



Center for
European
Governance
& Economy




Belarus Investment Brief

1st Eastern Partnership Investment Forum:
10 Years after Prague

10-11 July 2019
Batumi, Georgia

#strongertogether
#eapinvest

GENERAL INFORMATION FOR 2017

 **Population**
9.468 Millions

 **Land area**
(n) 202 988 km²

 **GDP**
54 441 Millions current US\$

 **GDP growth**
2.45 %

INTERNATIONAL MERCHANDISE TRADE

Total merchandise trade

(millions of US\$)

	2005	2010	2015	2017
Merchandise exports	15 979	25 284	26 660	29 240
Merchandise imports	16 708	34 884	30 292	34 235
Merchandise trade balance	-729	-9 601	-3 631	-4 995

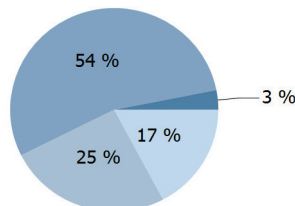
+24.2 %

Merchandise exports
growth rate in 2017

Export structure by product group in 2017

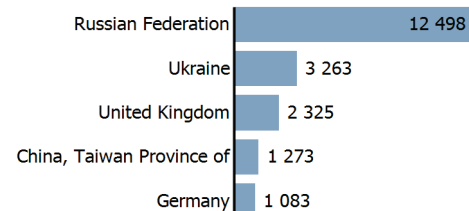
(as % of total exports)

-  All food items
-  Fuels
-  Manufactured goods
-  Other



Top 5 partners in 2017

(exports, millions of US\$)



INTERNATIONAL TRADE IN SERVICES

Total trade in services

(millions of US\$)

	2005	2010	2015	2017
Services exports	2 342	4 796	6 634	7 819
Services imports	1 141	3 007	4 390	4 830
Services trade balance	1 201	1 789	2 243	2 989

Services exports by main category

(as % of total services)

	2005	2010	2015	2017
Transport	57.3	61.8	44.1	44.2
Travel	10.8	9.2	11.0	10.1
Other services	18.7	22.8	40.3	39.3

ECONOMIC TRENDS

Economic indicators

(millions of US\$ unless otherwise specified)

	2005	2010	2015	2017
GDP, current	31 232	57 232	56 455	54 441
GDP per capita, current US\$	3 246	6 042	5 952	5 750
Real GDP growth, y-on-y, %	9.44	7.75	-3.83	2.45
Current account balance, % of GDP	1.46	-14.47	-3.24	-1.59
Exchange rate (/US\$)	0.215	0.298	1.593	1.932

+2.4 %

Gross domestic product
growth rate in 2017

FDI AND EXTERNAL FINANCIAL RESOURCES

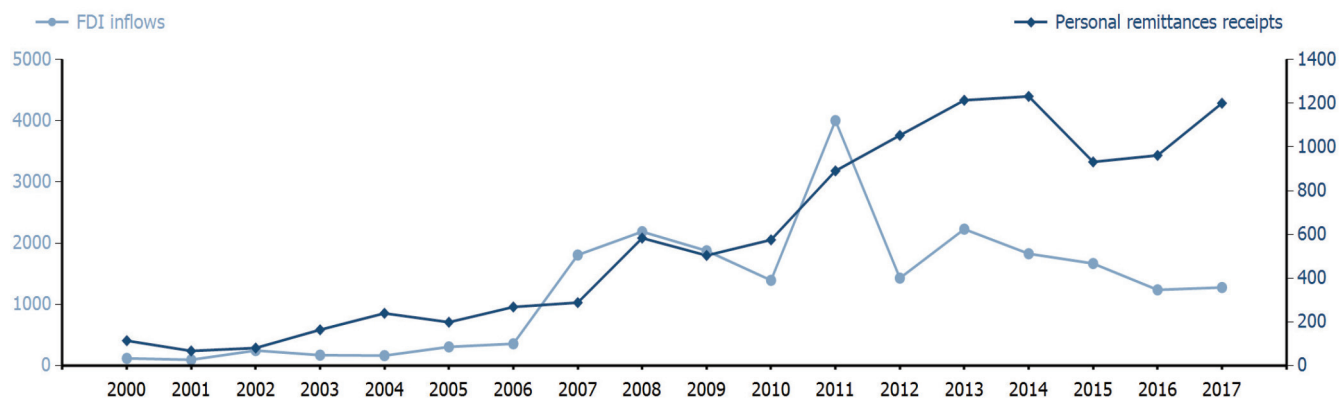
Financial flows

(millions of US\$ unless otherwise specified)

	2005	2010	2015	2017
FDI inflows	306.60	1 393.40	1 667.90	1 276.40
FDI outflows	2.50	50.60	122.20	33.90
Personal remittances, % of GDP	0.63	1.01	1.65	2.22

Financial flows trends

(millions of US\$)



TRADE IN GOODS AND SERVICES

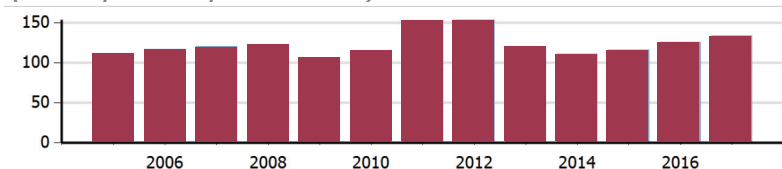
Trade balance indicators

(as % and index)

	2005	2010	2015	2017
Balance, % of GDP	1.09	-13.10	0.18	0.17
Balance, % of imports	1.99	-20.38	0.31	0.26
Normalized balance	0.010	-0.113	0.002	0.001

Trade openness

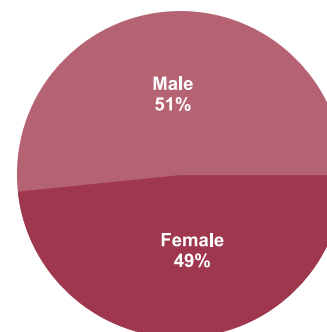
(sum of imports and exports as % of GDP)



LABOUR FORCE

Labour force by gender in 2017

(as % of total labour force, all sectors)



AGRICULTURE

Sector Highlights

Contribution to GDP: 7.8% (2017)

Exports: \$4.9 billion (16.8% of total exports) (2017)

FDI: \$102 million (1.2% of total FDI) (2017)

Output: \$4.0 billion (2017)

The agriculture sector in Belarus is characterized by accelerating privatization and consolidation, with the number of unprofitable firms declining. The sector is dominated by large agribusiness operations, with agricultural organizations accounting to 79.3% of total output in 2017. It currently exports to 77 different countries.

The structure of sown areas is led by fodder crops (44.4%), grains and legumes (40.4%), industrial crops (9.4%), potatoes (4.7%), and vegetables (1.1%). Belarus's agriculture exports are led by dairy products, vegetables, meat products, fresh fruit and berries, fish products, and confectionary and flour products. In 2017, the export of agriculture products increased by 16% on an annual basis (investinbelarus.by).



The EU provides development financing under the EU-Belarus Program for Private Sector Development, a four-year, €4.8 million project aimed at supporting small and medium enterprises by stimulating investments and adopting PPP mechanisms (<https://eeas.europa.eu>).

Incentives and Enabling Infrastructure

The government of Belarus provides tax and land use incentives for agricultural investors. This includes exemptions from import and customs duties and VAT when importing technological equipment, as well as full VAT deductions. The government also allows investors to lease land plots without holding an

auction. Investors operating in specially-designated small and medium-sized towns are exempt from all real estate taxes and from income taxes for up to seven years (investinbelarus.by). Partnership Opportunities and PPPs



The government of Belarus is seeking international investors as it continues to privatize major state-owned industries. Major investment opportunities promoted by the government include: potato flake production at Vostok OJSC (projected annual revenue of \$4.9 million); flour confectionary goods production at Konfa OJSC (\$2.7 million in sales in 2017); sugar beet production at Skidelsky Sugar Plant OJSC; and greenhouse facilities at Vostok OJSC (projected annual revenue of \$2.6 million) (investinbelarus.by).

MANUFACTURING

Sector Highlights

Contribution to GDP: 26.8% (2017)

FDI: \$2.6 billion (31% of total FDI, 2017)

Belarus continues to benefit from its legacy as an engineering and industry powerhouse, characterized by a high level of diversification and capitalization in the industrial sector. The accelerated pace of privatization and foreign direct investment have helped the sector modernize in recent years. The country's manufacturing sector accounts for more than one-quarter of total GDP and more than one-third of all capital assets, making Belarus one of Europe's most industrialized countries.

Leading subsectors include freight vehicles and construction machinery, agricultural machinery, fertilizers, refrigerators and domestic appliances, furniture, and chemical fibers. Not including processed food products, the largest subsectors by share of total production are coke and refined petroleum products (15.9% of total), chemicals and chemical products (10.1% of total), rubber and plastic products (7.3%), metals (8.6%), and ma-

chinery and equipment (7.4%) (belstat.gov.by). Key exportable subsectors include minerals, chemical products, machinery and equipment (each accounting for roughly one-fifth of total industrial exports).

Incentives and Enabling Infrastructure

Manufacturing in Belarus has benefited from government efforts to attract foreign investment. The government has established favorable investment regimes in all regions of the country, including six free economic zones (FEZs) aimed at fostering high-tech manufacturing (mfa.gov.by).



FEZ residents enjoy privileges including income tax exemption for five years following the date of profit declaration (followed by a 50% discount on standard tax rates); a 50% VAT discount on import-substituting goods sold on the territory of Belarus, and an exemption on real estate taxes. One notable recent manufacturing initiative is the Great Stone China-Belarus Industrial Park in Minsk region, an 8,048-hectare area that can support up to 120,000 employees. The park is intended to foster production of electronics, pharmaceuticals, and chemical products.

Partnership Opportunities and PPPs

The government is currently considering proposals to privatize OJSC Krion, a producer of industrial gases. The firm provides key inputs for industrial production (oxygen, nitrogen, argon) and currently accounts for more than 60% of industrial gas sales in the domestic market (investinbelarus.by). Privatization proposals are also being considered for investment in OJSC Lenta, the country's largest manufacturer of textiles. More than 50% of Lenta's products are bound for export. Another firm to which investment opportunities are being solicited is OJSC Lakokraska, the country's largest paint manufacturer. The company is currently under state ownership and the government is seeking to forge a partnership with a strategic investor (investinbelarus.by).

ENERGY

Sector highlights

Exports: 1.6 mtoe (net imports of 21 million tons, 2016)

Output: 3.65 mtoe (2016)

Belarus is embedded in the common energy framework established by the EAEU, which includes common markets for electricity, oil, and natural gas to be established in stages by 2025. Belarus is also an important transit country for gas shipments between Russia and the European Union. The country's energy supply (most of which is imported) is dominated by natural gas (63.4%), oil (28%), biofuels (5.6%), and coal (3%) (2015 figures, energy-community.org). In 2017, the primary sectors of primary energy production included peat (2 million tons), firewood (5.8 million metric tons), and crude oil (1.6 million tons) (belstat.by).

The country's largest producer of electricity is the state-owned Belenergo SPA (total installed capacity of 9,020.7 MW), most of which is accounted for by thermal power based on natural gas. Belenergo accounts for the majority of electricity consumed in the country. Hydroelectric power plants (HPPs) and wind power plants account for small portions of the electricity mix (energy-community.org). Moreover, the government has implemented an Energy Saving Program that envisages by 2020 having 135 operational plants using renewable resources.

Belarus has also emphasized renewable energy and energy efficiency. In 2017 it adopted an EU-endorsed roadmap aimed at scaling up investments in energy efficiency (euneighbours.eu). Belarus has access to €10 million in funding from the Eastern Europe Energy Efficiency and Environment Partnership, an EBRD-managed trust fund to support economic development. The funds are available for projects aimed at increasing energy efficiency in the electricity and manufacturing sectors (eas.europa.eu). Belarus is not currently a member of the European Energy Community, although the EU has stressed that Belarus's membership in the EAEU is compatible with much of the



Energy Community's regulatory framework (energy-community.org). The EU is promoting areas in which Belarus can integrate its energy market into both multinational structures.

Incentives and Enabling Infrastructure

The legislation of Belarus permits foreign investors to build and own new power plants. It also guarantees connection of independent power producers to the state electricity networks as well as purchase of their output. Private electricity producers account for a small but growing portion of the market. The government has also established incentives to support investments in renewable energy. Such investors are exempt from VAT when importing renewable energy installations, and the facilities used for production of renewable energy are exempted from land taxes (energy-community.org). State support is thus provided by a combination of tax benefits and legal guarantees.

Partnership Opportunities and PPPs

The government is currently soliciting investments in the renewable energy market, in particular HPPs, wind power plants, biomass energy production, and solar energy (investinbelarus.by). The government estimates the renewable energy market has the potential to produce to 80 million tons of oil equivalent, which exceeds current total energy consumption.

INFRASTRUCTURE

Sector Highlights

Contribution to GDP: 13.3% (transport, tourism, and construction sectors combined, 2017)

FDI: \$1.9 billion (2017)

Output: \$724.9 million (2017)

Key trends in Belarus's infrastructure sector are related to transit and tourism. The country is a participant in notable rail and road projects under both the EU-led Trans-European Networks-Transport (TEN-T) and the Chinese-led Belt and Road Initiative (BRI). Both initiatives aim to improve connectivity between Europe and Asia through channels traversing Eastern Europe.

The country's existing transit structure emphasizes pipelines (43% of total transit), railways (35%), and highways (20%), with airports and inland waterways accounting for smaller shares (1%, respectively) (investinbelarus.by). Notable infrastructure includes the Druzhba (oil) and Yamal-Europe (natural gas) pipelines, both of which transit Russian energy supplies to the EU. Belarus currently has 5,490 km in railways, most of which are operated by the state-owned Belarusian Railways.

Tourism infrastructure has also expanded to accommodate growing numbers of visitors. In 2017, tourism accounted for \$1.1



billion (2% of GDP). More than 200,000 people are currently employed in the tourism sector (investinbelarus.by). Roughly 1.1 million visits were made in 2017, with more than two-thirds of visitors coming from Russia.

The EU-led Trans-European Networks-Transport (TEN-T) initiative, covers 12 projects €1.2 billion in investments. Projects are aimed at developing the country's railways, roads, and border connections, the largest of which (€310 million) is the construction of a border installation with Russia at Dudarevo.

Incentives and Enabling Infrastructure

The government of Belarus has put in place a preferential tax and customs regime for companies operating in the logistics sphere. Investors are exempted from real estate tax and land rent indefinitely and from income tax for up to 10 years. Moreover, raw materials and equipment are exempt from customs duties (investinbelarus.by). The government established the Bremino-Orsha Special Economic Zone (SEZ) as a multimodal logistics platform to facilitate transit of goods between the EU and EAEU. The SEZ includes rail and truck terminals as well as industrial facilities. The 230-hectare SEZ is divided into a logistics zone and an industrial zone and can be used as a base for both manufacturing and shipping (investinbelarus.by).

Partnership Opportunities and PPPs

In 2014, the government established the Public-Private Partnership Center to facilitate FDI into Belarus. Current opportunities promoted by the center are in the transportation sector.

TRADE REGIMES

Free trade: Eurasian Economic Union (EAEU) countries (Armenia, Russia, Kazakhstan, Kyrgyzstan), Azerbaijan, Georgia, Moldova, Serbia, Tajikistan, Turkmenistan

GSP: Japan, Switzerland, Turkey

Organizers:



Sponsors:



Partners:



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