



**-Belarus-**  
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## GENERAL FEATURES OF TRADE POLICY

The Government controls or intervenes in most aspects of the Belarusian economy, either directly, through the ownership of productive assets and banks, or indirectly, through the channeling of resources to priority sectors and administrative controls. Belarus' economy is extremely dependent on Russian markets and economic activity slowed down substantially in the aftermath of the Russian crisis with an output growth falling from 8.5% in 1998 to 3.5% in 1999. With the slowdown in external and domestic demand, both exports and imports contracted substantially to a drop of the current account deficit from 6.1% of GDP in 1998 to 2.2% of GDP in 1999.

Agriculture plays a key role in the Belarusian economy, but as in other parts of the economy, the involvement of the government in this sector is large. There has been few progress in the agricultural reform especially with respect to land reform and the development of private sector farming.

Russia remains Belarus' largest trading partner with an export share of 55% and an import share of 56%. (source: IMF Report Nov. 2000).

*The following table is an overview of the tradeflow between the European Union and Belarus*

Section	Year	Import(Euro)	Export(Euro)
<b>Animals &amp; animal products</b>	1996	3,054,250	6,531,760
	1997	2,324,630	11,077,770
	1998	1,124,520	6,529,140
	1999	1,336,800	4,094,280
	2000	2,559,600	7,029,580
	2001	9,218,020	12,107,140
	2002	4,510,820	14,114,300
	2003	4,770,030	11,078,790
<b>Vegetable products</b>	1996	13,760,420	16,904,050
	1997	16,483,570	21,316,970
	1998	20,406,210	20,835,650
	1999	13,761,390	17,930,490
	2000	23,524,350	66,249,840
	2001	24,356,470	49,585,020
	2002	19,311,300	40,886,610
	2003	29,612,250	40,198,540
<b>Animal or vegetable fats</b>	1996	65,270	4,737,940
	1997	7,630	6,985,810
	1998	0	9,114,870
	1999	108,540	11,874,540
	2000	61,300	5,172,410

	2001	0	4,486,110
	2002	10,000	6,362,580
	2003	0	4,744,920
<b>Prepared foodstuffs</b>	1996	631,100	78,271,040
	1997	614,210	66,007,600
	1998	2,395,010	31,350,870
	1999	1,284,120	16,736,260
	2000	965,300	21,261,950
	2001	764,260	30,769,160
	2002	2,225,330	32,480,330
	2003	987,800	30,188,110
<b>Mineral products</b>	1996	2,951,770	4,220,470
	1997	1,802,090	6,797,230
	1998	3,628,930	6,419,790
	1999	15,844,800	5,071,310
	2000	52,041,570	6,318,210
	2001	28,593,800	7,758,410
	2002	130,707,580	10,315,620
	2003	297,291,940	11,714,570
<b>Chemical products</b>	1996	48,449,860	90,102,180
	1997	33,565,210	124,024,590
	1998	29,126,770	126,636,820
	1999	36,005,170	109,352,580
	2000	67,500,410	114,610,800
	2001	42,151,850	141,746,230
	2002	31,681,690	157,657,050
	2003	42,710,590	158,863,390
<b>Plastics &amp; rubber</b>	1996	7,465,780	42,109,710
	1997	8,137,170	62,868,870
	1998	9,771,370	54,380,890
	1999	9,332,370	56,914,010
	2000	11,161,180	71,391,370
	2001	8,493,570	75,707,410
	2002	7,593,590	85,982,400
	2003	12,836,570	92,872,880
<b>Hides &amp; skins</b>	1996	11,963,700	8,425,200
	1997	10,155,030	9,997,660
	1998	9,769,890	9,476,460
	1999	4,057,270	4,195,470
	2000	5,273,230	8,128,690
	2001	16,228,470	7,996,510
	2002	25,918,860	7,021,520
	2003	19,717,460	4,587,480
<b>Wood &amp; wood products</b>	1996	38,176,110	2,706,830
	1997	39,221,370	3,269,990
	1998	55,023,750	3,673,120
	1999	82,583,250	1,852,180
	2000	105,798,290	2,519,060
	2001	113,077,100	3,305,140
	2002	129,660,340	2,750,710
	2003	141,408,980	3,428,690
<b>Wood pulp products</b>	1996	408,370	12,355,790
	1997	678,480	18,613,860
	1998	1,660,470	19,328,460
	1999	499,930	14,948,950
	2000	375,580	15,026,930
	2001	322,330	15,054,000
	2002	712,120	20,103,070
	2003	753,640	16,800,880
	1996	37,983,500	22,398,090
	1997	45,132,030	34,399,390

<b>Textiles &amp; textile articles</b>	1998	28,496,730	37,260,940
	1999	25,035,580	35,920,450
	2000	36,808,960	50,199,940
	2001	41,109,930	54,094,570
	2002	43,418,860	54,216,210
	2003	43,237,200	54,068,200
<b>Footwear, headgear</b>	1996	2,263,180	5,959,240
	1997	2,090,230	6,859,620
	1998	2,722,100	6,119,610
	1999	1,775,730	3,698,920
	2000	1,373,280	3,930,100
	2001	953,560	5,795,360
	2002	1,006,870	5,098,570
2003	500,690	5,019,290	
<b>Articles of stone, plaster, cement, asbestos</b>	1996	3,349,780	8,637,600
	1997	4,398,470	11,943,880
	1998	5,359,630	12,718,390
	1999	6,373,320	10,027,200
	2000	7,899,820	11,704,160
	2001	10,722,740	11,690,150
	2002	11,087,870	14,292,850
	2003	13,517,800	14,578,930
<b>Pearls, (semi-)precious stones, metals</b>	1996	10,020,400	11,687,640
	1997	27,923,680	13,584,370
	1998	11,624,530	9,779,060
	1999	14,042,960	13,700,260
	2000	31,351,790	4,296,640
	2001	6,078,120	3,488,000
	2002	8,308,720	7,464,320
	2003	25,150,470	1,864,220
<b>Base metals &amp; articles thereof</b>	1996	39,115,520	43,365,610
	1997	49,293,210	161,601,490
	1998	67,569,640	80,363,510
	1999	79,314,070	158,052,860
	2000	92,602,860	42,858,440
	2001	97,839,100	48,634,340
	2002	159,086,110	50,876,070
	2003	158,628,690	62,273,740
<b>Machinery &amp; mechanical appliances</b>	1996	15,435,200	153,173,990
	1997	11,705,830	240,162,120
	1998	13,426,870	270,498,940
	1999	25,638,770	240,224,450
	2000	45,690,860	299,276,800
	2001	35,807,070	433,908,690
	2002	25,080,090	461,504,510
	2003	22,401,510	513,535,490
<b>Transportation equipment</b>	1996	19,999,320	104,593,990
	1997	16,462,820	169,945,590
	1998	18,167,670	234,278,470
	1999	21,384,360	103,078,550
	2000	19,002,000	142,393,090
	2001	21,908,350	223,583,840
	2002	24,806,310	268,428,780
	2003	15,209,730	212,282,380
<b>Instruments - measuring, musical</b>	1996	3,568,750	35,400,290
	1997	4,390,330	38,488,250
	1998	3,110,240	26,539,260
	1999	9,343,990	25,451,880
	2000	17,069,880	38,041,560
	2001	13,677,690	39,889,910
	2002	7,497,280	38,476,570

	2003	7,783,690	54,919,580
<b>Arms &amp; ammunition</b>	1996	82,320	118,970
	1997	119,440	84,720
	1998	9,560	170,600
	1999	440	78,530
	2000	550	79,070
	2001	440	112,690
	2002	6,250	201,510
	2003	212,490	372,480
<b>Miscellaneous</b>	1996	7,923,840	18,966,460
	1997	11,700,050	19,228,410
	1998	13,561,080	16,745,110
	1999	19,814,290	13,687,510
	2000	28,586,150	17,758,220
	2001	34,075,750	19,147,250
	2002	33,764,130	21,326,960
	2003	33,517,280	20,119,720
<b>Works of art</b>	1996	73,450	31,860
	1997	139,020	59,220
	1998	95,340	4,160
	1999	99,640	2,440
	2000	54,390	40,800
	2001	111,170	3,030
	2002	117,930	5,300
	2003	146,190	63,620
<b>Other</b>	1996	5,773,210	21,962,740
	1997	6,012,120	16,130,510
	1998	5,479,240	14,163,220
	1999	10,871,900	18,078,160
	2000	8,274,460	15,381,370
	2001	5,738,090	21,831,250
	2002	7,800,020	22,200,080
	2003	9,014,720	14,395,270

**Agriculture and Fisheries**  
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The agriculture sector in Belarus contributes 23 percent of the GDP and employs an estimated 17.3 percent of labor. The primary food crops produced are barley, maize, potatoes, sugar beets and wheat. The primary meat products are beef and veal, chicken, meatness, lamb and pork. The largest (in value terms) agricultural exports in 1998 were butter, alcoholic beverages, condensed milk, beef and cheese. (1998 data)

Agriculture continues to play a key role in the Belarusian economy but has been retrograding in recent years because of exceptional bad weather conditions and moreover the very substantial subsidies to the agricultural sector provided by the Government. During the past decade, very few efforts have been made to dismantle or modify the system of collective/state farms. State involvement and controls are pervasive including via direct ownership, state orders, fixed price procurement quotas, profit margin restrictions and extensive trade restrictions and licensing requirements.

All farm enterprises are subject to obligatory deliveries to state procurement agencies and procurement quotas cover all major crop and livestock products.

Reform efforts have been concentrating on improving organisation and management, supplying farms with new equipment and encouraging greater specialisation without changing the current system.

A new Land Code was adopted in 1999, allowing the increase of the size of household plots under private ownership but limiting the size of the increase from 0.5 hectare to one hectare around the farm.

There is little interest among the rural population in becoming private farmers, the main concerns being risks, age and shortage of funds.

Cattle breeding is one of the most important branches in Belorussian agriculture. It covers almost two thirds of the gross value of animal production.

However during the last 8 years the productivity of cattle has significantly decreased owing to the general economic crisis.

In recent years some steps have been undertaken to supply milk producers with better milking and refrigerating equipment which is partly purchased in Germany.

Thanks to the support of ADT (Germany) two Milk Control Laboratories have been set up in the Republic.

**Mining**  
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The Belarussian government has been working out a programme aimed at "replacement of imported raw material by local sources" that details the development of Belarussian geology until 2005.

**Services -  
Energy**  
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Belarus has not made any serious attempts to diversify its energy sources. Belarus has maintained a close relationship with Russia and as such it has benefited by receiving cheaper energy supplies.

If multi-country, interstate and regional nuclear safety programmes are taken into account, Belarus benefited from a total of €76 million in Tacis (Technical Assistance to the Southern Republics of the CIS - TRACECA) funds over this period. Assistance in the framework of the national programme was given to a focal area of enterprise support and private sector development and three priority areas : food production and distribution, energy and transport.

#### ELECTRICITY

In 1999, Russia, Belarus, Estonia, Latvia, and Lithuania agreed to re-connect their electricity grids in order to ensure reliable power suppliers for consumers in the five countries. Lithuania, which remained connected to Belarus, Latvia, and Estonia, withdrew from the five-party agreement.

Lithuania has exported power to Belarus periodically, but Belarus has been delinquent in its payments for electricity supplies.

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## TARIFFS AND DUTIES

Tariffs applied to imports from third countries are almost fully unified. Important exceptions are on medicines and food products, where different tariff rates apply. There are plans to finalize a common tariff schedule.

Minimum import prices are applicable with respect of foreign alcoholic beverages containing more than 28% alcohol. The wholesale prices for alcoholic beverages of foreign and domestic production (except for domestic produced vodka) are set up directly by producers and importers proceeding from the costs of production or purchase, taxes and profits. The retail prices for alcoholic beverages are set up by retail trade operators on the basis of wholesale prices and the single market retail mark-up of 30%, VAT of 20%, and selling tax (5% of turnover).

Belarus will be making a commitment that price controls will be brought into conformity with provisions of Art. 3 of the GATT 1994 upon accession to the WTO.

Quantitative restrictions on trade with third countries differ between Russia and Belarus. Belarus maintains export restrictions on fertilizer, scrap metals, copper, aluminium and a number of other goods.

According to the effective legislation, the taxation system of Belarus includes national and local taxes as well as other duties. National taxes and duties are collected throughout the country and transferred to the state budget and extra-budgetary state funds. Local taxes are levied only within the respective

administrative and territorial unit and transferred to the local budget.

The Republic of Belarus has signed international agreements in view of avoiding double taxation with a number of countries.

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## **NON TARIFF BARRIERS**

The customs union is in progress, with the aim of full harmonization by 2005. Belarus already forms a customs union with Russia, Kazakhstan, the Kyrgyz Republic and Tajikistan. There are currently no tariffs or quantitative restrictions on trade between Belarus and Russia. However Belarus maintains control on export prices of goods that are subject to domestic price regulation, mainly meat, dairy and leather.

The long-term growth prospects for Belarus are depending, to a large extent, on the creation of an environment which would favorise the private sector activity, entrepreneurship, foreign investment. In this view Belarus has pursued an economic strategy that differs significantly from market-oriented reforms in other transition economies. Industrial and agricultural production have been supported through subsidies channelled to state-owned enterprises, partly through the banking sector, but also through extensive state regulations and interventions in prices and business operations. These interventions mainly include:

- prices and wage controls, in particular ceilings on price increases, as well as a rigid wage grid;
- foreign trade and exchange restrictions, particularly the multiple exchange rate system;
- administrative restrictions, in particular the repeated enterprise re-registration process and high barriers to new business formation;
- an unstable legal and regulatory environment, including erratic economic policies and frequent state interventions, including special state "recommendations" which tend to penalize profitable private enterprises and cross-subsidize unprofitable enterprises.

These forms of state interventions have provided short-term arbitrage opportunities between various controlled and uncontrolled market segments, diverting firms' attention away from long-term business development and investment. Private sector expansion is also constrained by an extremely sluggish small-scale privatization process.

There are very few signs of market-oriented enterprise restructuring. The Government lacks a clear strategy for privatizing enterprises, although it is not adverse to the idea of attracting foreign investors. However, there is little hope of any significant direct investment as long as the basic constraints remain in place.

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## **INVESTMENT RELATED BARRIERS**

The National Bank of Belarus merged the main and additional trading sessions at the Belarusian Currency and Stock Exchange in September 2000, from then the official rate has been determined by supply and demand (IMF Annual Report Nov. 2000).

Denationalization and privatization of state-owned property are treated as a major prerequisite for restructuring the economy and attracting investments to the industrial system of the Republic of Belarus with an aim of its renovation and adaptation to market conditions.

Progress in privatization of large enterprises has been minimal. Although many firms have been converted into joint stock companies, most remain majority state owned. Privatization can only go ahead when a business plan is approved that ensures continued production and employment and moreover, since the privatization of large enterprises requires the initiative of the workers collective, all of these enterprises have remained in state ownership.

The laws on nationalization and privatization in Belarus are distinguished by creating favorable conditions for the development of transformed enterprises, attracting investments, and among other things by involving the investors in:

- establishment of public stock companies during denationalization and privatization.
- buying out state-owned shares of public stock companies.
- acquiring an additional issue of shares of public stock companies that have been issued for specific investment project.



- establishing joint ventures and fully-owned foreign companies in Belarus.

A foreign company can also be established on the basis of a state-owned property sold at auction or on a competitive bidding basis.

Under the law, enterprises with a foreign investor contribution greater than 30% enjoy certain preferential treatment in exporting its products/ importing component parts for production and concessional taxation.

The Government hopes that foreign capital will support the privatization and restructuring process. In mid-2000 the Government set up a foreign investment council to work out recommendations to attract foreign investors.

On the territory of Belarus foreign investments can be implemented in the following forms:

- as a capital contribution to business units jointly established with Belarusian legal and natural persons.
- business units fully-owned by foreign investors.
- acquisition of enterprises, buildings, structures, shares and other securities.
- acquisition of the right to use land or other natural resources and other property rights.
- other form of economic and other activity not contradicting legislation in effect within the Republic of Belarus.

The Law on Property entitles the foreign legal persons to own enterprises, buildings and other property required for conducting their business activity in Belarus. An enterprise with foreign participation may either take a lease of the plot of land occupied by the formerly state-owned entity or obtain the ownership title during privatization of a state-owned entity.

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## IPR

The national patenting system in the Republic of Belarus is represented by the State Patent Committee of the Republic of Belarus (Belgospatent), who is fulfilling the most important state functions of examination of scientific-engineering and artistic-design solutions, trademarks and service marks; of issuance of protective documents; of assurance of patenting and information documentation; of training of the cadre in the field of intellectual activities.

Relations in the sphere of protection and use of objects of industrial property in the Republic of Belarus are regulated by the following national laws: "On Patents on Inventions", "On Patents on Industrial Models", "On Trademarks and Service Marks", etc. Practically all the laws of the Republic of Belarus in the field of protection of industrial property undergo expertise at the World Organization of Intellectual Property. Besides, the Republic of Belarus is a participant of eight international agreements on protection of industrial property, operating under the auspices of the WOIP: Paris Convention on Protection of Industrial Property, Madrid Agreement on International Registering of Marks, Agreement on Patent Cooperation, Strasbourg Agreement on International Patent Classification, Locarne Agreement on Establishing of International Classification of Industrial Models, etc.

Belarus has been reviewing its draft copyright legislation, including a law on software and database protection, for several years; computer programmes are not patentable.

Information about all objects of industrial property registered in the Republic is disseminated through official bulletins of the Belgospatent.