities are to be examined either in civil courts or in arbitration courts. Disputes between an EFI and other legal and/or physical entities and among EFI shareholders on issues relating to its activities shall be subject to settlement in the courts of the Republic of Belarus within their competence, or, if agreed to by the parties, in third party courts.

## Chapter 5

### Incentive Measures

#### a) Tax incentives

All investors, both domestic and foreign, enjoy certain general tax incentives and privileges (see Part III).

*Special preferences* are also granted to foreign investors. Privileges pertaining to corporate taxation of EFI's are envisaged by Article 30 of the foreign investment law. Enterprises with a foreign investment share exceeding 30% of the equity and with profits resulting from the sales of domestically manufactured goods and services are exempt from tax on profits for three years starting from the day profits were first declared. The profits of an EFI obtained from other activities are to be taxed.

The taxable gross profits of an EFI are decreased by the amount of its contributions to the reserve (insurance) fund of the enterprise as stipulated in its founding documents (but not exceeding 25% of the paid-in authorized capital).

There is also an extensive list of particular goods approved by the country's Council of Ministers which, if manufactured by an EFI, may qualify for a the reduction in the taxation rate of 50% for an additional period of up to three years starting from the date the first profit was declared.<sup>1</sup>

Another important privilege relates to the hard currency revenues obtained by enterprises with foreign investment exceeding 30 per cent of equity. Such enterprises are exempt from the 50 per cent mandatory sales of such revenue at the Inter-bank Foreign Exchange Market and 15 per cent to official foreign exchange reserves.

In addition to the above, the new tax legislation introduced in 1993 provides EFIs with incentives and privileges granted to all other enterprises in the country.

#### *Bilateral tax treaties*

Belarus has concluded bilateral tax treaties with a number of foreign countries that provide for the prevention of double taxation and grant certain tax privileges (See Appendix E).

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<sup>1</sup> However, if within these three years, an enterprise is liquidated, it should pay the profit tax which would be due for the whole period of tax reduction (see Council of Ministers Regulation No 345 of May 26, 1993).

## **b) Customs exemptions**

A special system of custom exemptions, relating to foreign investment and EFIs, has been developed in Belarus.

Customs duties and import taxes are not levied on assets imported as a contribution to the authorized capital of an EFI. Personal property imported by foreign employees of EFIs for their private consumption is also exempt from customs duties and import taxes. Goods and services for internal consumption at EFIs can be imported without import licenses. Similarly, goods and services produced by enterprises with foreign investment share exceeding 30 per cent of the total equity can also be exported without obtaining export licenses. In order to qualify, the goods and services must be defined as an EFI's own production in the following manner: (a) an enterprise used its own manpower and assets during the production process; and (b) one of the first four digit of the SIC code has been altered after processing. An EFI's own production is to be certified by the country's Chamber of Trade and Industry.

Most customs and tax exemptions will be granted to an EFI only if at least 50% of its authorized capital has been paid in by all shareholders. For more detail on customs regulations, see Chapter 5 (i).

## **c) Lending facilities**

All EFI's in Belarus have the right to obtain commercial credit domestic and foreign currency both inside and outside the country, within the limits set forth by the foreign exchange regulations (see Chapter 5, para e). Foreign investors and EFIs in Belarus have the right to freely choose among banking institutions to service their financial needs. There are no restrictions in this area.

Foreign funds can be borrowed against guarantees extended by the Council of Ministers, which is responsible for external debt management, along with the National Bank. Foreign loans may be secured by the assets of a borrower. This general provision is expected to be supplemented by more detailed regulations on collateral. The law "On Collateral" was adopted by parliament in January 1994.

## **d) Free economic zones**

The legal foundation for the operation of free economic zones has been laid by Decree No 100, by the Council of Ministers (December 26, 1992), which approved a temporary "Free Economic Zone in the Brest City Area" (10 square km). The supreme controlling body in the Zone is the management committee formed under the auspices of the Brest regional executive committee upon the decision of the Council of Ministers.

Foreign investors are granted the following additional privileges in the Zone: (a) The priority right to long-term land lease; (b) more liberal export and import regulations relating, in particular, to quotas and licenses; (c) additional exemptions from customs duties; (d) a five-year profit tax holidays for enterprises with foreign investment exceeding 30 per cent of equity; (e) additional tax benefits relating to profit tax, export and import tax, value-added tax and real estate tax; and (f) salaries in hard currency can be paid to residents employed by enterprises operating in the zone.

## *Chapter 6*

### **National Legislation and Regulations Relevant to Foreign Direct Investment**

#### **a) Entrepreneurship and corporate law**

##### *Legal foundations of entrepreneurship*

Entrepreneurial activity in the Republic of Belarus can be conducted independently by all citizens on a systematic basis and at one's own risk for the purpose of gaining profit.

The basic legal acts regulating entrepreneurial activity are the laws "On Entrepreneurship in the Republic of Belarus" (May 28, 1991), "On Enterprises in the Republic of Belarus" (December 14, 1990), "On Investment Activities in the Republic of Belarus" (May 29, 1991), and "On Foreign Investment on the Territory of the Republic of Belarus" (November 14, 1991).

##### *Entrepreneurs*

Entrepreneurs in Belarus can be: (a) Citizens of the country and citizens of other states as well as persons without citizenship who are not restricted in their legal capacity, and (b) legal entities of all forms of ownership. The officials and experts of state administration bodies regulating and supervising business activities are not allowed to participate in entrepreneurial activities.

##### *Organisational forms of entrepreneurship*

In accordance with the forms of ownership defined by the law "On Property in the Republic of Belarus and the law "On Enterprises", the following forms of business enterprise are envisaged in the country:

1. An enterprise based on public ownership, including a state-owned enterprise formed by the administrative bodies of the country and a communal enterprise established by a local council of people's deputies or its authorized local administrative bodies.
2. An enterprise based on collective ownership (e.g. a cooperative).
3. An enterprise based on private property ownership established by an individual authorized to hire labour.
4. An enterprise based on forms of ownership (e.g. an enterprise established by an agreement between the state and a private company).
5. An enterprise based on mixed forms of ownership.

According to its sales volume and the number of employees and irrespective of its form of ownership, an enterprise may be categorized as a **small business** (depending on its line of business), if it does not exceed 200 employees. The activities of small businesses are regulated by the government regulation dated May 20, 1991 "On Small Businesses in Belarus".

Enterprises may form, basis, economic **associations**, corporations, concerns, consortia and other amalgamations established along sectoral, territorial and other lines for the purpose of coordinating their activities, securing protection for their rights and representing common interests in relevant governmental and other bodies as well as in international organisations on a voluntary basis. Such a formation can be delegated certain production, sales and other business functions by agreement.

A business merger operates on the basis of statutes constituted by its founders. Enterprises participating in such mergers preserve the rights of legal entities.

Amalgamations of enterprises registered in Belarus may incorporate enterprises of other countries. Belarussian enterprises may also enter mergers registered abroad.

Moreover, with the consent of an owner or his authorized representative, an enterprise can establish subsidiaries and/or representative offices, as legal entities, by transferring a part of its assets to them. Such subdivisions may operate both in Belarus and abroad.

### ***Corporate law***

This domain is regulated by the law "On Joint Stock Companies, Limited Liability Companies and Companies with Extended Liabilities" (dated December 9, 1992). The law stipulates procedures for the establishment of the above companies having legal entity status.

Enterprises, organisations, institutions and individuals can be founders or shareholders in a company (partnership). Foreign nationals, persons without citizenship, foreign legal entities, and international organisations can also become founders and shareholders in a company (partnership) in the country.

A **joint-stock company** is a company with an authorized capital divided into shares of equal nominal value. The shareholders are liable only within the value of the shares they own. Joint-stock companies may be of two types: (a) An open joint-stock company where shares are underwritten through an open sale or subscription; (b) a closed joint-stock company that issues only inscribed shares of limited circulation.

A **limited liability company** is an association with an authorized capital divided into parts (shares), the size of which is determined by the constituent documents. Shareholders in a limited liability company assume responsibility only within the limits of their respective shares.

An **extended liability company** has an authorized capital divided into parts (shares), the size of which is determined by constituent documents. The shareholders in such an association are also responsible for its liabilities within the limits of their respective shares. In the event that liabilities exceed capital, the shareholders are to additionally cover the difference on a pro rata basis of each shareholder's initial investment or in another manner stipulated by the founding agreement.

All above types of partnerships are established and operated on the basis of a charter. Relationships between the partners, and among owner of a closed joint-stock company and limited and extended liability companies are ruled by founding agreements. The establishment of an open joint-stock company presumes the conclusion of an underwriting agreement between the founders and subscribers.

The forms of business enterprise most widely used in Belarus are limited liability and closed joint-stock companies. The overwhelming majority of joint ventures with foreign investors have been established as limited liability companies.

The state registration of business legal entities, irrespective of their forms and the origin of their shareholders, is carried out by an executive committee of the regional, municipal or city district council of people's deputies where the entity is located. The registration is done, upon the submission of a set of documents within 30 days from the date of application. In the event that the main provisions of statutes or the status of an entity are altered, re-registration must be applied for. A denial of state registration may take place only if the established procedures have been violated or if the constituent documents fail to comply with legal requirements or if environmental laws are broken. Other reasons for denying registration are not acceptable.

If state registration is not carried out within a stipulated time or denial of registration occurs for reasons not considered valid by a founder (founders), the latter may appeal to court for the right to recover losses inflicted by such actions.

A special procedure is envisaged for the establishment of a commercial bank. In accordance with the law "On Banks and Banking in the Republic of Belarus" (dated December 14, 1990), the registration of commercial banks is carried out by the National Bank of Belarus upon the consent of relevant local councils of people's deputies. The documents to be submitted include an application enclosing a business plan, data on senior bank management as well as a bank charter. If a bank with foreign investment is being established, foreign shareholders and their supervisory body should submit proof of their decision to invest in a joint bank. The application for a general banking license shall be reviewed by the National Bank within 30 days. The latter can deny this license in the event of: (a) inconsistency of a bank's charter and other documents with the legislation in Belarus; (b) instability of the founders' financial status as considered by an auditor (for more detail, see para (d) of Chapter 3).

Operations of an enterprise can be terminated by means of its reorganisation (merger, acquisition, splitting, restructuring) liquidation upon the decision of its owners or an authorized body, or upon the decision of a court of justice or state arbitration court.

An enterprise is also subject to liquidation in the following cases: (a) when declared bankrupt; (b) when a decision has been taken to close down an enterprise due to noncompliance with laws; (c) upon the decision of a court of justice on the invalidity of the founding documents; (d) on other grounds stipulated by Belarussian legislation.

The consequences of bankruptcy with respect to all businesses operating in Belarus are regulated by the 1991 law "On Business Insolvency and Bankruptcy". A bankruptcy procedure may be initiated in court by the court's own decision, by a creditor or by the bankrupt enterprise itself. Where a decision of bankruptcy has been made, the court appoints a liquidation commission which, jointly with the creditors, prepares a liquidation schedule. The sale of a bankrupt business' assets and the settlement of creditor claims

are carried out in the following order: mortgage debt, payroll liabilities, court expenses, contractual obligations, security debt, debt to shareholders and other liabilities. The claims which cannot be met due to a lack of resources shall be cancelled.

## **b) Securities regulations**

The law "On Securities and Stock Exchange" (dated March 12, 1992) defines the conditions and procedures for issuing securities and regulating the operations of financial intermediaries.

### *Types of securities*

The above law applies only to **stocks**<sup>1</sup> and **bonds**<sup>2</sup>. It does not deal with the issuance and underwriting of government securities, lotteries, etc. The legislation specifies the attributes, order of issue and securities registration of stocks and bonds with the State Securities Commission of the Republic of Belarus.

The securities market in the country is still in its initial stages of development. At present, the main types of securities include **stocks (shares), certificates of deposit (CDs) and government bonds**. Banks, established predominantly in the form of joint-stock companies, are currently the most significant issuers of securities in Belarus.

In accordance with the 1992 law "On Securities and Stock Exchange", the Cabinet of Ministers establishes certain quotas for export of domestically-issued securities and import of foreign securities. Moreover, foreign securities traded domestically should be registered with the State Securities Commission, while domestic securities need a special license to be traded abroad. Any stock market operation also requires a license from the above body. The latter may prohibit or suspend the issue of securities in the event of a violation of the effective legislation on securities or insufficient information in the prospectus.

### *Stock exchanges*

Under the legislation in force, a stock exchange can be founded by legal entities and/or individuals in the form of a joint-stock company. The operations on a stock exchange shall be carried out only by its members, each having equal rights. Banks cannot trade on the stock exchange using their depositors' funds. The stock exchange itself cannot be party to a trade except for sale and purchase of its own shares. The State Securities Commission can suspend stock exchange operations and impose a penalty, including the revocation of a license if legislation is violated. The Belarussian Stock Exchange (BSE), with four subsidiaries in the provincial centres, was established in November 1991 (see Part I for more detail).

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<sup>1</sup> A stock is a security confirming the owner's right for a share in the assets of a joint-stock company, for obtaining dividends and taking part in decision making.

<sup>2</sup> A bond is a security confirming the obligation of an issuer to pay a holder a nominal value of the bond plus a fixed interest within the maturity term.

## c) Privatisation laws and program

### *History*

Though recognized as one of the major steps in the transition to a market economy, privatisation in Belarus is has lagged behind these processes in neighbouring Russia and the Baltic states. Most of the privatisation-related laws were adopted only in early 1993 due to a lack of political will. Prior to that, the process of privatisation was based on a set of provisional regulations, adopted in May 1991 by the Committee on State Property, which was set up in January 1991. These regulations allow for the lease of state property and its sale by different methods, including workers' buyouts.

The official policy of encouraging lease with labour buy-out has resulted in a situation in which about 30 per cent of all enterprises have already been leased. By November 1992, according to the official bulletin of the Committee on State Property, 47 medium-sized enterprises and around 100 small enterprises owned by municipalities were privatized, mostly through workers' buyouts. The privatisation process in general has been very uneven and dependent on the attitudes of different governmental officials. A growing public concern about negative trends in privatisation was one of the underlying reasons for the Special Decree adopted by Parliament on November 12, 1992, that introduced a temporary moratorium on all privatisation.

Privatisation received a new impetus with the adoption of the law "On Privatisation" and the State Privatisation Programme based on the practical experience accumulated during the initial stages of this process. The Programme foresees the privatisation of two-thirds of all state assets. Currently, privatisation in timber and wood processing and in the service sector is the most dynamic. By January 1, 1994, 191 state and 333 municipal enterprises had been privatised.

### *Legislative framework*

Currently, privatisation in the Republic of Belarus is regulated by the law "On Privatisation of State Property in the Republic of Belarus" (January 19, 1993), the law "On Registered Privatisation Vouchers" (July 7, 1993) which stipulates the use of privatisation vouchers and provides guarantees to their owners, the "State Privatisation Programme" (June 16, 1993) setting forth the strategy, main objectives, priorities and procedures for privatisation and the "Programme for the Privatisation of State-Owned Property" (August 20, 1993) which outlines the privatisation procedures for state-owned enterprises and programmes for the privatisation of municipal property.

The above legislative acts were complemented by several governmental regulations, "On the Holding Companies set up in the Process of Privatisation" (April 20, 1993, No 250), "On the Procedures for Transforming State-Owned and Leased Enterprises into Open Joint-Stock Companies" (August 16, 1993, No 552), "On the Evaluation of Assets of State-Owned Enterprises", "On Auctions", "On Tender Sales", "On Privatisation Commissions", "On the Procedure for Submission and Review of Privatisation Applications", "On the Preferential Distribution of Shares".

Certain aspects of privatisation are also regulated by corresponding laws "On Joint-Stock Companies, Limited Liability Companies and Companies with Extended Liability", "On Securities and Stock Exchanges" (April 1992) and "On Foreign Investment" (November 1991).

### *Assets to be privatised*

Assets to be privatized include the following state assets:

- a) State-owned enterprises, agencies and institutions;
- b) leased enterprises;
- c) production facilities and divisions applying for registration as independent enterprises in accordance with effective legislation;
- d) state-owned assets in the form of equipment, buildings and other tangible and intangible assets of liquidated enterprises and their divisions;
- c) state-owned shares in the equity of joint-stock companies (partnerships).

The State Privatisation Programme for 1993 distinguishes between assets that can be privatized upon the decision of the Cabinet of Ministers and those that can be privatized by the decision of local governmental bodies. The list of assets not subject to privatisation is to be submitted by the Cabinet of Ministers and approved by the Supreme Court. In exceptional cases, the Presidium of the Supreme Council has the right to extend the list of assets excluded from privatisation.

*Assets not subject to privatisation* in 1993 include enterprises manufacturing weapons and arms, explosives, bacteriological and psychotropic drugs and poisonous substances, precious metals and stones, radioactive elements, ethyl alcohol, liqueur, tobacco, bank notes and securities, coins, medals and postage stamps. Also excluded from privatisation are assets of the engineering infrastructure, public health and veterinary service, forestry state inspectorates, polygraphic enterprises reporting to central government bodies, TV stations, defence related assets, test fields, enterprises dealing with water and its purification, geological services, the patents service, educational institutions of all types, roads, subway and electric public transportation systems, sport facilities, state theatres, entertainment facilities and cemeteries.

*Assets of priority privatisation* include those that facilitate the establishment and development of a market infrastructure and loss-making state enterprises. Among them: (a) retail trade, public catering and services; (b) supply and wholesale organisations; (c) construction enterprises and manufacturers of building materials; (d) agricultural processing enterprises; (e) the consumer goods industry; (f) road transport companies; (g) timber processing; (h) loss-making enterprises other than those not subject to privatisation and (i) "frozen" and unfinished construction.

### *Institutional framework*

The state privatisation policy is carried out by the **State Committee for the Management of State Property (SCSP)**, which has branches in every province (oblast) and in the capital city of Minsk. The Committee is responsible for the transfer of property owned by the state or provincial administrations to private hands. The privatisation of property owned by municipal bodies, including housing, is handled by the local executive committees of respective councils of peoples deputies.

Privatisation agencies are authorized to prepare privatisation programs, supervise the entire process, sell state property, set up privatisation commissions, take decisions on issues related to privatisation, introduce changes to the organisational and legal forms of public enterprises to be privatized, become a

shareholder in joint-stock companies and other business entities, collect revenue from privatisation and work out proposals for their allocation, exchange stocks of Belarussian public enterprises for shares of foreign legal entities and private enterprises, organize and hold tenders and auctions, set up and liquidate funds for managing state property and carry out other functions relating to privatisation.

The State Committee for the Management of State Property directly reports to the Cabinet of Ministers. Overall supervision of the implementation of the privatisation programme is carried out by the Control Chamber of the Republic of Belarus.

In accordance with the State Privatisation Programme, the proceeds from the privatisation of state property are to be transferred to the state budget. The pattern for the allocation of these funds is set forth by the Supreme Council. The proceeds from the privatisation of municipal property are to be transferred to the local budgets the allocation of which is determined by the local councils of people's deputies.

### ***Participants***

The prospective buyers of state assets include citizens of the Republic of Belarus, foreign individuals and legal entities. In order to collectively participate in privatisation, Belarussian citizens can establish business partnerships or "buyers'" or "leaseholders' associations". Buyers cannot include legal entities where the state owns more than 25 per cent of equity.

### ***Methods of privatisation***

The State Privatisation Program sets forth the following four methods for privatisation:

1. Transformation of an enterprise into a joint-stock company with the subsequent open sale of its stock to the general public;
2. buyout of state-owned assets leased under the buyout option;
3. transformation of a leased state-owned enterprise into an open joint-stock company;
4. auctions and tender sales;

An appropriate method for privatisation is to be determined by the SCMSPP or privatisation agencies of the local councils on the basis of operations of the Commission on the Privatisation.

Leased state property can be privatized through buyouts if all the terms and provisions of a lease agreement are met and buyout was permitted by the lease agreement.

Unfinished construction projects, in which the construction period has exceeded the planned date of completion by two years, shall, as a rule, be privatized by auction, tender or another method taking into account the particular terms and conditions of each project.

### ***Small and large privatisation***

The 1993 privatisation program distinguishes between "small-scale" privatisation (privatisation of services, small industrial and construction enterprises) and "large-scale" privatisation (large industrial enterprises). Small-scale privatisation is usually carried out through auctions or tender sales, while large industrial enterprises are usually to be transformed into open joint-stock companies. Effective legislation does not allow for concerns, associations and amalgamations of enterprises to be privatized as a single entity.

### ***Participation of foreign investors***

The law on Privatisation stipulates allows foreign investors to buy state-owned assets and property. The effective legislation outlines basic forms and types of foreign investment that are encouraged during privatisation as well as the conditions for the payment of privatised assets.

Foreign investors can take part in auctions and tenders in the same manner as domestic investors. They enjoy the same rights in terms of acquisition of former state assets and property as domestic investors. A direct sale of state property to a foreign investor is possible if he is the only participant in an auction/tender or by decision of the Belarussian government. If the sale of state property to a foreign investor takes place without tender or auction, the assets are revalued according to international market prices. The payment for assets/property purchased by a foreign investor can be made in foreign or the national currency. Foreign investors can participate in the privatisation of trade, public catering, consumer goods services, road transport, construction and industrial enterprises owned by municipal bodies only with the consent of local councils.

Foreign investment is especially encouraged in the privatisation of: (a) enterprises that need to change their specialisation and undergo technological modernisation; (b) loss-making enterprises; (c) unfinished construction projects; (d) agricultural processing enterprises; and (e) the construction materials industry.

A foreign investor can take an equity position in an enterprise being privatized in one of the following ways: (a) by purchasing, at the auction or tender sale, a controlling stake in the equity after the allocation of shares to employees; or (b) through the transfer of property rights for a fixed period of time on the basis of a concession agreement.

### ***Privatisation vouchers***

In accordance with the law "On Registered Privatisation Vouchers" (July 7, 1993), a state registered privatisation voucher is a registered security issued for the term set forth by the parliament of Belarus. A privatisation voucher is secured by state property which is to be transferred to all citizens of the country on a free basis. The voucher certifies that the citizen is entitled to a certain share in state-owned assets and specifically sets the value of this share. The law defines two types of vouchers, housing and property. Housing vouchers not used for buying houses or apartments can be converted into property vouchers. The value of a property voucher is determined by the total working experience of each individual. Children entitle a person to an additional 10 vouchers. There are also certain privileges envisaged for war veterans and invalids.

Belarussian citizens have the right to sell their vouchers or turn them over to a designated person or institution, deposit them with investment funds, or use them directly to purchase shares of state enterprises. They also can to devise and inherit the vouchers.

The law On Privatisation stipulates that, irrespective of the privatisation method applied, 50 per cent of state assets should be transferred into private hands in exchange for registered privatisation vouchers.

### ***Preparation procedures***

During the course of privatisation, the following preparatory steps should be undertaken. A *request for privatisation* must be submitted to a corresponding privatisation agency in order to be included in the list of companies to be privatized. The request is not an application for privatisation but rather an application to be included on the list of assets undergoing privatisation. The request should include the name of the enterprise, the term of privatisation, a preliminary estimate of its asset value, and future business plan after privatisation. Legal entities should also include a notarized copy of the articles of the shareholders' agreement as well as the date and location of state registration. The minutes of the meeting of the enterprise employees must be presented with the statement of their consent for privatisation. The request should also contain a copy of the voucher or the receipt for the payment of a special duty, a business plan, and the list of authorized representatives of an enterprise.

The request should be reviewed by a privatisation agency within 30 days. When a decision has been made, the privatisation agency should inform the applicant in writing. If the decision is positive, the enterprise is entered onto the list of assets to be privatised, and the method for its privatisation is specified.

### ***The privatisation process***

Once an enterprise is put on the privatisation list, the actual process of privatisation can move forward. Within 10 days, a privatisation commission is to be established, which carries out the work and sets forth the schedule for privatisation. This schedule cannot exceed six months from the date on which a request has been submitted. The work of the privatisation commission is governed by the Regulations on Privatisation Commissions. The commission consists of representatives of a corresponding privatisation agency, taxation committee, an enterprise administration and labour collective (if an enterprise is privatised by its employees). The commission develops a privatisation project, which includes the valuation of assets, inventory checklist, debtor and creditor analysis and account settlement; it decides if the social infrastructure (day care centres, schools, hospitals etc) assets are to be included, determines the privatisation method, works out, if necessary, proposals to structurally reorganize the enterprise and prepares an information memorandum on the privatized asset. The commission should complete the above work in three months.

On the basis of the conclusions drawn by a privatisation commission, the corresponding privatisation agency takes a final decision on privatisation and determines the value of the privatized assets and the terms and conditions of privatisation, and prepares comprehensive information for distribution. After the final decision has been taken and a privatisation plan adopted, the agency, within one month, is to publish the information on privatisation in a special national information bulletin and in local newspapers.

Within 30 days after publication, prospective buyers should submit their application to the corresponding privatisation agency. Privatisation is concluded by signing an agreement between the seller (privatisation agency) and the buyer. The agreement stipulates the procedure and the time of transfer of the assets, the form and method of payment, mutual obligations of the parties for further use of the assets, and other relevant information. The agreement should be registered with a privatisation agency in 10 days.

### ***Privatisation of housing***

According to the law "On the Privatisation of Housing" (in effect since July 1, 1992), during the 1993-1994 period, the government intends to privatise most of its housing stock, largely through the issue of privatisation vouchers to the adult population. Privatisation of housing is still at a very early stage, in part because of the large subsidies still accruing to tenants on rent and maintenance expenses. Until these subsidies are removed, it is unlikely that housing privatisation will gain momentum. In addition, this process, and the subsequent development of a real estate market, will require the clarification of legal property rights and the adoption of a land privatisation law. Foreign individuals and persons without citizenship are also granted the right to participate in housing privatisation if they are permanently domiciled in Belarus.

#### **d) Legislation on property**

According to the law "On Property in Belarus" (December 11, 1990), property in Belarus may be owned privately, collectively or publicly (ie, state), all of which are treated equally. Each proprietor is entitled to the right of possession (actual holding of property), use and disposal (determination of its future) of property. The exercise of ownership rights shall not cause damage to the environment or infringe on other persons' rights and interests protected by law.

The effective legislation lists the following assets falling under ownership rights: land, its resources, water, air space, flora and fauna, buildings, installations, equipment, cultural artifacts, results of intellectual work, information, monetary funds, securities and other movable and immovable property.

Foreign individuals and legal entities, as well as enterprises with foreign investment, are entitled to have industrial and other enterprises, buildings, installations and other property necessary to conduct business and related activities, in their ownership as set forth by the country's legislation.

Foreign and domestic investors can use property as collateral for loans in accordance with acting legislation. Only property owned by an investor in accordance with his proprietary right may serve as collateral. If an obligation is not met collateralised property can be sold as prescribed by law.

The 1993 law "On the Right of the Land Ownership" stipulates that foreign investors can only lease plots of land for a period of up to 99 years. Presently, however, more favourable terms are being developed that would allow foreign investors to purchase land outright.

#### **e) Currency exchange regulations**

The framework for foreign exchange regulation in Belarus is set forth by the Decree of the Council of Ministers dated March 20 1992 "On Provisional Procedures for Currency Regulation and Execution of Currency Operations on the Territory of the Republic of Belarus" amended on December 11, 1992, which introduced a rigid system of foreign exchange controls for all enterprises, regardless of their form of ownership.

#### ***Legal tender and exchange rates***

In January 1992, Belarus introduced a system of non-transferable coupons, which were replaced in June 1992 by Belarussian Roubles (RB). Although the latter is a currency parallel to the Russian Rouble, the country has decided to re-enter Russian Rouble zone. The Belarussian Rouble is fixed to the Russian Rb at a rate of ten to one and is the only legal means of payment on Belarussian soil. Once the monetary union between Belarus and the Russian Federation is complete, Belarussian rubles will be replaced by Russian rubles at the rate of one to one.

The official exchange rate of the Belarussian Rouble to foreign currencies is set up by the National Bank. Pegged to the Russian Rouble, the Belarussian Rouble became dominant in cash circulation by the end of 1992.

Monetary authorities (the National Bank of Belarus and the Ministry of Finance) introduced a unified exchange rate, from January 1, 1994, set by the National Bank on the basis of activity on the Inter-Bank Foreign Exchange Market. This exchange rate is used for all types of current account transactions (including the 50 per cent mandatory sale of hard currency revenue) and capital account transactions (valuation of a foreign investor's contribution to the statutory capital of joint ventures or greenfield investment). The National Bank may intervene in support of the local currency on the Inter-Bank Foreign Exchange Market.

The introduction of a unified exchange rate should be regarded as a positive change in foreign exchange regulation since until recently, several exchange rates were in effect, including a market rate (set at the Inter-Bank Foreign Exchange Market on the basis of supply and demand) and investment rate (set by the National Bank and used for the mandatory sale of export revenue), and a special or contract rate used for foreign investment.

#### ***Foreign exchange regime and controls***

The foreign exchange regime is characterized by rather strict licensing and control procedures. In the beginning of 1993, foreign exchange regulations had been slightly liberalized, mainly for domestic transactions. However, access to foreign exchange is still limited due to the low volume of trade on the domestic foreign exchange market.

The regulations, until 1994, envisaged the following order for the disposal of hard currency revenues by Belarussian enterprises: 10% of the total represent an export tax imposed by the state and another 20% are to be mandatorily sold on the foreign exchange market at the below market official exchange rate. Both

the export tax and mandatory sale apply to the sales of goods and services for hard currency by Belarussian business entities, with the exception of barter operations which were subject to the 10 per cent export tax only.

Since January 1, 1994, the exporters are to sell 50 per cent of their foreign currency revenue on the Inter-Bank Foreign Exchange Market and 15 per cent to the government to build foreign exchange reserves. Joint ventures with a foreign share exceeding 30 per cent of equity were exempt from the mandatory sale of export revenue. If relevant sums are not paid within the 20-day term, the enterprise concerned is subject to an 100 per cent penalty denominated in hard currency.

Foreign exchange operations in the country can only be executed through banks licensed by the National Bank to carry out foreign exchange transactions. These banks are allowed to open foreign currency accounts for all resident legal entities and individuals without proof of the funds' origin. Various currency conversion schemes (payment for goods, services, expenses, property etc. domestically in Roubles in exchange for the equivalent sum in foreign currency abroad and vice versa) are also forbidden by the current Belarussian legislation.

Foreign exchange received by resident legal entities is to be credited to their accounts with licensed banks. The transfer must be made within 30 days from the date of payment in any form. If received abroad, foreign currency funds, prior to transfer, can only be used to cover expenses directly connected with a given transaction.

Belarussian legal entities and individuals can open bank accounts abroad only with the permission of the National Bank. Those entities permitted to deposit funds into foreign accounts are to regularly submit balance statements.

Non-residents can open foreign currency accounts and current Rouble accounts with licensed banks and freely transfer funds from those accounts abroad or sell them to the bank at the market rate. As regards non-resident Rouble accounts, premium coefficients are to be applied when funds are used to purchase state-owned assets or foreign exchange at auctions.

In order to open a Rouble account in a licensed bank, non-resident legal entities shall submit the following documents: (a) an application; (b) a signature card for authorized persons certified either by an embassy (consulate) in Belarus or Belarussian embassy (consulate) abroad; (c) a copy of the statutes; and (d) an extract from the trade register of the country of origin.

To open accounts for depositing dividends, foreign participants in joint ventures shall additionally submit: (a) a copy of the audited annual report and of the profit-and-loss statement; and (b) a resolution by the board of directors (shareholders' meeting) of a joint venture on the payment of dividends to the shareholders.

Foreign exchange and personal foreign currency accounts can be used by residents without any authorisation. The payment of wages, salaries, bonuses or other kinds of remuneration in foreign currency to residents is forbidden (with the exception of free economic zones).

Purchase/sale of foreign exchange for individuals is carried out by licensed banks within their cash balances and at the market rate. The buying/selling spread must not exceed the limits set by the National Bank.

### ***Payments and settlements***

Current account operations in foreign currencies between the residents and non-residents do not require any permissions from the National Bank. Unless otherwise stipulated by the international agreements, payments for current account transactions between residents and non-residents are to be made in freely convertible currencies through the licensed banks.

Residents (including enterprises with foreign investment) need to obtain permission from the National Bank in the following cases:

- (a) if advance payments over Rb 100,000 (at the rate set by the National Bank) by residents for imports of goods and services exceed 30 per cent of the contractual value of the goods and services;
- (b) if payment terms for goods/services exported or imported by the residents exceed 180 days from the date of actual delivery, including interest payments by residents on the advances obtained from non-residents if advances are paid back due to contract non-performance;

All capital account transactions require a corresponding license from the National Bank.

Retail trade and services, provided for foreign currency is subject to licensing by the National Bank. Such licenses are granted mostly to resident retailers trading at international airports, railroad terminals, sea ports, international hotels, free economic zones, etc. One of the conditions for retail trade in foreign currency is separate accounting for goods (services) bought and sold.

The use of foreign exchange between resident legal entities is allowed in the following cases: (a) for payment between exporters/importers and transportation, insurance and freight forwarding companies and telecommunication enterprises when the above services are to be reimbursed; (b) for covering the expenses of banks and foreign trade intermediaries when those expenses were incurred by entities or billed by the non-residents and paying corresponding commission fees; (c) to make equity contributions of enterprises or charitable foundations.

### **f) Accounting procedures**

An enterprise with foreign investment is required to produce financial statements in accordance with the rules and procedures effective in the Republic of Belarus. For the purpose of balance sheet accounting, enterprises with foreign investment are required to convert foreign currency-denominated items into national currency at the rate set by the National Bank.

### **g) Foreign trade regulation**

The state supports foreign trade liberalisation but has maintained tight control over foreign trade since 1991, most of which is conducted in the form of barter transactions. Trade with other NIS countries is conducted mainly through bilateral inter-governmental agreements tied to state production orders. Beyond such agreements, inter-NIS trade among and through commodity exchanges require export licenses. Trade with non-NIS countries is also subject to licensing.

Legal entities and individual entrepreneurs may engage in foreign trade upon registration with the State Committee for Foreign Economic Relations.

Certain activities require licenses:

- intermediation in export operations (State Committee for Foreign Economic Relations);
- exports of licensed goods (State Committee on External Economic Relations);
- barter operations with selected goods <sup>1</sup> (a corresponding commission of the Cabinet of Ministers);
- intermediation in international leasing (National Bank).

In the event of non-compliance with the country's foreign trade regulations, the State Committee for External Economic Relations is empowered to take the following measures:

- suspension without notice of foreign trade certification;
- suspension of certificate for up to one year;
- invalidation of certificate;
- submission of relevant evidence to law-enforcement bodies for administrative or criminal prosecution.

### **h) Customs regulations**

The existing system of customs regulations is based on the following legislative acts: the law "On Export and Import Tax" (January 10, 1992), the law "On Customs Tariff" (February 3, 1993) and the Customs Code of the Republic of Belarus (February 3, 1993). Since October 1, 1993, all export and import transactions with other NIS countries must be formally declared (by filling out customs declaration forms).

*The State Customs Committee* which reports to the Cabinet of Ministers, is responsible for customs regulation, controls the movement of goods across international borders, provides customs security for the country and participates in drafting relevant legislation.

In addition to the privileges to foreign investors listed in Chapter 4 (b), the following goods are exempt from customs duties and export and import taxes:

- goods crossing a borders for processing or repair under the supervision of the customs;

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<sup>1</sup> Chemical products; mineral fertilizers; precious, ferrous, non-ferrous, and ferrous metals as well as metal fabrications; petroleum products; timber and wood; textiles.

- goods crossing a borders for temporary use within the territory of the Republic of Belarus or abroad;
- imported goods originating from outside the Republic of Belarus and re-exported to the original territory without processing;
- goods in customs storehouses;
- goods for transporting under customs supervision;
- goods for sale in duty-free stores;
- goods imported for replacement under the contractual guarantees;
- equipment imported and exported under the leasing arrangements;
- equipment, materials and goods imported for the purpose of developing new production facilities and/or modernise the existing ones on the lists annually approved by the Council of Ministers;
- imported humanitarian aid.
- imports of medical equipment and pharmaceuticals.

#### **i) Insurance**

At present, insurance matters are governed by the 1993 law "On Insurance" and some fragmentary provisions in other legislative acts.

Insurance may take mandatory and voluntary forms. Mandatory insurance operations are executed, as a rule, by state insurance institutions. Non-state insurance companies may be established in partnership form (see Chapter 5 para (a)), provided that the company's capital is not less than 5 thousand minimum salaries for regular insurance operations and 15 thousand minimum salaries for re-insurance operations. In the event that the above operations are carried out in a foreign currency, the equity position of a foreign investor in an insurance company may not exceed 49 percent of its authorised capital. A foreign investor may insure his investment risks in Belarus only with a resident insurance company. Foreign loans may be insured either in Belarus or abroad.

Selected types of insurance need licensing by the State Insurance Supervision of the Council of Ministers (see Appendix B).

#### **j) Anti-monopoly policies**

The Belarus "Law on Combatting Monopolistic Activities and [on] the Growth of Competition" was adopted in December 1992 in order to promote competition among enterprises and facilitate privatisation of state owned property. In the medium term, antimonopoly policy will focus on: (1) restricting monopolistic activities; (2) dismantling central economic controls; (3) development and encouragement of entrepreneurship; and (4) subsidizing new competition. Demonopolisation will be encouraged mostly by indirect methods, including various tax and credit incentives, customs and licensing measures, and various subsidies.

The State Committee on Anti-Monopoly Policy ("Antimonopoly Committee") is charged with developing the competitive environment through prohibiting abuses of dominant positions and anticompetitive agreements among firms, and by exercising control over mergers and other concentrations.

The basic thrust of the abuse of dominance provisions is to prevent dominant firms from using their position to eliminate competition or to take unfair advantage of other economic subjects or consumers. The Antimonopoly Committee has the power to set the prices of dominant enterprises and even to forcibly divide them. Currently, the Antimonopoly Committee is supervising the pricing procedures of some 400 items supplied by over 600 enterprises.

It should be noted that the Belarus competition statute distinguishes between horizontal and vertical agreements, i.e. between competing and non-competing firms. Horizontal agreements are illegal if they have the aim or effect of dividing markets/customers, erecting barriers to new entry, or unfairly interfering with price setting in auctions or through tenders. Other horizontal agreements are prohibited if they limit competition or involve certain financial operations which strengthen a dominant position. Vertical agreements are prohibited if one of the firms involved has a dominant position and the agreement has the effect of limiting competition.

The merger provisions of the law are generally intended to control concentrations which limit competition. Exceptions are made to allow mergers which increase efficiency and/or international competitiveness, even though they have negative effects on competition.

The Belarus competition statute has an article expressly prohibiting the government from setting up enterprises with monopoly rights, except in the sphere of natural monopoly or in certain sectors identified by legislation. The government is also restricted in the measures it can take to discriminate among economic subjects by raising barriers to entry, prohibiting or limiting certain types of economic activity, assigning priorities in supply of goods, or giving differential tax and subsidy treatment.

#### **k) Environmental requirements**

Presently, the basic framework for environmental protection is set by the following legislative acts: the laws "On Protection of Environment in the Republic of Belarus" (November 26, 1992), "On the State Ecological Inspectorate", "On the Production and Consumption of Hazardous Wastes" (November 25, 1993) and "On Tax for the Utilisation of Natural Resources" (December 23, 1994). Draft legislation on state ecological research and local resources are in preparation. The existing investment legislation provides general principles for environmental protection by stating that any investment project in the country shall comply with ecological standards, particularly those relating to the rational use of natural resources and preservation of the environment. Some other legislative acts deal with environmentally based restrictions and licensing of investment activities (see Chapter 3, paragraph (e), and Appendix B). The strategic objectives of the country's ecological policy are to provide a safe environment for public health, to predict and prevent environmental disasters, and to consistently adopt international environmental standards.

Environmental protection is exercised by local councils of people's deputies, their executive committees, by the State Committee on Ecology, the Council of Ministers and other authorized state agencies. In particular, local councils of people's deputies, the State Committee on Ecology and the Cabinet of Ministers are empowered to suspend the activities of legal entities which violate environmental legislation. An official environmental evaluation is required for investment projects which could adversely affect the environment.

Damage that results from a violation of environmental regulation(s) will be valued and the enterprise or individual responsible will be held accountable. Any infringement of this legislation may be punished through fines, administrative procedures and/or action *ex ante*.

Foreign legal entities and individuals as well as persons without citizenship are obliged to observe the environmental protection legislation and are held fully responsible for any infringement. One of the positive changes in this regard has been the law "On Tax for Utilizing Natural Resources" passed recently in the country, and governmental decrees introducing environmental pollution charges.



*Part III*

**TAX SYSTEM**

Tax reform

Various profit tax deductions, incentives and exemptions

Reduced tax rates and tax holidays for foreign investors



## Chapter 7

### Corporate Taxation

Since independence, Belarus has been moving towards the establishment of a new taxation system, compatible with international standards. The legal foundations for such a system were put into place by the law "On Taxes and Charges Collected for the Budget of the Republic of Belarus" (December 20, 1991) and a number of laws on the different types of taxes. Tax reform, which started in January 1992, created a new tax system in the country. VAT and excise taxes replaced turnover and sales taxes, while the rates for corporate profit and personal income taxes were changed. By structure, the system approaches international standards and provides equal conditions for enterprises, regardless of ownership.

The principal taxes include: corporate profit tax, personal income tax, value added tax (VAT), excise taxes, payroll tax (or excess wage tax) a natural resources charge (environmental tax), real estate tax, fuel tax, transit tax, and a series of customs duties and other taxes and fees of a more specific nature. Special indirect taxes on exports were introduced in January 1993 for trade with those Rouble Zone countries that subject Belarus to the same export taxes.

According to the law "On Taxes on Profits of Enterprises, Associations and Organisations" (dated December 22, 1991), enterprises are to pay corporate profit tax which depends on their business activity. According to the effective legislation, corporate taxation encompasses the following categories of tax payers: legal entities, including EFIs and their subsidiaries operating in Belarus, representative offices and other structural units of legal entities headquartered outside the country.

#### Corporate profit tax

The *taxable income for the corporate profit tax* is defined as gross revenues obtained from the sale of goods, services, income obtained from the sale of other material assets (including fixed assets) and income from the non-sale activities<sup>1</sup>, less the amount of the export tax paid and production and sales expenses. For balance sheet profit calculations, the following elements are to be taken into account: use of natural resources within defined limits, the land tax, import tax, payments for road reconstruction, retail price regulation and social security and employment funds. Deductible expenses may also include: real estate tax, office and facility rental payments, R&D, environmental and fire protection expenditures that do not exceed 50 per cent of net profit.

The basic corporate profit tax rate is 30 per cent. A reduced 15 per cent tax rate is applied to small enterprises with an average annual net profit not exceeding the amount of 5,000 minimum wages and the

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<sup>1</sup> Income from non-sale activities includes income obtained from operations not directly connected with the production and sale of goods and services (e.g. foreign exchange trading, capita gains on investments, interest income and profit generated through speculation).

average number of employees not exceeding: 200 in industry, 100 in research and related services, 50 in the construction, public catering and services, 25 in retail trade, 25 - in other service-oriented sectors.

*Taxation of foreign legal entities on the income obtained from sources in Belarus.* Foreign legal entities are subject to taxation only on income obtained from sources in the Republic of Belarus. Taxable profit is defined as the profit obtained by a foreign legal entity through its permanent operation registered in Belarus. The specific features of the income calculation and expenses to be taken into account are determined by the Cabinet of Ministers.

Profits obtained by a foreign entity from export/import operations with a Belarussian counterpart are not subject to taxation (except on the sale of goods from exhibitions/fairs and warehouses owned or leased by a foreign entity in Belarus). A foreign currency income obtained by a non-resident legal entity is subject to taxation denominated in a foreign currency, while tax on profit obtained in the national currency is to be paid in Roubles.

Foreign legal entities operating in Belarus are subject to a 30 per cent corporate profit tax. The failure to register with the tax authorities of a foreign entity doing business in Belarus will be considered tax evasion. Tax payers are required to keep records in compliance with accounting procedures and standards of the Republic of Belarus.

Foreign legal entities that receive payment in kind (goods or assets) as a compensation for their activities in Belarus pay the corporate profit tax calculated on the basis of the contract price, prices of major exporters or based on the prices for similar goods for assets.

Tax on the income of foreign legal entities obtained from sources in Belarus is to be withheld from each transfer of a payment, in the currency of transfer and from the full amount by an enterprise that disburses the income to a foreign entity.

A foreign legal entity operating in Belarus is entitled to all tax privileges granted by the effective legislation unless stipulated otherwise by corresponding international agreements.

Taxation of income not connected with the activities in Belarus. Income of foreign legal entities that is not connected with their business in Belarus and obtained through copyright, licence and/or patent royalties, rent payments, dividends and other types of income, the sources of which are located in Belarus, is taxed at the rate of 15 per cent. Interest income is taxed at the 10 per cent rate.

Income received by foreign legal entities from international freight operations is taxed at the 6 per cent rate.

Interest payments on bank credits and loans extended for the implementation of several state programmes is deductible from corporate profit tax in Belarus.

Foreign legal entities importing goods to Belarus for subsequent sale at commercial fairs/exhibitions have to pay a tax of 10 per cent of the customs value of the declared goods. The tax is levied by customs officials. The amount of tax levied on the customs value of goods unsold and re-exported is to be refunded when the goods cross the Belarussian border.

The income of an enterprise which is a sole *proprietorship of a foreign individual* is considered, for the purposes of taxation, as his personal income and subject to taxation under the provisions for the taxation of individuals (see Chapter 7).

c) *Deductions*

Taxable income is deducted by the amount of the profit actually used for environmental and fire-fighting measures, R&D the profit allocated to the expansion (development) of production facilities and to the repayment of loans obtained for this purpose.

For tax purposes, taxable income of joint ventures and EFIs is reduced by the amount allocated to reserve funds according to what is stipulated in their statutes, but may not exceed 25 per cent of the paid-in authorized capital.

*Loss carry-forward provisions.* According to national accounting procedures, all enterprise losses are to be reflected in the balance sheet of the period in which they were incurred. Tax payers can apply for a tax credit to compensate for losses in accordance with the Procedures on Granting Tax Credits adopted by the Ministry of Finance (May 31, 1993). It is not clear from the legislation, however, for how many years losses can be carried forward and how much can be deducted per year.

e) *Tax privileges and incentives*

For 1994, non-state owned enterprises that have been in operation for less than two years since the date of their registration, are exempt from corporate profit tax. In addition, enterprises established by educational institutions and employing the handicapped, veterans of war enterprises established by cultural and public foundations and enterprises that facilitate rural and agricultural development, may also enjoy tax benefits.

In order to improve the balance-of-payments structure, profits obtained from the sale of export revenue in Russian Roubles at the Inter-Bank Foreign Exchange Market will be taxed at a reduced rate (1/2 of the normal profit tax rate applied to a business).

Foreign investment legislation envisages substantial tax privileges for foreign investors.

Enterprises with foreign investment exceeding 30 per cent of total equity are granted a corporate profit tax holiday during the first three years after profits are declared from the sale of domestically manufactured goods (except for EFIs engaged in trading activities). This privilege can only be realized if investors have paid in not less than 50 per cent of authorized capital during the year since its registration. If capitalization of an EFI is not fully completed within two years of registration, the EFI's profits are subject to taxation for the whole period of its operation. The tax privilege is eliminated without recourse.

For another three years, a reduced tax rate (1/2 of the applicable rate) can be used if an enterprise is engaged in the production of top priority goods as defined in the lists published by the government. Moreover, these enterprises are exempt from the excess payroll tax.

If the construction works are envisaged as an additional investment into an EFI in the process of formation, the Cabinet of Ministers can extend the term of the tax holiday for additional two years.

Joint ventures with foreign investment below 30 per cent of authorised capital pay the corporate profit tax of 30 per cent rate.

Accumulated assets, of an EFI in the process of liquidation are subject to taxation based on the residual value.

If an EFI is liquidated during a tax holiday or during the next three years, it has to pay taxes for the whole period of tax relief.

Foreign legal entities may be fully or partially exempt from taxation on income obtained from sources in Belarus if a bilateral double taxation agreement has been signed with the country of origin (see Appendix E). A foreign legal entity that has the right to a full or partial exemption from corporate profit tax as per an international agreement is to submit a corresponding tax reduction or exemption application as stipulated by the Cabinet of Ministers.

## Chapter 8

### Taxation of Individuals

In accordance with the law "On Income Tax of Individuals" (dated December 31, 1991), taxpayers subject to the Belarussian personal income tax include: citizens of the country, foreign nationals and persons without citizenship, both residents<sup>1</sup> and non-residents.

The rate for residents is based on aggregate taxable income during a calendar year consisting of monthly wages and income obtained from other sources both in Belarus and abroad. The tax rate for non-residents is based on aggregate taxable income obtained in Belarus. Only funds transferred to charitable foundations and other social funds can be deducted from income. For taxation purposes, income obtained in a foreign currency is to be expressed in Roubles at the market rate of the National Bank on the date of tax calculation.

Foreign nationals and persons without citizenship permanently residing in Belarus are also subject to personal income tax.

Due to high inflation in 1993, the tax rates have been linked to a minimum wage level. With a maximum tax rate of 60 per cent, the tax rate is done according to three progressive scales, depending on the sources of income.

The income tax rates within the first scale are shown below:

<b>The sum of a monthly aggregate taxable income</b>	<b>Applicable tax rate</b>
1. To 10 minimum wages inclusively	12% of the sum exceeding one minimum wage (tax exempt)
2. From 10 minimum wages <u>plus</u> Rb 1.00 to 15 minimum wages inclusively	tax amount of point 1 <u>plus</u> 15% of the sum exceeding 10 minimum wages
3. From 15 minimum wages <u>plus</u> Rb 1.00 to 20 minimum wages inclusively	tax amount of point 2 <u>plus</u> 20% of the sum exceeding 15 minimum wages
4. From 20 minimum wages <u>plus</u> Rb 1.00 and above	tax amount of point 3 <u>plus</u> 30% of the sum exceeding 20 minimum wages

The second scale is used for the taxation of income obtained through copyright royalties in science, literature and other fine arts. The difference with the first scale lies in different tax rates at 4 per cent rate is used for taxable income defined as a minimum wage, an 8 per cent rate for 2 minimum wages, a 12 per

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<sup>1</sup> Persons who reside in the Republic of Belarus for at least 183 days during a calendar year.

cent for up to 10 minimum wages, and so on up to the 25 wage level above which the 60 per cent rate will apply.

The third scale is applied to income obtained from the entrepreneurial activities, including trade and procurement, intermediation, production and other activities. Individuals for whom the second and third scales are applied shall be taxed on the basis of annual aggregate income.

Certain categories of individuals (retired persons, students, military servicemen, etc.) are granted various exemptions and deductions.

The tax on income obtained from sources in addition to full-time employment are withheld at the same rate.

The tax on dividend and other investment income is to be withheld at the rate of 15 per cent.

## *Chapter 9*

### **Other Taxes**

According to existing tax legislation, the following additional taxes, duties and fees are currently effective in the Republic of Belarus:

- a) value-added tax
- b) excise tax
- c) fuel tax
- d) real estate tax
- e) natural resources charge (environmental tax)
- f) land tax
- g) transit tax
- h) stamp duty
- i) customs duty
- j) import and export tax
- k) tax on overseas deposits of commercial banks

The law "On Value-Added Tax" (dated December 19, 1991) states that all legal entities, including foreign owned, engaged in business activity in Belarus are subject to a value-added tax. The value-added tax is included in the retail price of all goods and services and is 10 per cent for agricultural products and 20 per cent for all other goods and services.

Selected categories of goods and services are exempt from the value-added tax, including goods subject to excise tax, goods exported for hard currency, essential goods for children, fuels sold for personal consumption, works financed through the state budget, public utility services rendered to the population and certain health care and educational services.

The excise tax, according to the law "On Excise Tax" of 19 December 1991, is imposed on luxury items and monopolistically- priced goods. An excise tax varying from 10 to 75 per cent on such items as alcohol, cigarettes, automobiles, petroleum, furs and some other merchandise is levied on goods made in Belarus and on imported goods. The tax, however, is not applied to exported goods.

A fuel tax, introduced by the law "On Fuel Tax" (dated December 22, 1991) is paid by consumers in the purchase price of gasoline, diesel fuel and liquified petroleum gas. A tax rate of 10 per cent is included in the end-user price.

The tax on real estate (the law "On Tax on Real Estate" of December 23, 1991) includes fixed production and non-production assets and unfinished construction projects. The tax is imposed on the property of legal entities and individuals. The annual tax rate is 3 per cent for state enterprises, 1 per cent

for enterprises of other ownership, 10 per cent for the unfinished construction (of its project value) and 0.1 per cent for individuals.

A natural resources charge (environmental tax) is paid by all enterprises, organizations and individuals involved in business activity that utilise natural resources. The rates are fixed by the Cabinet of Ministers according to the types of resources utilized, environment and categories hazardous waste generated. Two scales of this tax are used: the main is on the volumes of extraction or dumping within limits, and the penalty scale if limits are exceeded. Tax payments within limits are considered business expenses, penalties are to come out of profit.

A land tax is to be paid by all enterprises, organizations and individuals that own or lease plots of land. The rate is determined by the quality and location of land and does not depend on business activity. The tax on agricultural lands depends on valuation as well as use. The tax on metropolitan lands depends on size and location. Higher rates are levied on new locations. Special rates are applied to industrial lands, transportation, telecommunications, defence and other uses. Farmers are exempt from this tax for three years.

A transit tax is envisaged for users of roads and should be levied at entry into the country. It is also applied to pipeline transit on conditions stipulated in bilateral agreements. Foreign legal entities and individuals pay this tax in a freely convertible currency. Goods transported as humanitarian aid are exempt from taxation.

Customs duties are paid for imported goods at the rates set by the Customs Office. Import and export taxes are paid by all foreign trade companies. The taxation rate is based on the contractual value of the goods. Rates set by the government vary across goods and commodities and are often as much as 20 per cent (maximum rate for certain goods is 30 per cent). The tax, paid either in Roubles or a freely convertible currency, is deducted as a business expense (for more detail, see Chapter 4 para b, Chapter 5 para h). Exempt are: imported medical equipment, equipment imported as in-kind contributions to joint ventures, goods temporarily imported or exported and goods imported for new or to modern enterprises, according to a list approved annually by the government.

The tax on overseas deposits of commercial banks is 2 per cent.

A stamp duty is imposed on enterprises and individuals for legal documents and deeds.

A taxpayer failing to submit a tax declaration on time is subject to a 10 per cent fine. In cases of tax evasion or understatement of income, a 200 per cent fine is imposed. In addition, the tax authorities may suspend the banking operations of a taxpayer and fine its officials for non-compliance with tax regulation.

## Part IV

### INVESTMENT OPPORTUNITIES

The draft Programme for the promotion of foreign investment in Belarus during 1994-1995, prepared under the auspices of the Cabinet of Ministers outlines the priority sectors for foreign direct investment. These priorities are based on the following principles: (a) development of resource, research intensive and ecologically friendly technologies; (b) promotion of export-oriented production; (c) import substitution; and (d) development of a market infrastructure and (e) implementation of necessary structural changes.

On this basis, the following sectors are considered top priority for foreign investment: fuel and energy, engineering, including military conversion chemical and petrochemical industries, agricultural processing and packaging, civil engineering, telecommunications and transportation<sup>1</sup>.

The foreign investment requirements of the Belarussian economy are estimated at about US\$ 4.6 billion in the medium-term. Individual Their sectoral requirements are given in the beginning of this Guide (see Investment opportunities and risks section of the Overview).

In addition, the country needs US\$ 2.6 billion in foreign credit for 99 projects, including US\$ 987 million for new (greenfield) projects, US\$ 1.2 billion to be used for the reconstruction and modernisation of existing production facilities, and US\$ 356 million to be disbursed on an "as-needed" basis.

#### Industry

Based on the country's competitive advantages (well developed R&D infrastructure and highly educated population), the Programme for industrial re-structuring in the 1990s approved by the Belarussian government sets the following priorities with respects to the foreign investment:

- (1) machine-building - instrument engineering, instrument-making, manufacture of machine tools and equipment, production of high precision machine-tools, metal-cutting instruments, manufacture of transportation means and equipment for maintenance, construction engineering, road building machines and modern equipment for food and light industries;
- (2) chemical industries - production of pharmaceuticals and various medications, development of new composite materials, polymers and plastics, upgraded processing technologies for chemical fibres and threads; plant protection chemicals, household chemical goods, such as varnishes, paints and

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<sup>1</sup> There is a comprehensive data base on specific investment projects in the country. For detailed information, please contact Mr Valdimir Mironovich or Eduard Petrovich of the Ministry of Economy and Planning telephone: (0172) 29 67 01/64 30 31 and fax: (0172) 29 62 35.

rubber items; processing of oil and other raw materials, and the production of insulation and other energy-efficient construction materials.

- (3) high tech industries - electronics, computer and telecommunication technologies, laser technology applications, manufacturing of sophisticated household electronics and medical electronic equipment, and the production of industrial robots and personal computers;

### **Agroindustrial complex**

In this sector, the following priorities for the promotion of foreign investment have been identified by the above Programme:

- 1) development of *research and research-related activities*, including improved seed farming, pedigree and veterinary work, plant disease and pest control, increase in soil fertility and stock productivity through the use of computers, achievements in physics, chemistry, molecular biology, gene engineering, and biotechnologies;
- 2) *production of children's food items*, including canned meat and dairy products; and the manufacture of equipment for packaging school breakfasts and dairy products for infants;
- 3) *production of several important foodstuffs*, such as sugar and sugar substitutes, deep processing of potatoes and production of potato-based foodstuffs, production and exports of processed meat, pickled beets and carrots; construction of two plants (in the Brest and Mogilev provinces) for the extraction of vegetable oil from rape seeds on the basis of imported equipment and the construction of a confectionary at Vitebsky with modern technology;
- 4) introduction of principally new technologies for the multiple processing of flax fibre and production of exportable flax fabric;
- 5) establishment of joint ventures for *agricultural processing*;
- 6) *improvement in packaging facilities* - the erection of the Berezovsky plant for the production of long life packaging like "Pure-Pack" and "Tetra-Brick"; manufacture of plastic bottles; and the modernisation of the Lyahovichsky "Metalloplastmass" factory (metals and plastics);
- 7) joint production and transplantation of *animal embryos*;
- 8) introduction of the equipment and technologies for planting, harvesting and processing sugar beets and rape;
- 9) joint manufacture of equipment for soil cultivation and chemical plant protection;
- 10) new production facilities in multi-layer polymer packaging materials for the vacuum packaging of meat, meat products and other food items.

## Civil engineering

The following sectors have been identified as the most in need foreign investment:

- (1) *modernisation* of the civil engineering and construction industry in order to decrease the material intensity of large-panel building construction on the basis of new designs, advanced insulation materials and lower-story buildings;
- (2) improved concrete technologies, including the development of highly efficient framing systems, advanced machinery for preparing, transporting and laying concrete for the erection of buildings using monolithic ferrous-concrete;
- (3) more efficient production technologies for highly durable concrete and for resource saving structures in general-purpose buildings and edifices;
- (4) development of new construction materials with increased insulation and resource-saving properties, establishment of production capacities for advanced cell concrete, ceramic multi-hollow construction components, insulation materials designed to decrease the weight and increase heat-insulating properties of buildings and structures.

## Transport and telecommunications

In the sector of rail road and automobile transport as well as road maintenance, the following priorities will be emphasised when selecting projects for foreign investment:

- (1) reconstruction of *maintenance depots* in order to manufacture spare parts and repair vehicles;
- (3) *carburettor-for-diesel re-equipment* technology for existing automobiles;
- (4) high way service infrastructure (hotels, restaurants, guarded parking lots, service stations, etc.) for the *main international highway Brest-Minsk-Russian border*;

In the sector of *air transport*, the emphasis by the government will be the following projects:

- (1) *modernisation of airline facilities*, including construction of a hotel for transit passengers with a business-centre, offices and a shopping mall;
- (2) the establishment of an in-flight catering division with a capacity of 800 meals per hour;

Though the Ministry of Telecommunications and Information Technologies will maintain a monopolistic position in the international voice and telex communications, local telephone networks and data transmission services are open to competition. The above Ministry is in close contact with a number of major foreign companies to develop the telecommunications network in the country. Among them: British Telecom, Cable and Wireless (UK), Deutsche Bundespost Telecom (Germany), US West, AT&T

(USA), etc. The European Bank for Reconstruction and Development has also been considering major investment in the telecommunications sector.

The main *telecommunications* sub-sectors where foreign investment is needed include:

- (1) purchase of equipment for a *cellular telephone* network;
- (2) installation of an *international gateway* switch;
- (3) development of modern *telematic services*.

### **Science and technology**

One of the inherent weaknesses in the Belarussian science and technology sector lies in the low level of commercial utilisation of its results and achievements. This factor reinforces the need for greater effort, particularly on the part of potential foreign investors. The estimated volume of foreign capital required in 1994-1995 only for the top priority projects amounts to US\$ 430-440 million. The main areas of interest to foreign investors may include: information and industrial technologies, telecommunications and related materials; environmental protection; biological and agroindustrial technologies, biomedical research and health care; new sources of energy; education and training, and specialised research centres, including a Western style economic research institute.

According to Belarussian experts, the priorities are focused on the following:

- (1) *energy-efficient technologies* laser and optical, plasma, ion-plasma, ion-ray (Institute of Physics of the Academy of Sciences, Physical and Technical Institute, Institute of Solid State and Semi-Conductor Physics, Institute of Heat and Mass Exchange, Minsk Radio Engineering Institute, Research institute for computers, Research and production association (RPA) "GRANAT", RPA "PLANAR", RPA "INTEGRAL", Production association (PA) "MINSKY TRAKTORNY ZAVOD", PA "BELAVTOMAZ", PA BELOMO);
- (2) *computer-based data and information technologies*: development of neuro-computers, databases, specialised systems, new software applications, ecological monitoring (Physical and Technical Institute, Institute of Heat and Mass Exchange, Institute of the Solid State and Semi-Conductor Physics, Institute of General and Nonorganic Chemistry, Belarussian State University, Belarussian State Polytechnical Academy, Minsk Radio Engineering Institute, RPA "INTEGRAL", PA "COMPUTING DEVICES" (Minsk);
- (3) *integrated computer-based production technologies*: automated control and management systems, CAD-CAM systems, industrial robotics, control and diagnostic equipment (Belarussian State Polytechnical Academy, RPA "GRANAT", RPA "INTEGRAL", RPA "COMPLEX", RPA "TEKHNOPRIBOR");
- (4) *biotechnologies*: use of micro-organisms, genetic and cell engineering, membrane technologies, bio-sensors (Institute of Microbiology, Institute of Genetics and Cytology, Institute of

Experimental Botany, Central Botanical Garden, Institute of Photobiology, Institute of Bio-organic Chemistry, PA "BELMEDPREPARATY");

- (5) *new materials and composites*: ceramic high-temperature super-conductors, semi-conductors, magnetic and polymer composites, non-organic coatings (RPA "Powder Metallurgy", Institute of General and Nonorganic Chemistry, Physical and Technical Institute, RPA "SPEKTR", RPA "INTEGRAL", PA "V.I.LENIN MINSK", PA "COMPUTING DEVICES" (MINSK), RPA "POLYMER");
- (6) *resource conservation and ecologically friendly technologies*.

### **Social infrastructure**

In the *housing, public utilities and services* sub-sector, the priorities include:

- (1) formation of a *modern industrial base* for advanced forms of home building; establishment of small enterprises that produce construction materials utilising locally available raw materials;
- (2) advanced *water supply and sewage treatment* technologies, including complete biological purification methods; highly efficient waste collection and processing equipment based on ecologically clean technologies;
- (3) increased *heat insulation* for pipes and heating mains;
- (4) production of *equipment* for self-service laundries, factories and service shops for chemical cloth cleaning and dyeing, for processing (carding) of wool and dressing of leather, for autoservice stations as well.

In the *public education and tourism*, the potential foreign investors should focus their attention on the following priority directions:

- (1) establishment of *joint ventures* for manufacturing modern education equipment and facilities;
- (2) *training* in the field of economics, management, ecology and diplomacy;
- (3) comprehensive development of a modern tourism infrastructure (hotels, motels, service and business centres, maintenance of tourist attractions, etc.).

In order to enhance investment opportunities, the Belarussian government will undertake certain measures to improve the economic, legal organisational and management infra-structure relating to foreign investment and offer additional guarantees for capital invested, to liberalise taxation and customs tariffs, to facilitate profit repatriation and to provide investors with various information and business services. Proposals are being prepared that would grant additional preferences to new businesses, and rationalise the domestic financial and insurance infrastructure.

The most important preferences to be offered to foreign investors in the near future may include one or several of the following:

- (1) tax and other payment holidays for newly- established entities;
- (2) decreased corporate tax rate;
- (3) accelerated depreciation rate;
- (4) decreased or zero tax rate on repatriated profits;
- (5) decreased or zero export/import duties in relation to a foreign investors' output, and especially on imported equipment;
- (6) decreased or zero export tax rates for export-oriented enterprises;
- (7) license and quota-free exports of goods produced by EFIs and by enterprises within free economic zones;
- (8) free disposal of foreign currency receipts;
- (9) special government guarantees that will stabilise the taxation system until the investment is recouped;
- (10) duty-free imports of investment-related goods;
- (11) decreased personal income tax for foreign entrepreneurs, expatriate personnel of joint ventures, foreign companies and representative offices;
- (12) decreased value-added tax rate;
- (13) decreased real estate tax;

In order to provide adequate conditions for the operation of foreign businesses, the government is contemplating further development of management services through specialised banking institutions, investment and pension funds, insurance companies, broker and audit firms and the development of financial and capital markets, the foreign exchange market and other elements of the business infrastructure.

In addition, authorities plan to adopt several laws aimed at enhancing opportunities for foreign investors as soon as possible, including, the laws on concessions, on free economic zones, and others. Initially two or three "enclave-type" free economic zones will be created in the country, namely in the area near Brest, around the Minsk-2 international airport and in an administrative district of Gomel and Mogilev provinces. Apart from this, several technoparks will be established in Minsk, Mogilev, Vitebsk and Gomel within two-three years.

**Appendices**

**A. APPLICATION FORMS AND PROCEDURES**

Annex 3 to Provisional Instruction  
of the Belarus State Committee for  
External Economic Relations on  
procedure for the registration of  
joint ventures in Belarus

**CERTIFICATE**

This is to certify that on \_\_\_\_\_ 19\_\_

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(name of a registered joint venture or its branch)

was entered in

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(designation of the Register)

registration No

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by the Belarus State Committee for External Economic Relations

Address of registered joint venture (branch):

Chairman of the Committee

The procedure for state registration of enterprises with foreign investment (EFI) is defined in Article 9 of the law "On Foreign Investment on the Territory of the Republic of Belarus". The below written application is to be submitted to the State Committee for External Economic Relations. The application will be reviewed, and, in case a positive decision is made, a foreign investor is to be notified and given a corresponding certificate within two weeks.

## APPLICATION

Chairman  
State Committee of the Republic of Belarus  
for External Economic Relations

We herewith request to register (full name of EFI)

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in the order stipulated by the effective legislation. The corresponding documents are enclosed.

Enclosures:

- 1) Notarized statutory documents in two copies;
- 2) Extract from a trade register of the country of origin of a foreign investor (or other proof of his legal status) with a notarized translation into Belarussian;
- 3) (Only for Belarussian legal entities) Notarized copy of a decision by the owner to establish an EFI as well as notarized copies of statutory documents for each of Belarussian founding shareholders.

(Signatures of founding shareholders)

Seals

**CERTIFICATE**  
**of a participant in foreign trade or investment**

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was registered as a participant in foreign trade or investment

" \_\_\_\_\_ " \_\_\_\_\_ 199 \_\_\_\_

Registration No

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Full mailing address

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Carries out export/import operations in accordance with the effective legislation.

On behalf of the State Committee  
for External Economic Relations  
of the Republic of Belarus

(signature)

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**REGISTRATION CARD**  
**of a participant in foreign trade or investment**

1. Applicant \_\_\_\_\_

code \_\_\_\_\_

2. Mailing address \_\_\_\_\_

Telephone \_\_\_\_\_ Telegraph \_\_\_\_\_

Telex \_\_\_\_\_ Facsimile \_\_\_\_\_

3. Chief Executive Officer (first and last names, including middle name) \_\_\_\_\_

4. Chief Financial Officer \_\_\_\_\_

5. List of exported/imported goods (services) \_\_\_\_\_  
in compliance with the charter and effective legislation

6. Bank accounts \_\_\_\_\_

7. Reports to (if applicable) \_\_\_\_\_

Date/Seal

## **B. BUSINESS ACTIVITIES SUBJECT TO SPECIAL AUTHORIZATION**

- 1) production of treasury notes, banknotes, coins, (National Bank of the Republic of Belarus);
- 2) electricity generation at the power stations connected to the Unified Electric Grid (Ministry of Energy);
- 3) cultivation and sale of crops containing narcotic or poisonous substances; production and sale of medicines for veterinary purposes and veterinary practice; production and wholesale trade in alcoholic beverages and tobacco; construction and capital repairs of hydrotechnical and land reclamation objects (Ministry of Agriculture and Food);
- 4) maintenance, repairs and testing of motor roads and related structures; manufacture of sophisticated concrete, reinforced concrete constructions for bridges and water-mains on the motor roads (Ministry of Construction and Exploitation of Motor Roads);
- 5) transportation of goods and passengers by road; freight forwarding activities; repairs and service of transportation means on inter-city and international routes (Ministry of Transport);
- 6) issuance of securities guaranteed by the government (Ministry of Finance);
- 7) construction, production, repairs and sale of arms and weapons, ammunition and missile launchers; processing and liquidation of ammunition; exhibition and advertisement of military goods; construction, operation and repairs of defence assets and R&D of new armaments (Ministry of Defence);
- 8) production, repairs and sale of sporting guns and cold steel; production of decorations and medals, seals and stamps; manufacture and technical servicing of safe-guarding and fire-prevention alarm systems; investigation and personal safety service (Ministry of Internal Affairs);
- 9) private notary and attorney practice (Ministry of Justice);
- 10) design, construction, reconstruction and operation of communication and information systems, telecommunication services, use of radio frequencies not allowed for free access and production of postage stamps (Ministry of Communication and Information Technologies);
- 11) production, sale and technical service of medical equipment; production and sale of bacteriological, narcotic and poisonous materials and medicines; in-patient treatment of infections, oncology and mental diseases (Ministry of Health Care);
- 12) establishment of schools, colleges, gymnasiums, high schools, special training and re-training schools (Ministry of People's Education);
- 13) restoration and conservation of historical and cultural monuments (Ministry of Culture);
- 14) publishing and printing (Ministry of Information);

- 15) production and major repairs of civil aircraft, radio devices using frequencies higher than 1 GHz and high-voltage power equipment (State Committee on Industry and Inter-Branch Production);
- 16) design and geodetic surveying<sup>1</sup> for the construction, re-construction and major repairs of metropolitan area assets; manufacture of special structures and materials for construction (State Committee for Architecture and Construction);
- 17) development, production, sale, storage and application of industrial explosive and radioactive materials; operation of radiation devices; design, construction, assembly, operation, repairs and inspection of nuclear power generators, natural gas supply systems and other high risk equipment; production and transportation of toxic, highly explosive and inflammable materials; mining, boring, geological prospecting, and industrial geophysical works, preparation of gas and oil for transportation; construction and maintenance of underground gas storage; operation of mineral water fields; testing, operation and repairs of oil and gas wells; extraction, preparation and initial processing of precious metals and stones (State Committee on the Supervision over the Safety of Works in Industry and Nuclear Energy Production);
- 18) design, construction and operation of radioactive waste burial facilities; de-contamination of radioactive zones; radiation monitoring (State Committee on the Effects of the Chernobyl Disaster);
- 19) paid services for training and professional re-training; employment services (State Committee on Labour and Social Protection of the Population);
- 20) production, repairs, sale and operation of ciphering devices (State Security Committee);
- 21) special use of water resources; environmentally-hazardous production; processing and burial of toxic industrial wastes and pesticides (under the supervision of the Ministry of Health Care); the use of wild animals (except fish); maintenance of technical plants; development of peat deposits; development of ecological certification procedures (State Committee on Ecology);
- 22) intermediation in international business transactions (except import operations); foreign tourism;
- 23) securities transactions (State Inspection on Securities);
- 24) selected types of insurance operations (State Insurance Supervision Body at the Council of Ministers);
- 25) topography, geodesy, cartography and aerial photography; production and sale of geodetical and aerial photography equipment (Committee on Geodesy at the Council of Ministers);
- 26) production, sale, testing and repairs of metrological equipment; production of complicated measurement instruments (Committee on Standardization, Metrology and Certification at the Council of Ministers);

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<sup>1</sup> Licensing for the geodetic surveying requires a prior consent from the Committee of Geodesy of the Council of Ministers.

- 27) industrial application, processing, repairs, purchase and sale of precious metals and precious stones; storage and processing of by-products and waste containing precious metals and stones (Committee on Precious Metals and Precious Stones at the Council of Ministers);
- 28) fishery and related activities in natural reservoirs (Chief Administration for the Protection and Reproduction of Fishing Stock and Regulation of Fishery);
- 29) auditing activities (Audit Chamber at the Council of Ministers);
- 30) foreign labour migration to Belarus and the immigration of Belarussian employees (State Migration Service at the State Committee on Labour and Social Protection of Population);
- 31) recovery of semi-precious stones and amber; production, sale and repairs of articles made of them; practice of medicine; retail trade and intermediation; processing and sale of the raw materials obtained from wild medical plants (under the supervision of the Ministry of Health Care); drilling of water wells; establishment of pawnshops; archaeological excavations (under the supervision of the Institute of History of the Academy of Sciences of Belarus); production, copying and screening of films and video; gambling; operation of mechanical attractions; production (under the supervision of the public health control bodies) of perfumes and cosmetics (executive committees of the district and municipal councils of people's deputies).
- 32) launching and set up operations of the water supply and drainage projects; services to individuals on the privatisation of housing (Ministry of public utilities);
- 33) commodity exchange operations, trade fairs and auctions (Ministry of Resources);
- 34) customs brokerage (State Customs Committee);
- 35) sale of petroleum products (State Committee on Oil and Chemistry).

### C. MAIN INSTITUTIONS OF THE ACADEMY OF SCIENCES

1. Academic Science and Technology Complex "SOSNY"
2. Academic Research Complex "A.V.LYKOV INSTITUTE FOR HEAT AND MASS TRANSFER"
3. Brest Branch of the Institute of Cybernetics Engineering
4. Vitebsk Branch of Institute of the Solid State and Semiconductor Physics
5. Computing Centre
6. Computer Centre, Gomel Branch
7. Engineering Centre for Physics and Technology of Thin Films and Surfaces "PLASMOTEG"
8. Institute of Bio-organic Chemistry
9. Institute of Biochemistry
10. Institute of Genetics and Cytology
11. Institute of Geology, Geochemistry and Geophysics
12. Institute of Mathematics
13. The Institute of Mechanics of Metal-Polymer Systems
14. Institute of Microbiology
15. Institute of Molecular and Nuclear Physics
16. The Institute for Reliability of Machinery
17. Institute of General and Nonorganic Chemistry
18. Institute of Applied Optics
19. Institute of Applied Physics
20. Institute of Natural Resource Utilization and Ecology
21. Institute of Energy
22. Institute for Radiation, Physical and Chemical Research
23. Institute of Radio-biology
24. Institute of Radio Ecology Research
25. Institute of Cybernetics Engineering
26. Institute of Metals Technology
27. B.I.Stepanov Institute of Physics
28. Institute of Solid State and Semiconductor Physics
29. Institute of Physical and Organic Chemistry
30. Institute of Physiology
31. Institute of Photobiology
32. V.F.Kuprevich Institute of Experimental Botany
33. Institute of Electronics
34. Research and Technical Centre "NON-TRADITIONAL ENERGY SOURCES AND ENERGY CONSERVATION"
35. Research Centre of Machinery Mechanics
36. Division of Optical Research in Information Technologies
37. Division of Research of Natural Resources Conservation
38. State Centre for Environmental Research
39. Physical and Technical Institute
40. Chemical Technology Centre

## D. SELECTED BRANCH R&D AND DESIGN ORGANISATIONS

### Medicine:

- 1) Belarussian Research Institute of Epidemiology and Microbiology:  
4 K.Tsetkin Str., Minsk; tel: (0172) 26-59-04 2)
- 2) Belarussian Research Institute of Neurology, Neurosurgery and Physiotherapy:  
9 Filatov Str., Minsk; tel: (0172) 45-75-52
- 3) Belarussian Research Institute of Hereditary and Congenital Diseases:  
66 Orlovskaya Str., Minsk; tel: (0172) 37-85-13
- 4) Belarussian Research Institute of Traumatic Injury and Orthopaedics:  
60/4 Kizhevotov Str., Minsk; tel: (0172) 77-41-17
- 5) Belarussian Research Institute of Cardiology:  
110 R.Luxembourg Str., Minsk; tel: (0172) 56-66-68
- 6) Belarussian Research Institute of Radiation Medicine:  
23 Pros. Masherova, Minsk; tel: (0172) 23-32-63
- 7) Belarussian Research Institute of Pulmonology and Phthisiology:  
p/o Novinki, Minsk
- 8) Belarussian Research Institute of Haematology and Blood Transfusion:  
160 Chervyakov Str., Minsk
- 9) Belarussian Research Institute of Oncology and Medical Radiology:  
village "Lesnoi" of Minsk district
- 10) Belarussian Research Institute of Maternity and Childhood Protection:  
66/8 Orlovskaya Str., Minsk; tel: (0172) 37-14-73
- 11) Research and Design Medical and Biological Institute:  
17 Varvasheni Str., Minsk; tel: (0172) 34-33-31

### Agriculture:

- 12) Belarussian Research and Design Institute for Fishing Industries:  
22 Stebenev Str., Minsk; tel: (0172) 77-54-97
- 13) Belarussian Research Institute of Pedology and Agrochemistry:  
62 Kazinets Str., Minsk; tel: (0172) 77-07-12
- 14) Belarussian Research Institute of Land Reclamation and Pasture Cultivation:  
153 Bogdanovich Str., Minsk; tel: (0172) 32-60-84
- 15) Belarussian Research Institute of Flax:  
127 Mayakovsky Str., Minsk; tel: (0172) 21-37-24
- 16) Belarussian Research Institute of Plant Protection:  
village "Priluki" of Minsk district
- 17) Belarussian Research Institute of Farming and Forage:  
1 Timiryazev Str., Zhodino
- 18) Belarussian Research Institute of Fruit Culture:  
village "Samokhvalovichi" of Minsk district
- 19) Belarussian Research Institute of Olericulture:

- village "Samokhvalovichi" of Minsk district
- 20) Belarussian Research Institute of Potato Growing:  
village "Samokhvalovichi" of Minsk district
  - 21) Belarussian Research Institute of Stock Breeding:  
11 Frunze Str., Zhodino
  - 22) Belarussian Research Institute of Experimental Veterinary Science:  
village "Kuntsevschina" of Minsk district
  - 23) Research and Production Association for Potato-Based Foodstuffs:  
6 Aranskaya Str., Minsk; tel: (0172) 21-42-20
  - 24) Belarussian Research and Design Institute of Meat and Dairy Industries:  
10 km Partizansky Pros., Minsk; tel: (0172) 43-55-48
  - 25) Central Research Institute of Mechanisation and Automation in Agriculture:  
1 Knorin Str., Minsk; tel: (0172) 66-14-71

### **Engineering:**

- 26) Research and Design Institute of Foundry Work for Motor Vehicle Manufacture:  
28 Mashinostroitelei Str., Minsk; tel: (0172) 41-84-64
- 27) Minsk Research Institute of Instrument Engineering:  
73 Yakuba Kolasa Str., Minsk; tel: (0172) 62-83-65
- 28) Minsk Research Institute of Civil Engineering Finishing Machines:  
27 Zheleznodorozhnaya, Minsk; tel: (0172) 26-31-63
- 29) Research Institute for Automated Technologies and Equipment in Construction Materials Production:  
2 Kutepov Str., Mogilev; tel: (0222) 41-76-70
- 30) Minsk Research Institute "Bearing":  
2 Zhilunovich Str., Minsk; tel: (0172) 38-78-36
- 31) Belarussian Research Geological Prospecting Institute:  
14 Staroborisovsky Trakt, Minsk; tel: (0172) 64-79-29
- 32) Experimental Design Bureau of the Brest Machine Building Production Association:  
21 Suvorov Str., Brest; tel: (0162) 43-16-63
- 33) Specialized Design Bureau for Trade Equipment Engineering at the Production Association "TORGMASH":  
61 Chernyshevsky Str., Baranovichi; tel: 2-32-24
- 34) Specialized Design  
10 Internationalnaya Str.,  
Bureau for Processing Centres:  
Gomel; tel: (0232) 53-89-99
- 35) Specialized Design Bureau "ZAPAD":  
961 Suvorov Str., Brest; tel: (0162) 43-34-58
- 36) Vitebsk Specialized Design Bureau of Processing, Grinding and Sharpening Machines:  
2 Budenny Str., Vitebsk; tel: (0212) 36-07-17
- 37) Small State Enterprise "TOCHPRIBOR" (precise instruments):  
35 Pros. Frunze, Vitebsk; tel: (0212) 37-46-49
- 38) State Specialized Design Bureau of Forage Harvesting Machines:  
61 Efremov Str., Gomel; tel: (0232) 59-39-43
- 39) State Design and  
Technology Experimental Institute "Belorgstankinprom" (instrumentation):  
tel: (0172) 36- 50-93
- 40) Minsk Design Bureau of Experimental Engineering:  
34 Brestskaya Str., Minsk; tel: (0172) 77-27-44

- 41) Minsk Specialized Design and Technology Bureau for Automation in Technological Processes:  
24 Pervomaiskaya Str., Minsk; tel: (0172) 36-85-24
- 42) Project, Design and Technology Institute for Automation and Mechanisation at the Research and Production Association "MOGILEVTEKHNOMASH":  
61 Leninskaya Str., Mogilev; tel: (0222) 23-16-81
- 43) Specialized Design Bureau for Technological Equipment "TEKHNOPRIBOR":  
96 Grishin Str., Mogilev;
- 44) Project and Design Bureau at the Association "MASHPROM":  
1st Timiryazevsky Per., Mogilev;
- 45) State Technology Heat-and-Power Engineering Institute, Ministry of Energy:  
12 Respublikanskaya, Mogilev; tel: (0222) 20-48-28
- 46) Research Institute of Powder Metallurgy of the Republican Research and Production Association of Powder Metallurgy:  
41 Platonov Str., Minsk; tel: (0172) 32-56-69
- 47) Minsk Research Institute of Construction Materials, Ministry of Construction Materials Industry:  
23 Minin Str., Minsk; tel: (0172) 25-58-42
- 48) Research Institute at the Committee for Petroleum and Chemistry:  
31a Kozlov Str., Soligorsk;
- 49) Research and Production Association "TRANSTEKHNIKA" (transportation engineering), Ministry of Transport and Communications:  
22 Platonov Str., Minsk; tel: (0172) 31-57-63
- 50) Belarussian Research Institute "DORSTROITEKHNIKA" (road construction engineering), Ministry of Transport and Communications:  
60 4th Zagorodny Per., Minsk; tel: (0172) 54-41-68
- 51) Concern "AMKODOR" (road construction equipment):  
7 Ponomarenko Str., Minsk; tel: (0172) 51-02-12
- 52) Minsk Research and Furniture Production Association "MINSKPROEKTMEBEL" of the Concern "BELLESPROM":  
33 Opansky Str., Minsk; tel: (0172) 54-60-72
- 53) Research and Production Firm "DIPOL":  
4 Zamkovaya Str., Vitebsk; tel: (0212) 37-72-67
- 54) State Enterprise "AYAKS":  
73 Yakuba Kolasa Str., Minsk; tel: (0172) 39-04-21

### **High Tech:**

- 55) Research Institute for Applied and Physical Research, Ministry of Education:  
7 Kurchatov Str., Minsk; tel: (0172) 47-50-00
- 56) Research Institute of Nuclear Research, Ministry of Education:  
11 Bobruiskaya Str., Minsk; tel: (0172) 26-42-23
- 57) Project and Technology Bureau for Automated Programming Devices, Ministry of Education:  
267/1 Moskovskaya Str., Brest; tel: (0162) 41-84-87
- 58) Research and Production Association "TSENTRSYSTEM", State Committee for Industries and Inter-Branch Production:  
4 Partizansky Pros., Minsk; tel: (0172)
- 59) Research Institute "AGAT", State Committee for Industries and Inter- Branch Production:  
21 Zhodinskaya Str., Minsk; tel: (0172) 64-80-03

- 60) Leased Enterprise of the Central Design Bureau "SPEKTR", State Committee for Industries and Inter-Branch Production:  
3 Melezha Str., Minsk; tel: (0172) 62-05-21
- 61) Research Institute of Optical Machine-Tool Engineering and Vacuum Technologies, State Committee for Industries and Inter- Branch Production:  
25 Filimonov Str., Minsk; tel: (0172) 64-37-54
- 62) Research and Production Enterprise "SPEKTROPTIK", State Committee for Industries and Inter-Branch Production:  
3 Melezha Str., Minsk; tel: (0172) 62-18-41
- 63) Research Institute of Digital Television, Production Association "GORIZONT":  
7 Krasnaya Str., Minsk; tel: (0172) 33-10-15
- 64) State Research and Production Enterprise of the Design Bureau for Precise Electronic Engineering of Optical and Mechanical Equipment, State Committee for Industries and Inter-Branch Production:  
2 Partizansky Pros., Minsk; tel: (0172) 21-77-24
- 65) Research Institute for Computers, State Committee for Industries and Inter-Branch Production:  
155 Bogdanovich Str., Minsk; tel: (0172) 34-92-61
- 66) Minsk Research Institute of Radio Materials, State Committee for Industries and Inter-Branch Production:  
86 Kizhevator Str., Minsk; tel: (0172) 78-14-05
- 67) Research Institute of Engineering for High-Power Semi-Conductor Devices, State Committee for Industries and Inter-Branch Production:  
143 V.Gastinets Str., Molodechno;
- 68) Specialized Design Bureau of the Automated Production Line Enterprise, State Committee for Industries and Inter- Branch Production:  
3 Promyshlennaya Str., Baranovichi of Brest province
- 69) Principal Specialized Design Bureau for Microclimate Equipment, State Committee for Industries and Inter-Branch Production:  
66 Smirnov Str., Brest; tel: (0162) 44-21-83
- 70) Vitebsk Project and Design Bureau for Automated Control and Management Systems:  
4 Zamkovaya Str., Vitebsk; tel: (0212) 37-33-12
- 71) Principal Specialized Design Bureau for Hydro-Devices with Pilot Production Facilities, State Committee for Industries and Inter-Branch Production:  
3 Inzhenerny Per., Gomel; tel: (0232) 57-30-00
- 72) Principal Design Bureau "LUTCH", State Committee for Industries and Inter-Branch Production:  
Gomel; tel: (0232) 44-82-55
- 73) Specialized Design Bureau of the Production Association "KORALL", State Committee for Industries and Inter-Branch Production:  
Gomel; tel: (0232) 56-21-85
- 74) Specialized Design Bureau for System Programming:  
Gomel; tel: (0232) 48-32-73
- 75) Grodno Specialized Design and Technology Bureau for Radio instrument Engineering, State Committee for Industries and Inter-Branch Production:  
89 Gorky Str., Grodno; tel: (0152) 47-04-80
- 76) Research and Production Enterprise of the Research and Production Association "PROGRESS", State Committee for Industries and Inter-Branch Production:

- 4 Gusovsky Str., Minsk; tel: (0172) 52-21-50
- 77) Specialized Design Bureau "ELEKTROTEKHNIK", State Committee for Industries and Inter-Branch Production:  
4 Uralskaya Str., Minsk; tel: (0172) 30-03-66
- 78) Specialized Design Bureau "ALPHA", State Committee for Industries and Inter-Branch Production:  
4 Mogilevskaya Str., Minsk; tel: (0172) 29-16-58
- 79) Specialized Design Bureau "IMPULSE", State Committee for Industries and Inter-Branch Production:  
6 Leschinsky Str., Minsk; tel: (0172) 58-91-20
- 80) Research and Production Association "AVTOPROMSBORKA" (automated assembly lines), State Committee for Industries and Inter-Branch Production:  
95 Partizansky Pros., Minsk; tel: (0172) 45-11-91
- 81) Minsk Specialized Design Bureau for Automated Production Lines, State Committee for Industries and Inter-Branch Production:  
17 Dolgobrodskaya Str., Minsk; tel: (0172) 30-20-44
- 82) Specialized Design Bureau "NEMIGA", State Committee for Industries and Inter-Branch Production:  
6 Kazinets Str., Minsk; tel: (0172) 78-47-03
- 83) Specialized Design Bureau "KAMERTON" (acoustics), State Committee for Industries and Inter-Branch Production:  
117 Pros. Skoriny, Minsk; tel: (0172) 20-52-80
- 84) Design Bureau for Precise Electronic Engineering, State Committee for Industries and Inter-Branch Production:  
2 Partizansky Pros., Minsk; tel: (0172) 21-75-09
- 85) Research and Production Complex "SIGNAL" of the Inter-Branch Production Association "GORIZONT":  
5 S.Kovalevska Str., Minsk; tel: (0172) 26-38-62
- 86) Belarussian Research Institute of Automated Control and Management Systems, Academy of Agricultural Sciences of the Ministry of Agriculture and Foodstuffs:  
86 Kazinets Str., Minsk; tel: (0172) 77-75-90
- 87) Research and Production Enterprise "DISPLAY", Ministry of Communications and Information Technologies:  
5 Gikalo Str., Minsk; tel: (0172) 39-04-21
- 88) Belarussian Design Institute, Council of Ministers:  
15 Gilunovich Str., Minsk; tel: (0172) 45-22-52
- 89) Specialized Project and Design Organisation "ORGTEKHSTROM" (information technologies in construction materials industry), Ministry of Construction Materials Industry:  
89 Kropotkin Str., Minsk; tel: (0172) 34-83-80
- 90) Specialized Project and Design Organisation "BELAVTOMATSTROM" (automation in construction materials industry), Ministry of Construction Materials Industry:  
17 Betonny Proezd., Minsk; tel: (0172) 56-59-40

## **E. LEADING INDUSTRIAL ENTERPRISES AND ASSOCIATIONS,**

### **MAJOR EXPORTERS**

#### **ENGINEERING**

- 1) Belarussian Research and Production Association
- 2) Research and Production Complex "PLANAR"
- 3) Research and Production Association "INTEGRAL"
- 4) Production Association "GORIZONT"
- 5) Production Association "VITYAZ"
- 6) Production Association "ATLANT"
- 7) BELOMO
- 8) BEVAR
- 9) Research and Production Association for the Computing Devices
- 10) BEMK
- 11) Production Association "KALIBR"
- 12) Plant "EVISTOR"
- 13) Production Association "MINSKY TCHASOVOI ZAVOD" (watch-making plant)
- 14) Association "STANINKOM"
- 15) Minsk Production Association for Manufacturing Automatic Lines
- 16) Minsk Machine Tool Engineering Association named after October Revolution
- 17) Gomel Machine Tool Engineering Association named after Kirov
- 18) Minsk Instrumentation Plant
- 19) Kobrinsk Instrumentation Plant
- 20) MAZ (Minsk Automobile Plant)
- 21) BELAZ (Belarussian Automobile Plant)
- 22) Minsk Bearing Plant
- 23) MTZ (Minsk Tractor Plant)
- 24) Production Association "GOMSELMASH"
- 25) Production Association "BOBRUISKAGROMASH"
- 26) Concern "AMKADOR"
- 27) Mogilev Lift-Building Plant
- 28) Brest Gas Device Plant
- 29) Production Association "MINSKY MOTORNY ZAVOD" (engine plant)

#### **PETROLEUM REFINING, CHEMICAL AND PETROCHEMICAL**

- 30) Production Association "NAFTAN"
- 31) Production Association "MOZYRSKY NEFTEPERERABATYVAYUSCHY ZAVOD"
- 32) Production Association "POLIMIR"
- 33) Grodno Production Association "KHIMVOLOKNO"
- 34) Svetlogorsk Production Association "KHIMVOLOKNO"
- 35) Mogilev Production Association "KHIMVOLOKNO"
- 36) Production Association "BELARUSKALIJ"
- 37) Production Association "AZOT"

- 38) Mozyr Fodder Yeast Plant
- 39) Novopolotsk Plant for Protein-Vitamin Concentrates
- 40) Plant "BELSHINA"
- 41) Gomel Chemical Plant
- 42) Ozokerite Plant

### **TIMBER, WOOD-WORKING, PULP-AND-PAPER**

- 43) Collective Enterprise "BOBRUISKDREV"
- 44) Concern "BELLESBUMPROM"
- 45) Leased Production Association "GOMELDREV"
- 46) Joint-Stock Company "IVATSEVICHIDREV"
- 47) Minsk Research and Production Association "MINSKPROEKTMEBEL"

### **BUILDING MATERIALS**

- 48) Production Association "VOLKOVYSKTSEMENTOSHIFER"
- 49) Production Association "MINSKSTROIMATERIALY"
- 50) Gomel Glass Works
- 51) Production Association "GOMELSTROIMATERIALY"
- 52) Production Association "GRANIT"
- 53) Glass Works "NEMAN"
- 54) Borisov Crystal Works
- 55) Minsk China Works

### **LIGHT INDUSTRY**

- 56) Concern "BELLEGPROM"
- 57) Minsk Production and Trade Textile Firm "ALESYA"
- 58) Minsk Clothing Factory
- 59) Minsk Thin Woollen Cloth Production Association
- 60) Minsk Footwear Production Association "LUTCH"

### **MAJOR EXPORTERS**

- 1) Production Association "BELAVTOMAZ" (heavy duty trucks)
- 2) Production Association MTZ "MINSKY TRAKTORNYJ ZAVOD" (wheeled tractors)
- 3) Production Association "GORIZONT" (TV sets, consumer electronics)
- 4) Production Association "ATLANT" (household refrigerators)
- 5) Minsk Bearing Plant (ball bearings)
- 6) Minsk Motorcycle and Bicycle Plant "MOTOVELOZAVOD"
- 7) Production Association "MINSKY TCHASOVOI ZAVOD" (watches)
- 8) Mogilev Production Association "KHIMVOLOKNO" (chemical fibres and threads)
- 9) Svetlogorsk Production Association "KHIMVOLOKNO" (chemical fibres and threads)
- 10) Production Association "POLIMIR" (polyethylene, chemical fibres)
- 11) Production Association "BELARUSKALIJ" (potassium fertilizers)
- 12) Grodno Production Association "AZOT" (nitrogen fertilizers)

- 13) Plant "BELSHINA" (automobile tyres)
- 14) Concern "BELLEGPROM" (textiles and leather wear)
- 15) Concern "BELLESBUMPROM" (timber, furniture, paper)

## F. INTERNATIONAL FRAMEWORK

### Most favoured nation treaties

- |                   |                 |                     |
|-------------------|-----------------|---------------------|
| 1. Austria        | 8. Hungary      | 15. Slovak Republic |
| 2. Bulgaria       | 9. India        | 16. Slovenia        |
| 3. Czech Republic | 10. North Korea | 17. Switzerland     |
| 4. China          | 11. Kuwait      | 18. Vietnam         |
| 5. Cuba           | 12. Mongolia    | 19. USA             |
| 6. Finland        | 13. Poland      |                     |
| 7. Germany        | 14. Rumania     |                     |

### Bilateral agreements on the prevention of double taxation

1. Poland

In addition, agreements with Great Britain, Russia, Sweden, Ukraine and India have been initialled.

### Bilateral investment protection treaties

Currently, such agreements exist between the Republic of Belarus and the following countries:

1. China
2. Finland
3. Germany
4. Poland
5. Vietnam
6. Switzerland
7. France

Agreements with another 14 countries will be ready for signing in the near future (with Rumania, USA, Slovenia, Netherlands, Sweden, Austria, Hungary, Thailand, Turkey, United Arab Emirates, India, Czech Republic, Cyprus and South African Republic).

## Free Trade agreements

1. Russia
2. Ukraine
3. Uzbekistan
4. Lithuania
5. Moldova

## Membership in selected international organizations

1. United Nations (1945)
2. World Health Organization (1946, active membership since 1992)
3. World Meteorological Organization (1950)
4. International Labour Organization (1954)
5. UNESCO (1954)
6. International Atomic Energy Agency (1957)
7. International Exhibitions Bureau (1960)
8. Union Postale Universelle (1978)
9. INMARSAT (1979)
10. UNIDO (1985)
11. IMF (1992)
12. World Bank (1992)
13. European Bank for Reconstruction and Development (1992)
14. INTELSAT (1993)
15. World Intellectual Property Organization (1993)
16. GATT (observer status)

Participation in selected international conventions

1. International Pact on Economic, Social and Cultural Rights (1976)
2. UN Convention of the Open Sea (1962)
3. UN Convention of the International Maritime Satellite Organisation (1979)
4. Vienna Convention on the Law of International Agreements (1986)
5. Vienna Convention on the Protection of the Ozone Layer (1988)
6. UN Convention on Contracts for the International Sale of Goods (1990)
7. Nuclear Non-Proliferation Treaty (1993)

## **G. PROVISIONS OF THE MONETARY UNION AGREEMENT**

According to the provisions of the Agreement on the Integration of the Monetary Systems of the Republic of Belarus and the Russian Federation signed in September 1993 in Moscow, a Rouble zone of a new type is to be created, in which the Russian Rouble will serve as the only legal tender. Unimpeded transfer of funds among all banks in the Rouble zone, unified foreign exchange regulations, and a unified exchange rate of the Rouble against other currencies supported by common gold and foreign currency reserves are the basic elements of the plan.

The Agreement envisages the unification of a number of important legislative acts, including monetary policy. Belarus will be entitled to issue rubles only within the limits set by the Russian Federation.

The unification will also encompass commercial bank reserve and other requirements, central bank discount rates, rules for non-cash settlement between business entities and commercial banks, rules for opening bank accounts, prudential regulation procedures, the standards and rules for accounting and reporting in banking, foreign exchange and cash settlement.

A common customs territory is to be set up, with the existing customs systems of both countries to be gradually unified. Common customs rules and unified export and import duties and taxes are to be applied. The unification will include non-tariff regulations, such as quotas. Relations with third countries will be based on a unified trade regime.

In taxation, a unified methodology for calculating corporate, income, value-added and excise tax rates will be established. Lists of goods subject to excise tax are to be created. Common accounting standards and reporting systems are to be used.

Unification of accounting methodology, the introduction of compatible budget classifications and common rules for setting and fulfilling a state budget, are to be carried out. Ratios for the state budget to GDP as well as state debt limits will be agreed in the future by both parties.

The Central Bank of the Russian Federation is to become the central bank of the Rouble Zone. It is not clear whether the Belarussian National Bank will have any influence on decision-making.

Both parties agreed that the currency notes of the National Bank of Belarus issued in 1993 will remain in circulation until the actual integration of monetary systems occurs. It is stipulated that the exchange rate of the Belarussian Rouble to the Russian Rouble will be 1:1.

The Agreement envisages the creation of a common foreign exchange market, to which the residents of both countries have access. The foreign exchange market will be regulated jointly.

A common policy agreed to by both countries is to be pursued during all international negotiations on issues pertaining to this Agreement.

## **H. HINTS FOR THE VISITING BUSINESS PERSON**

### **Visitor's visas**

All foreign businessmen must produce a formal letter of invitation from a Belarussian legal entity in order to obtain a business visa. Visas can be obtained from consular departments at Belarussian embassies abroad (Austria, Germany, Israel, Peoples Republic of China, Poland, USA, France, Switzerland as well as consular offices in the Hague, Gdansk, London and Sophia). The visa fees vary from country to country.

As an exception, visas for citizens of those countries where there are no Belarussian consular facilities can be obtained directly at border control points (Brest, Grodno, Minsk-2 international airport, points at the Lithuanian border) or at the Consular Department of the Ministry of Foreign Affairs.

Visas are not required for citizens of those countries that signed corresponding agreements with the former Soviet Union (Poland, Bulgaria, Hungary, Cuba, Vietnam, Czech Republic, Slovak Republic and the republics of former Yugoslavia, except Croatia). Agreements with India, Romania and China provide for non-visa entry only for holders of diplomatic and service passports. Citizens of the former Soviet Union do not require a visa.

### **Currency**

Belarussian Roubles are represented by the following notes currently in circulation: 5, 10, 50, 100, 200, 2,000, 5,000, 10,000. One Belarussian Rouble is equal to 100 kopejkas. Note that legal tender in the country will change to the Russian Rouble in the near future.

All foreign convertible currencies can be freely exchanged in Belarus. US dollars and D-marks are major foreign currencies readily accepted for payment in foreign trade and domestic business transactions. Foreign currencies are accepted without limitations by business services licensed to trade in foreign currencies (hotels, restaurants, currency stores, etc.) and are actively traded on the black currency market.

### **International time**

There is one standard time zone in Belarus - two hours before GMT. The country observes daylight saving time by advancing its clocks one hour from the first Sunday in April to the last Sunday in October.

### **Dates and numbers**

Dates are usually written in order of day, month, year; as, for example, 15 June 1956: 15.06.56. In writing full numbers, neither periods nor commas should separate digits (eight thousand five hundred twenty five - 8525). In short writing of big numbers, commas can separate thousands from millions, millions from

billions (155,7 million - one hundred fifty five million and seven hundred thousand). Roubles are separated from kopejkas by a period (eight thousand Roubles and fifty kopejkas - BRb 8000.50).

### **Business hours**

Business offices and public organizations normally work an eight-hour day, Monday through Friday. Working hours range from 9 a.m. to 6 p.m., including one hour for lunch usually from 1.00 p.m. to 2.00 p.m. Banking hours also vary. Most banks are open to the public from 9.00 a.m. to 1.00 p.m., Monday through Friday.

Some industrial enterprises with a two-shift working day have the following schedule:

1st shift - 8.00 am to 4.00 pm  
2nd shift - 4.00 pm to 12.00 pm

### **Business information services**

Such services are rare and available only in the major international hotels. There are very few reliable sources of domestic information on the business environment and investment opportunities. See Appendix I for the addresses of some law firms and consulting companies as well as banks that can provide potential investors with relevant information.

Qualified translation and interpretation is available at the Chamber of Commerce and Industry. Legal advice can be obtained from "Belinyurkollegiya", while various consulting services are provided by the following: (1) Data processing centre "INFORMA", (2) the Chamber of Commerce and Industry, and (3) the State Committee for External Economic Relations.

### **Local customs**

Business in Belarus is done in a formal way. Use of both first and patronymic (middle) names when addressing Belarussians is common. Belarus is known for its hospitable and friendly people. Business entertainment opportunities are few and include working lunches, home receptions, visits to various exhibitions, theatre and other shows, museums and concert halls.

### **National holidays**

The following official holidays are observed in the country:

Holiday	Date observed
New Year's Day .....	1 January
Orthodox Christmas .....	7 January
Women's Day .....	8 March

Easter .....	date varies
Labour Day .....	1 May
Victory Day .....	9 May
Independence Day .....	27 July
Memorial Day .....	2 November
Catholic Christmas .....	25 December

**Electric power requirements**

Electricity is available without any major limitations throughout the country. US and Canadian-manufactured electric appliances need to have power converters and plug adapters. Electric power requirements are: 220 Volts and 50 Hertz. For industry, the following voltage standards are used: 220/380/500/3,300 /6,000/10,000/35,000/110,000/220,000/330,000/500,000/750,000 Volts.

**Weights and measures**

Measurement of length, area, capacity, and weight in Belarus is the same as in most European countries, except Great Britain. Metric units, the International System of Units (SI) are used everywhere. The language and tools of the Belarussian science and technology sector as well as the language of education are entirely metric.

## I. USEFUL ADDRESSES

### Official establishment

#### Supreme Council (Parliament)

38 K. Marx Str.,  
Minsk, 220016, Belarus  
tel: (0172) 29-33-13  
fax: (0172) 27-39-24

#### Council of Ministers

House of Government,  
Minsk, 220010, Belarus  
tel: (0172) 29-60-07  
fax: (0172) 29-66-65

#### National Bank of Belarus

20 Pros. F. Skoriny,  
Minsk, 220030, Belarus  
tel: (0172) 27-09-46  
fax: (0172) 27-64-31

### Key ministries

#### Ministry of Finance

House of Government,  
Minsk, 220010, Belarus  
tel: (0172) 29-61-37  
fax: (0172) 29-62-83

#### Ministry of Foreign Affairs

19 Lenin Str.,  
Minsk, 220031, Belarus  
tel: (0172) 27-29-22  
fax: (0172) 27-45-21

#### Ministry of Economy

House of Government,  
Minsk, 220010, Belarus  
tel: (0172) 29-69-44  
fax: (0172) 29-63-35

#### Ministry of Energy

32 K. Marx Str.,  
Minsk, 220677, Belarus  
tel: (0172) 29-83-46  
fax: (0172) 29-84-68

#### Ministry of Resources

4 Kazinets Str.,  
Minsk, 220099, Belarus  
tel: (0172) 78-80-17  
fax: (0172) 78-85-16

#### Ministry of Trade

8/1 Kirov Str.,  
Minsk, 220050, Belarus  
tel: (0172) 27-61-21  
fax: (0172) 27-03-22

#### Ministry of Telecommunications and Information Technologies

10 Pros. F. Skorina,  
Minsk, 220050, Belarus  
tel: (0172) 27-21-57  
fax: (0172) 26-08-48/00-04

#### Ministry of Transport and Communications

8 Volodarsky Str.,  
Minsk, 220612, Belarus  
tel: (0172) 27-16-42  
fax: (0172) 27-19-81

**Ministry of Agriculture and Foodstuffs**

15 Kirov Str.,  
Minsk, 220030, Belarus  
tel: (0172) 27-37-51  
fax: (0172) 27-43-88

**Ministry of Bakery Products**

23 Masherov Str.,  
Minsk, 220004, Belarus  
tel: (0172) 26-62-11  
fax: (0172) 26-81-72

**Ministry of Timber**

6 Chkalov Str.,  
Minsk, 220039, Belarus  
tel: (0172) 24-47-05  
fax: (0172) 24-41-83

**Ministry of Construction Materials Industry**

3 K. Marx Str.,  
Minsk, 220050, Belarus  
tel: (0172) 27-24-22  
fax: (0172) 27-50-19

**Ministry of Motor Road Construction and Maintenance**

29 Myasnikov Str.,  
Minsk, 220600, Belarus  
tel: (0172) 20-86-94  
fax: (0172) 20-86-95

**Ministry of Housing and Public Utilities**

16 Beson Str.,  
Minsk, 220640, Belarus  
tel: (0172) 20-15-45  
fax: (0172) 20-02-97

**Ministry of Justice**

10 Kollektornaya Str.,  
Minsk, 220084, Belarus  
tel: (0172) 20-97-55  
fax: (0172) 20-96-84

**Ministry of Health Care**

39 Myasnikova Str.,  
Minsk, 220097, Belarus  
tel: (0172) 29-60-95  
fax: (0172) 29-62-97

**Ministry of Information**

11 Masherov Str.,  
Minsk, 220078, Belarus  
tel: (0172) 23-75-74  
fax: (0172) 23-58-25

**Ministry of Education**

9 Sovetskaya Str.,  
Minsk, 220010, Belarus  
tel: (0172) 27-47-36  
fax: (0172) 27-46-29

**Ministry of Culture**

9 Sovetskaya Str.,  
Minsk, 220010, Belarus  
tel: (0172) 29-68-90  
fax: (0172) 20-91-25

**Ministry of Social Welfare**

9 Sovetskaya Str.,  
Minsk, 220010, Belarus  
tel: (0172) 29-60-35  
fax: (0172) 29-69-90

**Major state committees, agencies and public organisations****State Committee for External Economic Relations**

House of Government,  
Minsk, 220010, Belarus  
tel: (0172) 24-17-58  
fax: (0172) 27-39-24

**State Committee for Industry and Inter-Branch Production**

2/4 Partizansky Pros.,  
Minsk, 220033, Belarus  
tel: (0172) 24-95-95  
fax: (0172) 24-87-84

**State Committee for Chernobyl**

14 Lenin Str.,  
Minsk, 220030, Belarus  
tel: (0172) 27-49-87  
fax: (0172) 29-34-39

**State Committee for Ecology**

10 Kollektornaya Str.,  
Minsk, 220084, Belarus  
tel: (0172) 20-66-91  
fax: (0172) 20-55-83

**State Committee for Work Safety in Industry  
and Nuclear Power Generation**

6 Chkalov Str.,  
Minsk, 220039, Belarus  
tel: (0172) 24-51-19  
fax: (0172) 24-41-83

**State Committee for Construction and  
Architecture**

32 K. Marx Str.,  
Minsk, 220060, Belarus  
tel: (0172) 27-80-12

**State Labour and Social Protection Committee**

23 Masherov Pros.,  
Minsk, 220004, Belarus  
tel: (0172) 23-45-21  
fax: (0172) 23-45-21

**State Committee for Anti-Monopoly Policies**

House of Government,  
Minsk, 220010, Belarus  
tel: (0172) 29-69-86  
fax: (0172) 27-22-40

**State Committee for Statistics and Analysis**

12 Partizansky Pros.,  
Minsk, 220658, Belarus  
tel: (0172) 49-52-00  
fax: (0172) 49-22-04

**State Customs Committee**

29-a Khoruzhej Str.,  
Minsk, 220123, Belarus  
tel: (0172) 34-41-41  
fax: (0172) 34-44-16

**Committee for Land Reform and Land  
Management**

8 Komsomolskaya Str.,  
Minsk, 220600, Belarus  
tel: (0172) 26-70-90  
fax: (0172) 26-74-40

**Committee for Petroleum and Chemistry at  
the Council of Ministers**

2 Chervonoarmijska Str.,  
Minsk, 252601, Belarus  
tel: (0172) 226-3127

**Committee for Pharmaceutical and  
Microbiological Industries at the Council of  
Ministers**

17 Varvasheni Str.,  
Minsk, 220029, Belarus  
tel: (0172) 33-70-98  
fax: (0172) 76-94-02

**Committee for Management of State Property  
at the Council of Ministers**

39 Myasnikova Str.,  
Minsk, 220097, Belarus  
tel: (0172) 27-06-42  
fax: (0172) 20-88-47

**State Patent Bureau at the Council of  
Ministers**

66 Pros. F. Skorina,  
Minsk, 220601, Belarus  
tel: (0172) 39-50-53  
fax: (0172) 39-41-30

**Committee for Standardization, Metrology and  
Certification at the Council of Ministers**

93 Starovilensky Trakt,  
Minsk, 220053, Belarus  
tel: (0172) 37-52-13  
fax: (0172) 37-25-88

**Belarussian Republican Union of Consumer Societies**

17 Masherov Str.,  
Minsk, 220611, Belarus  
tel: (0172) 26-80-50  
fax: (0172) 26-91-89

**Chamber of Commerce and Industry**

14 Masherov Str.,  
Minsk, 220004, Belarus  
tel: (0172) 26-98-60  
fax: (0172) 26-99-36

**Belarussian Rail Road Administration**

17 Lenin Str.,  
Minsk, 220745, Belarus  
tel: (0172) 96-44-63  
fax: (0172) 27-25-38

**Belarussian Civil Aviation Administration**

4 Aerodromnaya Str.,  
Minsk, 220065, Belarus  
tel: (0172) 25-03-92  
fax: (0172) 97-38-39

**MINSKEXPO Exposition Centre**

14 Masherov Pros.,  
Minsk, 220600, Belarus  
tel: (0172) 26-91-93/98-90  
fax: (0172) 26-99-36

**Republican Exhibition Centre**

27 Ya. Kupala Str.,  
Minsk, 220600, Belarus  
tel: (0172) 34-00-56  
fax: (0172) 34-30-09

**Associations for promoting business co-operation, unions of entrepreneurship**

**Belarussian Foundation for the Support of Entrepreneurs**

11 Serafimovich Str.,  
Minsk, 220033, Belarus  
tel: (0172) 27-11-94

**Union of Entrepreneurs and Lease-Holders**

16 Berson Str.,  
Minsk, 220079, Belarus  
tel: (0172) 20-26-33

**Union of Entrepreneurs**

13 Internatsionalnaya Str.,  
Minsk, 220050, Belarus  
tel: (0172) 27-11-94

**Belarussian Science and Industry Association**

19 Lenin Str.,  
Minsk, 220030, Belarus  
tel: (0172) 46-47-67

**Association of Commercial Banks**

5 K.Marx Str.,  
Minsk, 220050, Belarus  
tel: (0172) 27-58-41

**National Centre for Strategic Initiatives "East-West"**

10 Sovetskaya Str.,  
Minsk, 220010, Belarus  
tel: (0172) 29-61-56

**Union of Research and Engineering Societies of Belarus**

21 Masherov Str.,  
Minsk, 220126, Belarus  
tel: (0172) 23-86-36

**Belarussian Jewish Association of Scientists, Engineers and Entrepreneurs**

6 Internatsionalnaya Str.,  
Minsk, 220050, Belarus

**Belarussian Inter-Branch Association for Business Co-operation "BELEKS"**

12 Chkalov Str.,  
Minsk, 220039, Belarus  
tel: (0172) 24-99-26  
fax: (0172) 20-91-25

**Belarussian Association for Business Co-operation with Foreign Countries "BELADS"**

14 Skorina Pros.,  
Minsk, 220600, Belarus  
tel: (0172) 27-53-87  
fax: (0172) 27-00-77

**Belarussian-British Association for Business, Scientific and Cultural Co-operation**

2 Melnikaite Str.,  
Minsk, 220004, Belarus  
tel: (0172) 29-30-30

**State corporations, associations and concerns**

**State Concern for Light Industries**

16 K. Tsetkin Str.,  
Minsk, 220050, Belarus  
tel: (0172) 20-30-65  
fax: (0172) 20-79-62

**State Concern for Timber, Wood-Working and Paper Industry**

16 K. Marx Str.,  
Minsk, 220050, Belarus  
tel: (0172) 27-44-83  
fax: (0172) 27-37-71

**Belarussian Concern for Fuel and Gasification**

3 Khoruzhej Str.,  
Minsk, 220005, Belarus  
tel: (0172) 33-37-86  
fax: (0172) 33-50-08

**Belarussian Concern for Water and Land Management**

5 Pushkin Str.,  
Pinsk of Brest province, Belarus  
tel: 2-77-14

**Belarussian Production and Construction Corporation "BELBUD"**

39 Myasnikov Str.,  
Minsk, 220097, Belarus  
tel: (0172) 27-26-41  
fax: (0172) 27-26-42

**Belarussian Concern "BELLEGPROM"**

16 K.Tsetkin Pl.,  
Minsk, 220050, Belarus  
tel: (0172) 20-30-65  
fax: (0172) 20-79-62

**Foreign trade organisations and companies**

**Production Firm "MINSKVNESHSERVICE"**

65 Ya.Kolas Str.,  
Minsk, 220113, Belarus  
tel: (0172) 66-04-73  
fax: (0172) 66-26-04

**Production Firm "BRESTVNESHSERVICE"**

14 Kuibyshev Str.,  
Brest, 224003, Belarus  
tel: (01622) 3-48-97  
fax: (01622) 3-74-80

**Foreign Trade Association "BELARUSINTORG"**

10 Kollektornaya Str.,  
Minsk, 220084, Belarus  
tel: (0172) 20-81-88  
fax: (0172) 20-94-70

**Banks with foreign exchange licence**

1. Belvneshekonombank
2. Belagroprombank
3. Belpromstroibank
4. Belbusinessbank
5. Brestkombank
6. Joint stock bank "Belarus"
7. Joint stock bank "Westbank"
8. Joint stock bank "Vitkombank"
9. Joint stock bank "Dukat"
10. Joint stock bank "Kompleksbank"
11. Joint stock bank "Poisk"
12. Joint stock bank "Priorbank"
13. Commercial bank "Sberbank"
14. Gomelsotsbank
15. Grodnokombank
16. Zhilkombank

- 17. Minskbusinessbank
- 18. Kommertsiya-bank
- 19. Mogobank

### **Commodity and stock exchanges**

#### **Belarussian Stock Exchange**

6 Surganov Str.,  
Minsk, 220012, Belarus  
tel: (0172) 34-91-31

### **Major international transportation**

#### **Commercial Centre of Belarussian Rail Roads**

17 Lenin Str.,  
Minsk, 220030, Belarus  
tel: (0172) 96-46-31  
fax: (0172) 96-46-14

#### **Association for Container Transportation "DORTRANSCONTAINER"**

17 1st Zaporozhsky Per.,  
Minsk, 220037, Belarus  
tel: (0172) 96-46-74  
fax: (0172) 30-86-41

#### **Minsk-2 International Airport**

Smolevicky region,  
Minsk, 222210, Belarus  
tel: (0172) 97-34-61  
fax: (0172) 97-31-71

#### **LUFTHANSA Office**

31 Masherov Pros.,  
Minsk, 220082, Belarus  
tel: (0172) 26-83-70

#### **Minskintertrans (Automobile)**

5 Oleshev Str.,  
Minsk, 220090, Belarus  
tel: (0172) 66-01-48  
fax: (0172) 62-14-04

### **Foreign Embassies**

#### **Bulgaria**

5 Bronevoi Per.,  
Minsk, 220034, Belarus  
tel: (0172) 36-56-61/76-15/70-56

#### **China (People's Republic)**

15 Storozhevskaya (Hotel "Belarus")  
Minsk, Belarus  
tel: (0172) 69-04-01/04-04/04-05

#### **Czech and Slovak republics**

5a Bronevoi Per.,  
Minsk, 220034, Belarus  
tel: (0172) 36-94-11/36-34-50

#### **France**

15 Storozhevskaya Str.,  
Minsk, Belarus  
tel: (0172) 69-06-02/08-02/34-34-43

#### **Germany**

6 Rumyantsev Str.,  
Minsk, 220034, Belarus  
tel: (0172) 33-51-09

#### **India**

4-5 Koltsova Str.,  
Minsk, Belarus  
tel: (0172) 62-93-99/62-99-70

#### **Italy**

15 Storozhevskaya (Hotel "Belarus")  
Minsk, Belarus  
tel: (0172) 34-30-46/69-05-06

#### **Israel**

15 Storozhevskaya (Hotel "Belarus"),  
Minsk, Belarus  
tel: (0172) 69-08-03/04/05/06

#### **Japan**

Engels Str. (Hotel "Oktyabrskaya"),  
Minsk, Belarus  
tel: (0172) 27-47-18/26-13-90

**Kyrgyzstan**

15 Storozhevskaya (Hotel "Belarus"),  
Minsk, Belarus  
tel: (0172) 39-17-81/86/29-34-35

**Latvia**

15 Storozhevskaya Str. (Hotel "Belarus"),  
Minsk, Belarus  
tel: (0172) 39-16-31/16-12

**Lithuania**

no permanent address

**Poland**

6 Rumyantseva Str.,  
Minsk, Belarus  
tel: (0172) 33-11-44/25-16/51-09

**Romania**

21/2 "Drozdy" Residential Development  
Minsk, Belarus  
tel: (0172) 23-83-64

**The Russian Federation**

tel: (0172) 50-36-65/66/64

**Turkey**

17 Kirov Str.,  
Minsk, Belarus  
tel: (0172) 27-13-83/14-08

**Ukraine**

16 "Drozdy" Development, 17 Kirov Str.,  
Minsk, Belarus  
tel: (0172) 27-27-96/28-61/23-54

**United Kingdom**

26 Zakharova Str.,  
Minsk, Belarus  
tel: (0172) 33-07-52/27-14

**USA**

46 Starovilenskaya Str.,  
Minsk, Belarus  
tel: (0172) 31-50-00/34-77-61

**International organisations****International Monetary Fund**

Rm 158, House of Government,  
Minsk, Belarus  
tel: (0172) 20-25-33

**United Nations**

17 Kirova Str.,  
Minsk, Belarus  
tel: (0172) 27-48-76/81-49

**Major international hotels****YUBILEINAYA**

19 Masherov Pros.,  
Minsk, 220078, Belarus  
tel: (0172) 26-90-23  
fax: (0172) 23-11-43

**PLANETA**

31 Masherov Pros.,  
Minsk, 220082, Belarus  
tel: (0172) 26-78-53  
fax: (0172) 23-11-43

**MINSK**

11 Skorina Pros.,  
Minsk, 220050, Belarus  
tel: (0172) 20-01-32  
fax: (0172) 20-00-92

**BELARUS**

15 Storozhevskaya Str.,  
Minsk, 220029, Belarus  
tel: (0172) 20-08-50  
fax: (0172) 39-18-66

**Duty-free shops****PAVLINKA**

19 Skorina Pros.,  
Minsk, 220050, Belarus  
tel: (0172) 27-61-17

## **Tourist bureaus**

### **BELINTOURIST**

19 Masherov Pros.,  
Minsk, 220078, Belarus  
tel: (0172) 26-90-18  
fax: (0172) 23-11-43

## **Major restaurants**

### **BELARUS**

15 Storozhevskaya Str.,  
Minsk, 220002, Belarus  
tel: (0172) 34-33-65

### **ORBITA**

39 Pushkin Pros.,  
Minsk, 220082, Belarus  
tel: (0172) 55-02-60

### **PLANETA**

23 Masherov Pros.,  
Minsk, 220004, Belarus  
tel: (0172) 26-78-58

### **POTSDAM**

2 Lenin Str.,  
Minsk, 220030, Belarus  
tel: (0172) 27-80-23

### **SVITYAZ**

84a Skorina Pros.,  
Minsk, 220012, Belarus  
tel: (0172) 64-80-81

### **TROITSKOYE PREDMESTYE**

10a Starovilenskaya Str.,  
Minsk, 220029, Belarus  
tel: (0172) 68-64-02

### **YUBILEINYJ**

19 Masherov Pros.,  
Minsk, 220082, Belarus  
tel: (0172) 26-91-60

## **J. LIST OF LAWS AND REGULATIONS RELEVANT TO FOREIGN INVESTMENT**

1. Law "On Fundamentals of Foreign Economic Activities of Belarussian SSR" (October 25, 1990).
2. Law "On Enterprises in the Republic of Belarus" (December 14, 1990)
3. Law "On Banks and Banking in the Republic of Belarus" (December 14, 1990)
4. Law "On Property in the Republic of Belarus" (December 11, 1990)
5. Law "On the National Bank of the Republic of Belarus" (December 14, 1990)
6. Law "On Entrepreneurship in the Republic of Belarus" (May 28, 1991)
7. Law "On Investment Activities in the Republic of Belarus" (May 29, 1991) with amendments from April 24, 1992)
8. Law "On Economic Non-Viability and Bankruptcy" (May 30, 1991).
9. Regulation by the Council of Ministers "On the Procedures for Opening and Operation in the Republic of Belarus of Representative Offices of Foreign Firms and Organizations and their Branches (Subsidiaries)" (June 21, 1991, No 242)
10. Temporary Regulation "On Auditing in the Republic of Belarus" (approved by Decree of the Council of Ministers of September 30, 1991)
11. Recommendations by the National Bank of the Republic of Belarus "On Procedures for the Establishment and Registration on the Territory of the Republic of Belarus of Wholly Foreign-Owned Banks (Foreign Banks), Bank Joint Ventures and Branch (Representative) Offices of Foreign Banks" (October 17, 1991)
12. Law "On Foreign Investment on the Territory of the Republic of Belarus" (November 14, 1991 with amendments from 16 June 1993)
13. Regulation by the Council of Ministers "On the Procedure for Approval of Investment Projects in Capital Construction" (November 29, 1991, No 451)
14. Regulation by the Council of Ministers "On the Approval of Procedures for the Evaluation of Authenticity in Non-Monetary Contributions to Authorized Statutory Funds" (November 29, 1991, No 454)
15. Regulation by the Council of Ministers "On the Procedure of Declaring Amounts and Sources of Investment on the Territory of the Republic of Belarus" (November 29, 1991, No 456 with the amendments of March 30, 1993)
16. Law "On Land Tax" (December 18, 1991)
17. Law "On Excise Tax" (December 19, 1991)
18. Law "On Value-Added Tax" (December 19, 1991)
19. Law "On Taxes and Charges Levied for the Budget of the Republic of Belarus" (December 20, 1991 with amendments from March 17, 1992 and December 22, 1992)
20. Law "On Taxes on Income and Profits of Enterprises, Associations and Organizations" (December 22, 1991 with amendments from May 17, 1992 and December 22, 1992)
21. Law "On Fuel Tax" (December 22, 1991)
22. Law "On Natural Resources Charge (Ecology Tax)" (December 23, 1991)
23. Law "On Tax on Real Estate" (December 23, 1991)
24. Law "On Income Tax of Individuals" (December 31, 1991 with amendments from March 17, 1992 and December 22, 1992)

25. Regulation by the Council of Ministers "On Liberalization of Foreign Economic Activities" (January 4, 1992, No 5)
26. Law "On Transit Tax" (January 9, 1992 with amendments from December 22, 1992)
27. Law "On the Export and Import Tax" (January 10, 1992 with amendments from December 23, 1992)
28. Law "On Stamp Duty" (January 10, 1992)
29. Regulation by the Council of Ministers "On the Development of Entrepreneurship and Establishment of the Belarussian Fund for the Financial Support of Entrepreneurs" (January 28, 1992, No 36)
30. Regulation by the Council of Ministers "On the Formation of Foreign Enterprises on the Territory of the Republic of Belarus" (February 24, 1992, No 97)
31. Law "On Securities and Stock Exchange" (March 12, June 1, 1992)
32. Decree by the Supreme Council of the Republic of Belarus "On Provisional Procedures for Foreign Currency Regulation and the Execution of Currency Regulations on the Territory of the Republic of Belarus" (20 March, 1992 with the amendments of 11 December 1992)
33. Regulation by the Council of Ministers "On the Approval of Rates for Individual Income Taxation" (April 16, 1992, No 211)
34. Decree by the Supreme Council of the Republic of Belarus "On the Membership of the Republic of Belarus in the International Monetary Fund, International Bank for Reconstruction and Development, International Financial Corporation and Multilateral Investment Guarantee Agency" (April 24, 1992)
35. Regulation by the Council of Ministers "On the Investment Activities of Belarussian Entrepreneurs Abroad" (May 29, 1992, No 324)
36. Regulation by the Council of Ministers "On the Procedure for Defining Own Production (Goods and Services) of Foreign Enterprises and Joint Ventures Operating in the Territory of the Republic of Belarus" (July 10, 1992, No 421)
37. Regulation by the National Bank "On Provisional Procedures for the Execution of Currency Operations in the Territory of the Republic of Belarus" (July 13, 1992, No 18)
38. Regulation by the Council of Ministers "On Foreign Borrowing in the Republic" (August 24, 1992, No 518)
39. Regulation by the Council of Ministers "On Improvement of Foreign Economic Activities" (September 14, 1993, No 556)
40. The Law "On the Protection of the Environment" (November 26, 1992)
41. Law "On Joint-Stock Companies, Limited Liability Companies and Extended Liability Companies" (December 9, 1992)
42. Law "On Counteracting Monopolism and Encouraging Competition" (December 10, 1992)
43. Regulation by the Supreme Council of the Republic of Belarus "On the Formation and Use of Currency Funds of the Republic of Belarus in 1993" (December 15, 1992).
44. Regulation by the Council of Ministers "On the Currency and Credit Committee of the Council of Ministers of the Republic of Belarus" (December 31, 1992, No 796)
45. Law "On Privatisation of State Property in the Republic of Belarus" (January 19, 1993)
46. Regulation by the Council of Ministers "On the Approval of the National Resources Charge Rates" (January 20, 1993, No 35)
47. Law "On Patents for Inventions" (February 5, 1993)
48. Law "On Patents for Industrial Models" (February 5, 1993)
49. Law "On Trademarks and Service Marks" (February 5, 1993)
50. Regulation by the Council of Ministers "On Improving Organizational Work for Attracting and Using Foreign Loans Constituting External Debt of the Republic of Belarus" (February 8, 1993, No 63)
51. Customs Code of the Republic of Belarus (February 3, 1993)
52. Law "On Customs Tariff" (February 3, 1993)

53. Regulation by the Council of Ministers "On Establishing Quotas for Importing/Exporting Securities in the Republic of Belarus and on Regulating the Inter-state Market for Securities" (February 8, 1993, No 64)
54. Regulation by the Council of Ministers "On the Minimum Amount of Authorized Capital Funds for Closed and Open Joint-Stock Companies, Limited Liability Company and Extended Liability Company" (February 15, 1993, No 75)
55. Regulation by the Council of Ministers "On Approval of the List of Commodities for External Economic Activities of the Republic of Belarus" (April 8, 1993, No 216)
56. Regulation by the Council of Ministers "On the Uniform Order of Licensing and Quotas for Export and Import of Goods (Works, Services) on the Territory of the Republic of Belarus" (May 25, 1993, No 344)
57. Regulation by the Council of Ministers "On Approval of the List of Essential Goods Manufactured by an Enterprise with Foreign Investment". The Council of Ministers may reduce profit tax by 50 percent for a 3 year period. (May 26, 1993, No 345)
58. Law "On Insurance" (June 3, 1993)
59. Law "On the Right of Land Ownership" (June 16, 1993)
60. Regulation by the Council of Ministers "On Measures for Elaborating and Implementing Investment and Technical Assistance Projects Financed by the European Bank for Reconstruction and Development" (June 16, 1993, No 399)
61. Regulation by the Council of Ministers "On the Amendment of Export and Import Tax Rates" (June 25, 1993, No 419)
62. Regulation by the Council of Ministers "On Approval of Procedures for State Registration of Economic Activities, Consumers' Cooperatives, Registration of Amendments to the Founding Documents, and on the Termination of Certain Governmental Regulations" (July 11, 1993, No 387)
63. Regulation by the Council of Ministers "On Amending the Procedure for Licensing Investment Activities in Capital Construction" (July 19, 1993, No 473)
64. Regulation by the Council of Ministers and the National Bank "On Measures for Regulating Trade and Economic Relationships and Mutual Settlements with the States Formerly Integrated into the USSR" (August 11, 1993, No 536/20)
65. Rules for the Execution of Foreign Exchange Operations at the Inter-bank Foreign Currency Exchange (September 7, 1993)
66. Regulation by the Council of Ministers "On Amendments to Temporary Regulation of Procedures for Issuing Permits (Licences) to Belarussian Companies" (December 10, 1993, No 832)
67. Law "On Amendments to the Legislative Acts of the Republic of Belarus on Taxation Issues" (January 1, 1994)
68. Regulation by the Council of Ministers and the National Bank of the Republic of Belarus "On the Procedure for the Mandatory Sale of Hard Currency Revenue by Belarussian Companies" (February 28, 1995, No 114/1)

## NOTES

According to a regulation passed by the Council of Ministers on "Improving the management structure of the Belarussian Government" (March 14, 1994, No 145) some of ministries and committees changed their names (see the table below).

Old Name	New Name	Address
1. Ministry of Resources	Joint-stock company "Belcontract"	4 Kazinets str., Minsk 220099 Belarus tel (0172) 78 80 17 fax (0172) 78 85 16
2. Committee for Petroleum and Chemistry at the Council of Ministers	State Concern "Belhimneftprom"	73 Dzerjinski av., Minsk 220116 Belarus tel (0172) 71 96 03 fax (0172) 71 97 00
3. Ministry of Energy	Ministry of Fuel and Energy	32 K. Marx Str., Minsk 220677 Belarus tel (0172) 29 83 46 fax (0172) 29 84 68
4. Ministry of Culture and Ministry of Information	Ministry of Culture and Press	9, Sovetskaya Str., Minsk 220010 Belarus tel (0172) 29 68 90 fax (0172) 20 91 25
5. State Committee for External Economic Relations	Ministry of External Economic Relations	House of Government Minsk 220010 Belarus tel (0172) 24 17 58 fax (0172) 27 39 24
6. State Committee for Economy and Planning	Ministry of Economy	House of Government Minsk 220010 Belarus tel (0172) 29 69 44 fax (0172) 29 63 35
7. State Committee for Ecology	Ministry of Natural Resources and Environmental Protection	10 Kollektornaya str., Minsk 220084 Belarus tel (0172) 20 68 91 fax (0172) 20 55 83
8. Committee for Management of State Property at the Council of Ministers	Ministry of State Property and Privatisation	39 Myasnikova str., Minsk 220097 Belarus tel (0172) 27 06 42 fax (0172) 20 88 47