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THE REPUBLIC OF BELARUS - COMMERCIAL POLICY

Communication from the Republic of Belarus

The following communication, dated 2 April 1993, has been received from the Chairman of the State Committee for Foreign Economic Relations of the Republic of Belarus.

It is with great satisfaction that, in December 1992, we noted the consent of the Contracting Parties to give the Republic of Belarus observer status within the framework of the General Agreement on Tariffs and Trade. As the meeting with GATT staff in February 1993 showed, both sides share the confidence that the dialogue between Belarus and the GATT will be effective and mutually beneficial.

To this end, the State Committee for Foreign Economic Relations of the Republic of Belarus has prepared a note on commercial policy in the Republic of Belarus to be forwarded to GATT. We are ready to submit all other supplementary data, as well as the necessary explanations. We would also be grateful for commentaries and recommendations by GATT experts.

The State Committee is also keen to receive GATT information and documents indispensable for an observer country to efficiently conduct consultations and negotiations with GATT.

COMMERCIAL POLICY IN THE REPUBLIC OF BELARUS

(Note by the State Committee for Foreign Economic
Relations of the Republic of Belarus, Minsk April 1993)

1. State trading

In the relatively short period since the adoption of the Declaration "On the State sovereignty of the Republic of Belarus", the country has switched, as regards external trade, from a virtually complete State monopoly to a liberalized system, giving all economic operators, regardless of their form of ownership, the right to engage independently in foreign trade.

The execution of foreign trading transactions by economic operators in the Republic of Belarus has been simplified in accordance with the Act "On the foundations of foreign trade activity" of 25 October 1990, and many Belarussian companies and organizations have entered the external market, where previously the only entities functioning were the specialist State foreign trade organizations ("Belorusintorg" "Belagrointorg", "Belvneshpromservice", etc.).

As a result, the number of foreign trade transactions by the State is diminishing, especially outside the CIS. The reduction is also due to changes in State economic policy as a consequence of the market reforms and the growing independence of State enterprises. State purchases are now mainly confined to goods of strategic importance: sources of energy, basic foodstuffs, fodder, and certain raw materials.

In the Republic there are now almost 10,000 entities participating in foreign trade. Soon, all economic operators will automatically be entitled to engage in foreign trade, once registered with the statistical authorities. The formal preconditions for this are that Belarus acquires the status of an independent party for the purpose of international economic relations, and that in consequence, standard internationally accepted rules of trade are introduced for all its trading partners. As a result, the notion of nearer or more distant foreign countries will disappear from the external trading sphere. Hence all who play a part in the economic life of the Republic must be able, without needless barriers, to carry on trade and to cooperate and engage in other activities with their partners in other countries. In the Republic there are now estimated to be around 17,000 State enterprises and organizations, and 130,000 other companies and organizations. Only if they play an active part in external economic activity will it be possible to cope with the present difficulties. One of the main tools of State regulation of foreign trade remains the licensing system for all kinds of activity, and for goods and transactions. A single system of licensing and of quotas for exports and imports will be introduced in Belarus in the near future. The same arrangements for issuing permits will apply both to transactions with countries in the CIS and to those with all other countries. It will be a

standard system whereby, as before, no distinction is drawn among economic operators according to the form of ownership.

State regulation of export and import operations is also effected by:

- fixing rates of tax for exports and imports;
- the customs régime;
- compulsory contributions to the foreign currency funds of the State.

2. The tariff system

In the Republic of Belarus the following kinds of customs duties are levied at present:

- dues for customs registration;
- customs duties;
- tax on exports and imports.

a) Dues for customs registration

0.15 per cent is levied on the total invoiced value of goods carried under a single group customs declaration (GTD), but not less than 2,000 roubles, of which:

- 0.1 per cent in roubles, with a minimum of 1,000 roubles;
- 0.05 per cent in the currency of the contract, amounting to at least the equivalent of US\$ 10.

Dues in foreign currency are not levied:-

- in the case of barter deals and rouble transactions;
- where property is transferred across a customs frontier;
- where the purchase of goods is financed from State credits.

Customs registration dues, either in roubles or in foreign currency, are not levied on items transported for the purpose of humanitarian assistance.

b) Customs duties

Customs duties are presently charged on the basis of the Customs tariff for the USSR. Preparations are being made for a national customs tariff, which will be based on the classification of goods for foreign trade (TN VED). In February 1993, the Supreme Soviet of the Republic adopted the Customs Code of the Republic of Belarus, together with the Act "On the customs tariff". Subsidiary instruments are in preparation setting out the arrangements for customs registration, the definition of value for customs purposes and the countries or origin of the goods.

In the law "On the customs tariff" there are articles containing a list of items not subject to customs duties, and a list of items which are exempt.

The customs tariff in preparation will involve two kinds of customs rates: autonomous rates, which apply to all goods brought on to the customs territory of the Republic of Belarus; and conventional rates, applying to goods originating in countries with which the Republic of Belarus has concluded a most-favoured-nation agreement for foreign trade purposes. Customs duties will be levied only on goods of foreign origin, so only one kind of rate may apply at any one time.

It is anticipated that a provisional exemption will apply to goods originating in the developing countries, within the general system of preferences established in the Enabling Clause of the General Agreement on Tariffs and Trade (GATT).

In 1992 the customs revenue in the Republic amounted to about 700 million roubles.

c) Tax on exports and imports

Export and import tax is levied according to rates fixed by Decree No. 202 of the Council of Ministers of the Republic of Belarus, of 10 April 1992. It does not cover all goods, only certain kinds. Export tax is levied on goods in the raw materials category, and import tax on consumer items. Tax rates are being devised for the export of goods to States of CIS and to other States in the rouble area. However, arrangements for imposing taxes and duties on neighbouring States which formerly belonged to the USSR will be made on the basis of commercial and economic agreements and free trade agreements with those countries. Work is now in progress on signing these documents.

In 1992, income to the State budget from export and import tax comprised:

- export tax: 2.1 milliard roubles;
- import tax: 355 million roubles.

3. Import policy

The import of goods (produce) to the territory of the Republic by economic operators does not normally require a license. By decree of the Council of Ministers, a limited range of goods (labour, services) has been defined which require an import license. These are: medicines and medical equipment, chemical preparations for the protection of plants (insecticides) and veterinary preparations; industrial waste, including radioactive and toxic substances; film, video and audio materials.

All those taking part in foreign trade are entitled to carry out intermediary operations for the import of goods (labour, services) without obtaining special permits (licenses).

There are no import quotas on the importation of goods, raw materials or equipment to the Republic of Belarus. Imports are regulated only by means of taxation. Import tax is levied on a relatively short list of goods under about thirty headings, and varies from 2 per cent to 30 per cent. The highest rates of import tax apply to alcoholic beverages, clocks and watches and video recording devices (30 per cent), domestic equipment and radios, leather shoes and domestic refrigerators (20 per cent), and cigarettes and personal computers (10 per cent). Imports of food, all unprocessed goods, industrial equipment and spare parts for machinery, are exempt from tax.

In issuing permits for goods exchange (barter) transactions, there is a compulsory requirement for "counter deliveries" of cereals, sugar, equipment and materials for the needs of enterprises. There is an import restriction in the case of goods exchange (import) transactions as regards consumer items (not more than 25 per cent of the total amount of the contract).

Imports are licensed by the State Committee for Foreign Economic Relations of the Republic of Belarus.

4. Export policy

Radical changes, in a liberalising sense, have taken place in export policy. All producers have been given the right to export their own produce, either on their own behalf or through intermediary firms. All economic operators which are legal persons have the right to obtain a license to carry on intermediary export-import transactions, with the exception of specific goods which affect the interests of national security, and of goods and technology with dual uses.

Export licenses are granted for 75 categories, mainly raw materials and certain finished goods (oil products, energy sources, chemical fertilizer, ferrous and non-ferrous metals, metallurgical manufactures, cable products, individual food items and alcoholic drinks).

Products of joint ventures may be exported without a license and without restrictions of any kind, if the share of foreign investment in the initial capital fund of the enterprise exceeds 30 per cent.

Quotas are being maintained in the Republic of Belarus on exports of individual items. Quotas have been fixed by the Government of the Republic for exports of basic primary products (mineral fertiliser, timber, basic foodstuffs, etc.).

Goods may also be exported abroad outside the quotas in the case of deliveries for export of the following items (products):

- goods produced by State enterprises and organizations in the Republic in excess of the amounts fixed to meet State orders;
- goods acquired in other States and republics by economic operators under all forms of ownership which have the right to perform intermediary functions for export purposes, unless otherwise provided by the law of the Republic of Belarus or by international agreements;
- goods produced by economic operators under State ownership, subject to deliveries of goods to the internal market of the Republic.

Goods are exported by individual entrepreneurs, business associations and organizations irrespective of their style of ownership, under licenses issued by the State Committee for Foreign Economic Relations. There is also a group of goods (products) which are exported under license subject to arrangements prescribed by the Council of Ministers. These comprise weapons, ammunition, military equipment and technology and specialised components for manufacturing them, explosive substances, certain kinds of primary products and materials, equipment and inventions, "know-how", precious metals, alloys and articles made from them, narcotic and psychotropic substances, etc.

For 1993, a uniform tax rate of 10 per cent was imposed, in freely convertible currency, on the export of foreign currency earnings by economic operators. In addition, with a view to regulating exports of raw materials, energy sources, ferrous and non-ferrous metals, wood products and certain chemical products, an export tax in the national currency is levied on these items, ranging from 1 to 30 per cent; on chemical fertilizer, from 1 per cent to 3 per cent, on non-organic chemical products, from 3 per cent to 4 per cent, on wood products and products from oil-processing, 10 per cent, on ferrous metals, 20 per cent and on non-ferrous metals, 30 per cent.

There is a provision that compulsory sales to the State must be 20 per cent of foreign currency earnings in roubles, at a rate set by the National Bank, and customs duties are levied ranging from 3 per cent to 30 per cent (depending on the nature of the goods).

5. Exchange rate policy

Foreign currency transactions on the territory of the Republic of Belarus are based on the Decree of the Supreme Soviet of the Republic of Belarus "On provisional arrangements for the regulation of foreign currency and for foreign currency transactions on the territory of the Republic of Belarus".

All payments for external trade between residents and non-residents of countries, except the former USSR, are made in freely convertible currency, unless otherwise provided by intergovernmental agreements.

Within the borders of the Republic, payments for commercial transactions may also be made in the national currency of Belarus, using the special type "N" bank account.

Pursuant to the "Agreement on a single monetary system and a harmonised monetary, credit and foreign currency policy among States which have retained the rouble as their legal means of payment", the signatory parties to the agreement, namely Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tadzhikistan, Uzbekistan and Russia, have stipulated that from 9 October 1992 the rules and standards for foreign currency regulation in force for non-residents will apply to natural and legal persons resident in States in the rouble area which have not harmonized their monetary and credit policy with the contracting parties and which have not adhered to the Agreement.

However, intergovernmental agreements have been concluded between the Republic of Belarus and Ukraine, Lithuania, Latvia and Estonia. According to these agreements, settlements between the Republic of Belarus and the above-mentioned States are made through correspondent accounts of the central banks of these States, and through banks which have the permission of the central banks to open correspondent accounts in the banks of the other country.

With a view to the future development of the foreign trade of the Republic of Belarus, the National Bank, on 4 January 1993, introduced a single quoted exchange rate for the rouble against foreign currency, based on supply and demand on the internal market for all export and import transactions, and for taxation and accounting purposes. In fixing the standard exchange rate of the rouble against freely-convertible currencies, the National Bank of the Republic of Belarus is guided by the data held by the authorized banks for the purchase and sale of foreign currency. The standard rate is fixed daily.

In evaluating the contributions of foreign participants to the founding capital of joint ventures, and the contributions of foreign investors, both in cash terms and otherwise, to the various forms of activity, the rate used is that of the foreign investments. The foreign investment rate is also used to calculate the rouble cover of the foreign exchange earnings from compulsory sales by exporters which constitute the Republic's foreign currency fund. The same rate is used to calculate the centralized importation of socially-useful goods (food, medicines and medical equipment) and of imports against Government-backed loans. Since 4 January 1993, the foreign investment rate has been fixed at 300 roubles for US\$ 1. The foreign investment rate is reviewed periodically, in the light of variation trends in the standard rate. On 1 April, the quoted rate was 872 roubles for US\$ 1.

One of the first steps in the transition to internal convertibility is to set up an inter-bank foreign currency exchange. At an inter-bank foreign currency exchange plans can be made for purchase and sale transactions both in freely-convertible currency, and in what are called "soft currency", i.e., the currencies of the former republics of the USSR.

6. Commercial agreements

In 1992, according to provisional figures, the volume of exports was US\$ 1,1 milliard (not including exports to countries in the rouble area). This figure includes sales of goods for US\$ 575 million from goods-exchange (barter) deals. Imports of goods totalled US\$ 740 million, including US\$ 366 million for barter deals.

Unfortunately, around 60 percent of exports and 70 per cent of imports are from goods-exchange (barter) deals. This is due to the shortage of freely-convertible currency both in Belarus, and in many of its partners in the East European countries. There is a positive balance of US\$ 320 million, which is quite good in itself. But with the dominance of barter trade, the positive foreign trade balance actually means extending credit to foreign contractors, which is undesirable for Belarus in the present economic circumstances.

Credit agreements between firms in the CIS are fairly widespread, because of the collapse of the single banking system and the difficulties with the system of payments. There is no clear legal regulation of these matters. Credits are given in two forms: in cash (where there is a joint venture agreement) and in goods; there are also mixed arrangements.

Belarus has concluded 15 intergovernmental trade and economic agreements with countries outside the CIS establishing a trading régime (a most-favoured-nation régime): Poland, the Czech Republic, the Slovak Republic, Romania, Finland, Austria, China, Vietnam, Mongolia, United States, Kuwait and Cuba. Similar agreements have been initialled with India, Turkey and Switzerland. The EC-USSR agreement has been confirmed as continuing, and work is in progress on the new one. Similar work is taking place with a number of other countries.

In December 1992 the Republic obtained observer status in GATT, and is preparing to negotiate terms with that organization for full membership.

Within the CIS, Belarus has signed free trade agreements with Russia and Ukraine. The question of trade régime with the other independent States is under consideration. A free trade agreement has also been signed with Lithuania.

7. Direct foreign investment

The basic law governing the activity of foreign capital in Belarus is the Act "On foreign investment on the territory of the Republic of Belarus" of November 1991. The Act specifies various guarantees and advantages for foreign investors;

- guarantees against requisition, confiscation and other measures of enforcement;
- freedom to transfer dividends abroad in freely convertible currency;

- the export without a license of their own products, where the actual share of the foreign investor in the fixed capital of the enterprise exceeds 30 per cent;
- freedom to fix prices and conditions for the sale of goods, and to select buyers and suppliers;
- profits tax advantages (three years' full exemption, and the possibility of paying only half the tax for the next three years);
- a five-year guarantee that the legal basis which applied on the date of registration of the joint venture will continue to apply (if this is in its interest);
- the option of acquiring land (99-year leases are presently available);
- the possibility of establishing enterprises with 100 per cent foreign capital funding.

There is further scope for foreign investors in light of the fact that the US dollar rate in Belarus is 30 per cent higher than in Russia.

On 1 January 1993, there were 714 joint ventures and 116 foreign firms in the Republic. The declared fixed capital of the joint ventures was 2.4 milliard roubles, including 1.2 milliard roubles of foreign investment. The declared fixed capital of the foreign firms was 28.2 million roubles. If we take into account the declared foreign investment in foreign currency, the corresponding indicator will be US\$ 384,2 million.

Real contribution to the fixed capital funds of companies in terms of foreign investment is estimated at US\$ 96-115 million, i.e. 25-30 per cent of the declared amount. The decisive factor is that half of all joint ventures and all foreign companies were set up in 1992. One joint venture is registered almost every day, and three foreign companies every two days.

Belarussian organizations under all forms of ownership are now partners in joint ventures, but at the moment State organizations predominate. The foreign partners come from 55 countries. The leading country in the formation of joint ventures in Belarus is Poland, with three hundred and thirteen ventures, followed by Germany with one hundred and thirteen, and the United States with sixty-two. Similar figures are found for enterprises with 100 per cent foreign capital funding.

Two hundred and one joint ventures have begun operating, and in 1992 they produced goods to the value of 14 milliard roubles. Exports by joint ventures represented US\$ 24.7 million. More than 12,000 jobs have been created.