

# Investors Undecided on Belarus' Potential

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November 18, 2012

**The**  **Moscow Times**

MINSK — The seventh Belarussian Investment Forum looked like a flashback to the post-Soviet auctions, where formal talk lauded privatization opportunities while on the sidelines guests spoke of the political roadblocks that keep driving investors away.

Faced with an economic crisis, in recent years Belarus has had to take unprecedented steps to liberalize prices, licensing, trade and the labor market and to privatize many state-owned businesses.

"We guarantee investors the best conditions for doing business. We have a dynamic economy, a favorable investment and tax climate, good infrastructure, reliable [support for businessmen] and a whole lineup of benefits," President Alexander Lukashenko told the forum's participants through a short written statement.

The president did not attend the forum and other Belarussian officials tried to keep mention

of him to a minimum in their presentations.

The forum, which was held Friday, was part of an effort to open up Belarus' largely state-controlled economy and it seemed that local officials would stop at nothing — short of political reform — to get foreign investors into the country. But while more foreign businessmen are thinking about new investment opportunities, their interest still rarely translates into action, and Belarussians themselves appear doubtful of their own offers.

The investment forum in Minsk drew over 600 guests from 30 countries, with the biggest delegations coming from the European Union, China and Russia. These guests included representatives from around 250 companies with a total capital of over \$2 trillion.

"Believe my years of experience and my grey hair — here I am seeing the big boys. These [companies] come here with serious intentions and for the long haul," said Belarussian Prime Minister Mikhail Myasnikovich. "The people who came have money and they are not scared off by the various myths about our country."

Myasnikovich also said that Belarus had promised the Eurasian Economic Commission that it would privatize \$2.5-billion worth of state holdings by 2012, but these objectives won't be met.

Interest from foreign investors is still a new flavor for Belarussians. The country has about 6,000 foreign enterprises working on its territory, but up until now "foreigners" have been synonymous with "Russians," who contribute the bulk of foreign investments into the country.

The Belarussian government is trying to diversify these capital flows by making the country attractive to investors outside of the former Soviet countries.

The country ranked 58th out of 185 countries in the World Bank Doing Business survey compared to Russia's 112th spot. The goal is for Belarus to be in the top 30 by 2015, Myasnikovich said.

The country already offers investors good infrastructure, an advantageous geopolitical location inside the common economic space with Russia and Kazakhstan, favorable taxing rules and skilled labor, Myasnikovich added. He also promised that investors would not face any restrictions on what state-owned businesses they could privatize.

Twelve foreign companies did sign protocols during the forum about their intentions to start projects in Belarus. These projects included launching joint ventures for the production or packaging of olive oil, alcohol and mozzarella, among other initiatives. They involved companies from the United Kingdom, Italy, Turkey, the Netherlands, Cyprus, Austria and Latvia.

But other foreign investors proved more hesitant to take the plunge into the country's economy.

At the hub of the forum's activity, the CEO of a state-owned alcohol factory, Molodechnopivo, paced by the poster advertising the facility to investors. CEO Viktor Dovger joked that there would be more of them coming by to speak to him if he offered free wine tastings. Investors

from Latvia and the Czech Republic showed an interest in buying shares in the company, but then left without offering any concrete plans or explanations, Dovger said.

The lack of interest in Belarus is a surprise to investors who are already working there.

Norway-born Johansson Peter Erling, founder of Galleria Concept BLR, said that he found Belarus to be the most interesting European country for investment. The company is building a \$120-million shopping and hospitality complex in Minsk.

Boris Chekhkiev, a Russian owner of a dry cleaning service in Minsk, praised the Belarussian authorities for their quick responses to the concerns of businessmen working in the country.

"I am a Russian. I go to Moscow. I see what is happening there. I see what is taking place here," Chekhkiev said. "Really, I am very surprised why, if people have money, they don't do business here."

But Belarussians themselves also seemed to doubt their country's investment potential. Molodechnopivo's presentation stand was gone before 3 p.m., though the forum's agenda noted that potential investors could visit the stands until 9 p.m. The representatives of the other investment proposals, which included the construction of hydropower stations and agricultural facilities, also wrapped up early.

By the time forum participants left their roundtables, the area was wiped clean of any traces of its morning investment buzz.

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