

# **New Privatisation Plans: Belarusian Authorities Prefer Western Investors to Russian**

On 20 January 2012, the authorities approved a new strategy to attract foreign direct investments. This document can be regarded as a new invitation for foreign business with advanced technologies to take part in privatization in Belarus. The authorities hope that Western businesses will come despite the country's poor human rights record and their failure to release all political prisoners.

Although the Belarusian authorities welcome energy subsidies from Russia and participate in Russia-sponsored integration projects such as the Single Economic Space, they are reluctant to invite big Russian business in. The pace of Belarusian privatization is slow – although many trade and service enterprises were privatized, medium and large industrial enterprises still remain in state hands.

## **Recent History of Privatization in Belarus**

Over the last two decades, most trade and service enterprises have been privatized in Belarus. However, instances of privatization of industrial enterprises remained extremely rare. Consider that between 2008 and 2010 only eight small and medium industrial enterprises were privatized.

In early 2011, there was a debate among the ruling elite between the proponents and opponents of privatization of industrial enterprises. Siarhiei Tkachev, an economic advisor to Lukashenka, insisted that the state could be no less an efficient owner than a private entity. Lukashenka said at that time that he was tired of talking about the advantages of private ownership, which were initiated by Prime Minister

Mikhail Miasnikovich and Deputy Prime Minister Siarhiei Rumas.

In the tough economic times of 2011 Lukashenka had to accept arguments from proponents of the expansion of privatization. The sale of unprofitable loss-making enterprises allowed to them to put money into the state budget. Besides, the government had already got rid of its obligation to pay salaries to workers of such enterprises. Some hoped that the purchase of enterprises by efficient owners would allow the government to start collecting more taxes.

Under the privatization program for 2011 – 2013, the government plans to sell 168 small and medium enterprises. However, so far only 38 companies have been sold for a total amount of BYR 170,000,000,000 (about \$20,000,000).

At a meeting of the Council of Ministers on 20 January 2012, many publicly agreed that the failure of the privatization plan for 2011 was caused primarily by the fact that directors of loss-making enterprises, fearing losing their jobs during the change of ownership, [hindered](#) the preparation of the enterprises for privatization in every possible way.

Therefore, a decision was taken to expand the privatization plan for 2012 significantly by including those enterprises which were not sold in 2011 and those which were planned for sale in 2013. The government approved a package of measures which would not allow blocking of the privatization process.

On 20 January 2012, the Council of Ministers and the National Bank adopted a joint resolution on a Strategy to Attract Direct Foreign Investment up to 2015. It is probably one of the most interesting documents of 2012 to understand the development of the situation in Belarus. This document can be regarded as an invitation to foreign business, which has advanced technologies and is willing to take part in privatization on the basis of transparent schemes. The strategy pays a lot of attention to public-private

partnerships, economic liberalization, and overall improvement of the economic climate in Belarus.

The document notes that:

*the implementation of the strategy will lead to an annual increase in the volume of direct foreign investment on a net basis (excluding debt to the direct investor for goods (works, services) in the amount of \$7,000,000 – \$7,500,000 before 2015 and to achieve at least 21 per cent share of foreign investments in the investments of fixed assets. The share of knowledge-intensive and high-technology products in the total volume of exports of goods will increase to 14 per cent.*

*The implementation of the strategy will also ensure the entry of Belarus into the top thirty countries with the best business climate in the "Doing Business" rating of the World Bank, and also the improvement of positions in the reports of international rating agencies: Moody's Investors Service, Fitch Ratings, The Heritage Foundation and others.*

## **Russian Businesses are Not Welcome**

Lukashenka and the First Deputy Prime Minister Uladzimir Siamashka have said repeatedly that Russian oligarchs want to buy tidbits of Belarusian state property for a pittance; they do not want to take part in privatization on the basis of transparent schemes. As Lukashenka said: "They want to fish in troubled waters". Besides, officials have said repeatedly that Russia is not a source of advanced technologies. In Russia, they spend more electric energy and materials per unit of output than in Belarus.

Russian observers note that Belarusian official authorities intend to prevent Russian companies from buying Belarusian enterprises as soon as privatization takes place in the

country. It is worth mentioning that only one out of 38 privatized enterprises was sold to a Russian company in 2011 (it was a clothing manufacture with 40 employees in Vitsiebsk.)

The strategy adoption should not be regarded in the context of Belarus-China relations either. Siamashka reiterated that China proposed polluting technologies. Moreover, the Lukashenka regime treats China as a separate domain of its foreign policy. As a rule, the documents on cooperation with China are not directed to other stakeholders.

The strategy can be regarded as an invitation for Western businesses to make money in Belarus in cooperation with Belarusian top-ranking officials. Broadening of privatization and economic liberalization in Belarus are primarily explained by the interests of high-ranking officials.

### **Preference for Belarusian and Western Businesses**

The top-ranking officials and Belarusian businessmen have accumulated considerable funds. Lukashenka is no longer making statements about the income of owners of luxury villas in posh Minsk suburbs. Those people would like to see their money working more efficiently in Belarus. They are afraid of dealing with the Russian large-scale business with its criminal components and prefer to invite law-abiding partners from the West.

A representative of KAAS concern management (Germany) delivered the following statement at the Minsk Forum in November 2008: "German business goes to the places where it is possible to make profit. It is possible to run a successful business even in China." Such remarks were actively hailed by the invited governmental officials. They nodded in approval and smiled.

The Belarusian governmental officials believe that the aggravation of political relations with the West will not

become a barrier for Western business. The top governmental officials hope that Western businesses can come to Belarus, if they are offered attractive conditions and personal guarantees (i.e., let's make a profit together). Their thinking is that they would do business in Belarus just like they do it in Azerbaijan, Kazakhstan, Uzbekistan, and the increasingly authoritarian Russia. Only time will tell whether their strategy will work.

*Andrei Liakhovich*

*Andrei Liakhovich is a contributing author. He directs the Center for Political Education in Minsk.*