

2 General Information

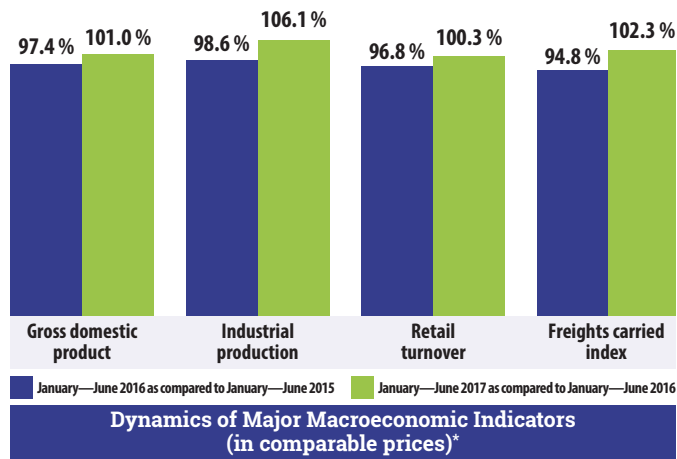
The economy of the Republic of Belarus is open and export-oriented. The major branches of the Belarusian economy include the processing industry, agriculture, construction, trade and transport.

Belarus ranks among the world's largest exporters of potash fertilizers, freight vehicles, tractors, road-building and utility machinery, and it occupies an increasingly prominent position in the sphere of software development and computer services.

Belarus adheres to the socially-oriented model of the market economy when selective state control over some spheres of economic activity is maintained.

In recent times the Belarusian economy has been functioning against a backdrop of external economic environment. However, macroeconomic stabilization has been achieved in Belarus due to stern measures in monetary, fiscal and budgetary policy. Analysts express cautious optimism on coherent and gradual solution of major problems the national economy faces.

There is a tendency to restore economic growth, which is facilitated by the gradual recovery in external and domestic demand against a backdrop of the gradual easing of conditions on the financial markets.



In 2017, inflation has declined below the inflation target, the positive dynamics in the balance of payments has been achieved. The Republic runs a budget surplus. Economic growth is predicted to accelerate.

Despite significant obligations in relation to foreign currency debt servicing, the National Bank of the Republic of Belarus manages to increase international reserves.

In 2010—2016, the country's GDP went up 3.2 % in comparable prices, while the growth of labor productivity in that period was 10.2 %.

GDP per capita based on purchasing power parity (PPP) increased from \$ 15 400 in 2010 to \$ 17 500 in 2016. In GDP (PPP) per capita, Belarus ranked 4th among the CIS countries, outpacing Armenia, Turkmenistan and Ukraine.

According to macro reviews of the Eurasian Development Bank, the country's GDP growth of 1.2 % is expected in 2018—2019.



Stimulation of Business Initiative

In 2010, Belarusian authorities adopted policies aimed at the creation of most favorable environment for local and foreign businesses. In 2017, President of the Republic of Belarus Alexander Lukashenko instructed the government to prepare a package of documents to stimulate business activity.

This is not the first step towards business community: in 2016, Belarus adopted a number of legal acts aimed at creating favorable conditions for doing business. Every year these efforts are recognized by the World Bank in Doing Business ranking.

Further liberalization of the economic environment involves fundamental reforms of relations between the government and business community/organizations regarding the encouragement of development, export promotion, development of tender infrastructure, measures of control, payment of taxes, etc.

Tax, customs duty and other concessions are provided to small businesses in rural areas and small towns. For example, when using a specific tax regime, small enterprises may pay only one tax (amounting to 3—5 % of the revenue), and maintain records according to the simplified procedure.

Free Economic Zones

There are 6 free economic zones in Belarus (FEZs). They are aimed at fostering high-tech manufacturing.

The core objectives of FEZs are to attract foreign and local investments to develop and promote export-oriented industries; create jobs; promote exports. Like all over the world special customs, registration and tax regimes of FEZs provide enterprises with an opportunity to work in particularly favorable conditions.

Belarusian Free Economic Zones

- ▶ "Brest"
- ▶ "Gomel-Raton"
- ▶ "Minsk"
- ▶ "Vitebsk"
- ▶ "Mogilev"
- ▶ "Grodnoinvest"

Main Privileges for FEZ Residents

- ▶ Income tax exemption for a period of 5 years from the date of profit declaration, then a 50 % discount of the standard tax rate applies;
- ▶ 50 % VAT discount for import-substituting goods sold on the territory of Belarus;
- ▶ The residents are entitled to an exemption of real estate taxes on the property located on the territory of FEZs.



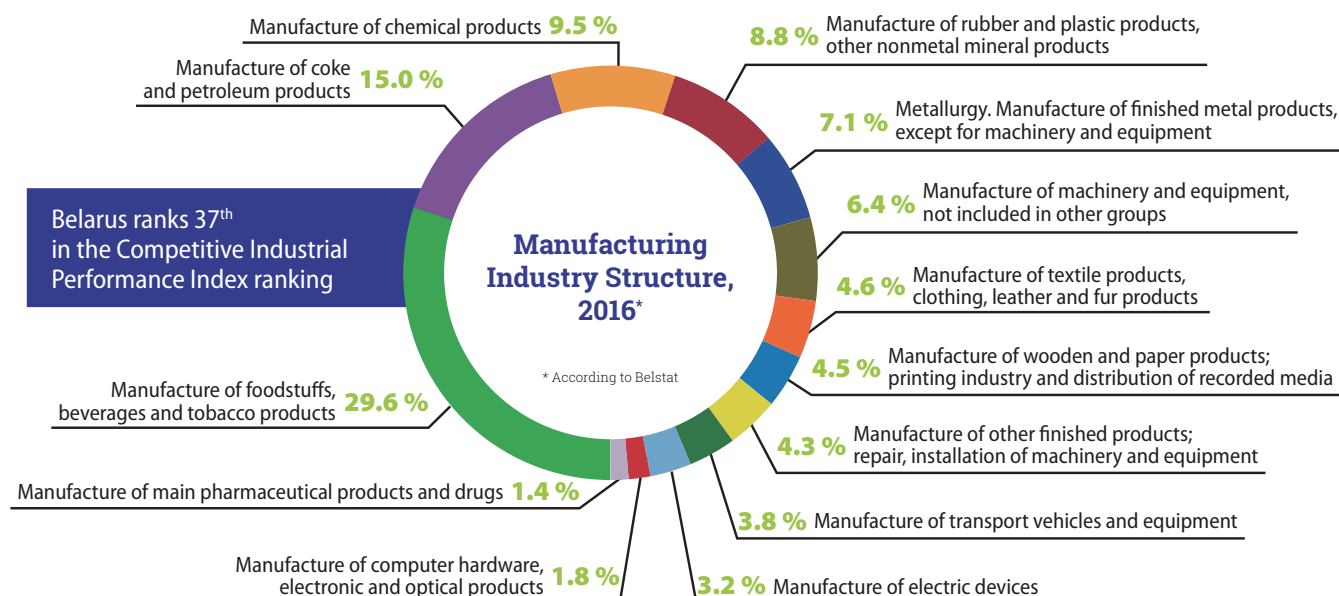
Banking System

Belarus has a two-level banking system consisting of the National Bank of the Republic of Belarus (the central bank) and second-tier commercial banks. As of 01.07.2017 it is comprised of 27 banks and non-bank financial institutions, that provide banking services.

The Development Bank of the Republic of Belarus operates in the country with the main goals to finance government programs, implement socially significant investment projects and export crediting.



The manufacturing sector accounts for a quarter of the gross domestic product, about 35 % of all capital assets are concentrated in this segment, and 23 % of the population is employed in the sector.



Top 10 Belarusian Products


Freight vehicles, road-building and construction machinery


Fuel


Flax fiber


Refrigerators and domestic appliances


Meat products


Tractors and agricultural machinery


Fertilizers


Furniture


Chemical fibers and yarns


Dairy products

Chemical and Petrochemical Industry

Belarus specializes in the production of potash, nitrogen and phosphate fertilizers, fuel and other petroleum products, which are in high demand in foreign markets.

Enterprises of the petroleum-refining industry are modern complexes that specialize in the manufacture of high quality petroleum products exported to the EU and EAEU countries.

Key enterprises of the industry, including those specializing in plastics and synthetic resin manufacturing, are members of Belneftekhim (Belarusian State Concern for Oil and Chemistry).

Belarusian State Concern for Oil and Chemistry

- ▶ Over 60 enterprises
- ▶ Compliance with the requirements of ISO 9000 standard of QMS
- ▶ Products exported to more than 100 countries

Key Enterprises of the Industry

- ▶ Belaruskali, OJSC
- ▶ GrodnoAzot, OJSC
- ▶ Naftan, OJSC
- ▶ Mozyr Oil Refinery, OJSC

Mechanical Engineering

Belarus specializes in the manufacturing of freight vehicles, buses and special-purpose vehicles. Agricultural machinery is manufactured here as well.

Minsk Automobile Plant is among the world's leading producers of quarry equipment. It accounts for a third of the global market of rock haulers.

Minsk Tractor Works exports its' products to markets of more than 60 countries and has assembly plants in different counties all over the world.

Road building machinery by Amkodor, trams and trolleybuses by Belcommunmash, electric trains, which Belcommunmash manufactures together with Stadler (Switzerland), are widely known outside Belarus.

Key Enterprises of the Industry

- ▶ Minsk Automobile Plant, OJSC
- ▶ Belarusian Automobile Plant, OJSC (Žodzina)
- ▶ Minsk Tractor Works, OJSC
- ▶ Amkodor, OJSC
- ▶ Belcommunmash, OJSC

Metallurgical Complex

The metallurgical complex includes enterprises which produce steel pipes and tubes, cast sections, bars, wire rod for various applications, steel cord, metalware, etc. The largest manufacturer of ferrous products in Belarus is Belarusian Steel Works, OJSC (Žlobin).

Electrical Engineering

The industry is represented by several large holdings and enterprises specializing in manufacturing of high quality electrical equipment, i.e. electric transformers, cabling and wiring products, electric engines, elevator equipment, electric energy meters and electricity distribution equipment.

Key Enterprises of the Industry

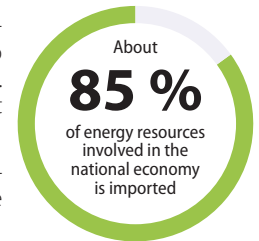
- ▶ Minsk Electrotechnical Plant named after V. I. Kozlov, OJSC
- ▶ Mogilevliftmash, OJSC
- ▶ Belaruskabel, OJSC
- ▶ Brest Electrotechnical Plant, OJSC

Fuel and Energy Sector

This sector includes systems of production, transportation, storage and manufacture of all kinds of energy resources.

The decision to build in Belarus a nuclear power plant with the capacity of up to 2.400 MW (2 × 1200) was made in 2008. The NPP will allow reducing the prime cost of energy produced by up to 20 %.

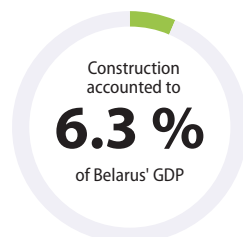
The first nuclear power plant unit is expected to be put into operation in 2019, and the second will be launched in 2020.



Construction Sector

Construction materials production enterprises constitute the core of the industry. The key sector is housing construction, which is supported by the government.

Housing construction is one of Belarus social policy priorities. Despite the tough economic environment, caused by the consequences of the economic crisis, the industry has managed to maintain positive dynamics.



Instrument Making and Optical Mechanics

Belarusian enterprises specialize in manufacturing laser equipment, opto-electro-mechanical devices or systems for operating procedure management and environmental monitoring, as well as electrode systems for potentiometric measurements and studies.

Key Enterprises of the Industry

- ▶ Gorizont, UE
- ▶ Atlant, CJSC
- ▶ Vityaz, OJSC

Transport

The industry is characterized by a well-developed infrastructure and stable growth of freight volumes.

The territory of Belarus is crossed by two trans-European transport corridors.



Video "*Logistics in Belarus*"

Every year tens of millions of tons of European cargoes are transported through the territory of Belarus. About 90 % of them is transported between Russia and the European Union. Transit of goods through the territory of Belarus is fast and secure. Transport services are rendered by railway, automobile, air, inland water and pipeline transport operators.

Information and Communication Technologies

Belarus is keen to become an active player in the IT counting on a significant number of highly qualified specialists employed in the sphere and a good training system.

The IT sector is consistently supported by the Government. In 2005, Hi-Tech Park (HTP) was established in Belarus. HTP has become a powerful cluster of companies offering custom software. It grants significant duty and tax concessions to its' residents.

The main customers, importing software developed in HTP, are from the USA, Great Britain, Germany, Russia and Ireland. In 2016, HTP residents entered markets of the Philippines, Vietnam, Turkmenistan and Mexico for the first time.

In 2017, six Belarusian IT companies made it to the list of world's 100 best outsourcing service providers. Facebook and Google have already purchased Belarusian startups. The industry is actively developing and attracting businesses and investors.

According to HTP

- ▶ In 2016, exports of services of HTP increased by 16 % to \$ 820.6 mln.
- ▶ The share of exports in total HTP production is 91 %.
- ▶ In 2016, software developed in HTP was exported to customers from 67 countries; Western European countries accounted for 49.1 % of exports and the USA for 43.2 %.

6 Foreign Trade

Belarus maintains trade relations with more than 190 countries.



In the last decade Belarus demonstrates gradual increase of exports in goods and services, due to the domestic economic growth, advances in science and technology, increased potential of transit, the creation of the EAEU single market and trade diversification.

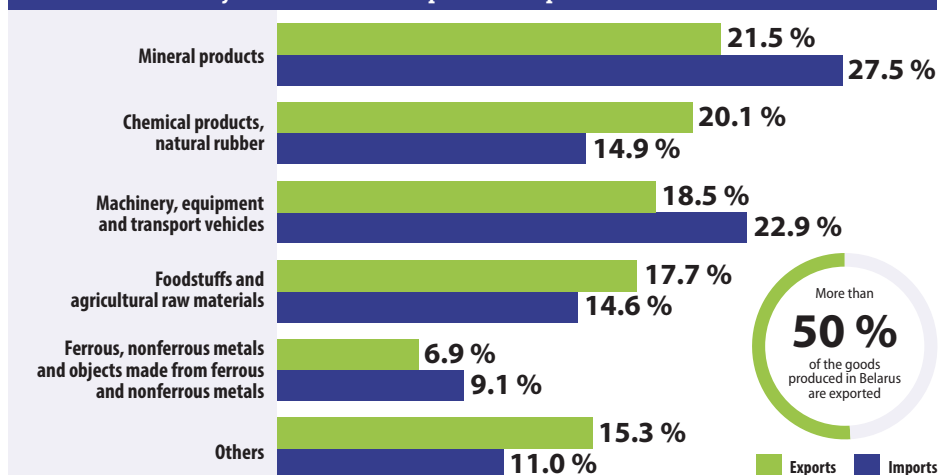
According to the Ministry of Foreign Affairs of the Republic of Belarus, in the first half of 2017 the major trade partner of Belarus was the Russian Federation, its' share in the total volume of Belarusian exports amounted to 45.1 % and in the volume of imports to 57 %.

The second most important trade partner of Belarus was the European Union. The EU accounted for 26.7 % of the Belarusian exports and almost one fifth of the Belarusian imports. The main importers of Belarusian products in the EU are Great Britain, Germany, Poland, the Netherlands, Lithuania, Latvia, Belgium, Italy, Czechia, Romania.

Exports to the EAEU countries of the Belarusian goods increased as well in this period, i.e. exports to Kyrgyzstan grew by 196.6 %, to Kazakhstan by 71.1 %, to Armenia by 34 %, to the Russian Federation by 26 %.

Belarus actively develops trade relations with partners from Latin America, i.e. Venezuela, Argentina, Ecuador, and from Asia and the Middle East, i.e. Israel, the UAE, China, Iran, South Korea, Pakistan.

Key Positions in the Export and Import Pattern in 2016*



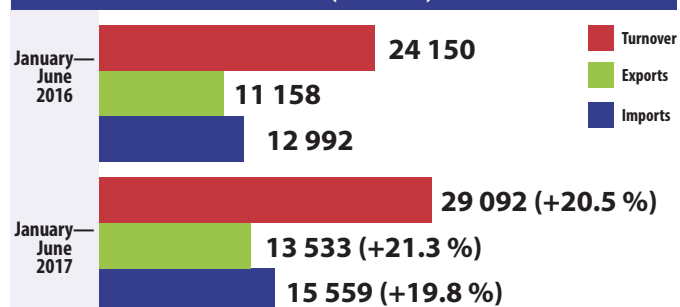
* According to Belstat

Foreign Trade in Goods

The key exports include petroleum and petrochemicals, potash and nitrogen fertilizers, metal products, freight and light motor vehicles, tractors, tires, dairy and meat products and furniture.

Imports consist mainly of energy sources (petroleum and natural gas), raw materials, materials and assembly parts (metals and metal products, refinery feed-to-chemical plants, machinery parts) manufacturing equipment.

Foreign Trade in Goods Dynamics, Belarus (USD mln)*



* According to foreign trade statistics

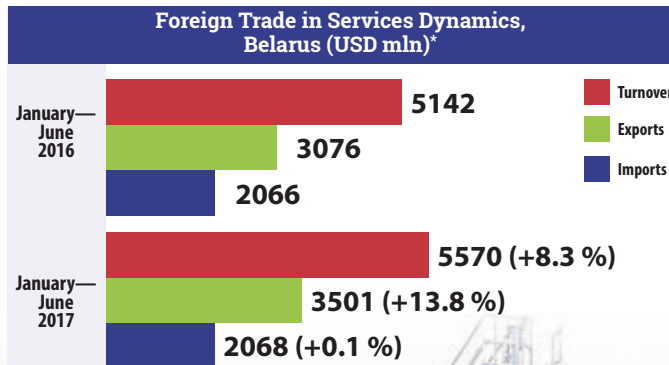
Foreign Trade in Services

Trade in services is of great significance to the country. Since 2005 the volume of foreign trade in services has increased more than 3.5 times and in 2016, according to the National Bank, it amounted to \$ 11.2 billion.

The share of transport services in total service exports of Belarus is about 43 %. The share of construction services is consistently high. IT sector is a new leader in service exports with its' share growing annually.

During the past three years, the surplus of foreign trade in services from Belarus has been steadily increasing.

Almost 70 % of the services exported are destined to countries other than the CIS states, another quarter is exported directly to the EAEU market.



* According to the National Bank

