

Brussels,
20 September 2010
Volume 11 pages



Maja Kocijancic,
Spokesperson for
Catherine Ashton,
the European Union's
High Representative
for Foreign Affairs
and Security Policy:
"Democratic

elections would
give a considerable
new impetus to the
EU's engagement
policy towards
Belarus."

Inside this issue:

Belarus
Announces
Presidential
Election 2

Russian Embassy
under Attack in
Minsk 3-4

Belarusian
Journalist Found
Dead 5

Summary of the
most important
news:

Politics and
Society 2-5

Finance and
Commerce 6-10

Review: Belarus'
Foreign Dept 11

Belarus Headlines



Central Election Commission Chairwoman Lidziya Yarmoshyna Announces Date of Presidential election. Minsk, 14/09/2010 Photo by BelTA



Dear friends and readers of 'Belarus Headlines'!

This precious little girl is called Eva. She is only 15 months old, but without our mutual effort she doesn't have any chances to live much longer!

After months of tests and examinations, Belarusian doctors said there is nothing they could do to save the baby and refused to perform a surgery, that she needs. Prof. J.F. Gigot from a Belgian hospital Cliniques Universitaires Saint-Luc agreed to consult and possibly operate Eva.

Eva's parents are full of hope, but the treatment is extremely expensive for such a low income country as Belarus. Eva needs **€20,000** for the consultation and **€87,000** for the surgery (if Prof. R. Reding agrees to it). Veronica and Yury cannot raise this amount of money by themselves, and still they are desperate to save their child.

Thank you all in advance for your solidarity and support!

To learn more about Eva and her story, please, visit [this site](#)

[How to donate](#)

Belarus Sets Presidential Election for 19 December

Belarus lawmakers on Tuesday voted to hold a presidential election on December 19. The date was approved by 108 of 110 deputies in the Parliament.

Eight Politicians Reaffirmed Their Intention to Run for the Post

Following the Belarusian Parliament's decision regarding the date for the



*Syarhei
Haidukevich*

presidential elections, eight Belarusian politicians reaffirmed their intention to run for presidency. At the same time, some representatives of the democratic forces in the

country remain undecided whether they will put forth their candidates.

Among those who have already made up their mind are the leader of the Liberal Democratic Party, **Syarhei Gaidukevich**, Deputy Chairman of the Belarusian Party of the Greens, **Yury Glushakou**, and Deputy Chairman of the United Civil Party, **Jaraslau Ramanchuk**.



Yury Hlushakou

As reported previously by *Telegraf*, on September 14, the leader of the 'European Belarus' civil cam-



*Jaraslau
Ramanchuk*



Andrei Sannikau

paign, **Andrei Sannikau**, confirmed his intention to participate in presidential elections. The leader of the 'Tell the truth!' civil

campaign, **Uladzimir Niaklajeu**, is also ready to participate in the presidential race. The politician declared that democratic forces have great chances to win at the upcoming elections.



Uladzimir Niaklajeu



Ryhor Kastusiu

Deputy chairman of the BPF Party, **Ryhor Kastusiu**, and the co-chair of organizational committee of the Belarusian Christian Democratic Party, **Vital Rymasheuski**, is also one of the presidential candidates.



Vital Rymasheuski

The chairman of the board of the Association of Small and Medium Business, **Viktar Tsyareshchanka**, has expressed his desire to run for presidency recently.



*Viktar
Tsyareshchanka*

On September 17, top Belarusian opposition reader Al'yaksandr Milinkevich said he would not run in vote. "I don't want to participate in a play

which has only one director-screenwriter," Milinkevich told reporters. "We do not have elections, only an election campaign."

Meanwhile, the Belarusian Central Election Commission has started on Wednesday accepting applications for the registration of presidential hopefuls' nomination groups. Mikalay Lazavik, the Secretary of the Commission, explained that the deadline for submitting such applications was September 24.

Presidential contenders' nomination groups are required to consist of at least 100 people. Nomination groups' membership lists are to be submitted to the Central Election Commission no later than 85 days before an election.

Nomination groups are to start collecting ballot-access signatures on September 30.

The European Union has already expressed hopes that this ballot will be conducted in line with European and international standards for democratic elections.



Maja Kocijancic, Spokesperson for **Catherine**

Ashton, the European Union's High Representative for Foreign Affairs and Security Policy, noted that the OSCE Office for Democratic Institutions and Human Rights (ODIHR) had made a number of important recommendations to that end and that the EU hoped to see them fulfilled in the run-up to the poll.

"Election observation is of utmost importance," she stressed. "We look forward to Belarus issuing an early invitation to a fully-fledged and long-term OSCE/ODIHR-led international election observation mission."

"Democratic elections would give a considerable new impetus to the EU's engagement policy towards Belarus," she noted.

With reference to the Belarus' decision to hold Presidential elections on 19 December 2010 **Joseph Daul** MEP, Chairman of the EPP Group, and **Jacek Protasiewicz** MEP, Chairman of the European Parliament's Delegation for Relations with Belarus stated that "one of the most important parts of every genuine election - the conduct of a vote count - is the condition sine qua non for a transparent and democratic electoral process"

15-17/09/2010

Source: Reuters, BelaPAN, Telegraf, ODB, EPP-ED Group in the EP

Dear reader,

With this this issue we offer you a review of the most important events in politic, social and economic life of the country that took place in August-September 2010.



23/08/2010 Earthtimes Latvia and Belarus Sign Border Visa Deal

Latvian Foreign Minister Aivis Ronis and his Belarusian counterpart Syarhey Martynau signed a deal in Riga on Monday simplifying the visa regime between the two countries.

The new system allows people in border areas - including residents of Daugavpils, Latvia's second-largest city - to be issued with multilateral free border crossing permits for the purpose of visiting relatives, burial places, and cultural events. Previously, visas were issued on an individual basis and incurred a fee.

Talks between the ministers centred on economic cooperation included what Martynau described as "serious transit opportunities" for the shipment of Venezuelan oil to Belarus via Latvia.

Martynau also hinted that a visit to Latvia by Belarus' authoritarian leader Alyaksandr Lukashenka might take place before long. "The time is ripe to consider such a possibility," Martynau said.

25.08.2010 Radio Free Europe Top Investigator Moved from KGB Jail to House Arrest

Jailed Belarusian investigator Svyatlana Baykova has been transferred from a Committee for State Security (KGB) detention centre to house arrest.



Officials at the Prosecutor-General's said on August 25 that Baykova is still under investigation, and her detention has been officially prolonged until October 9.

Baykova was arrested six months ago while investigating corruption among high-ranking KGB personnel. She addressed an appeal to President Alyaksandr Lukashenka in June urging him as the guarantor of the country's constitution to protect her constitutional rights. According to her lawyer, Mikhail Vouchak, Baykova asked Lukashenka to help secure her release and to put a stop to the "illegal actions of some KGB officers against her."

Baykova is accused of the illegal closure of the investigation against prominent businessman Pavel Malochka, who was allegedly involved in smuggling, and of helping customs officers escape justice. Baykova insists she is not guilty. Vouchak says Baykova's health has deteriorated since she staged a 10-day hunger strike in June.

Russian Embassy under Attack in Minsk



On August 30, the Russian Embassy in Minsk was the target of a violent

attack, when unknown assailants hurled fire bombs at the building.

"At around 10:50 p.m. local time (19:50 GMT), two fire bombs were thrown onto the territory of the Russian Embassy," a local emergencies spokesman told RIA Novosti. "One of them hit a car parked on the premises."

No-one was injured and the bombs did not start a fire. The embassy did not offer any comment.

Vital Navitsky, Belarus' Emergencies

Ministry spokesman, said the motive for the attack and the identity of the perpetrator were unknown. Belarusian Foreign Ministry spokesman Andrei Savinykh condemned the attack as a hooligan stunt aimed at hurting Belarusian-Russian relations. In Moscow, police said security near the Belarusian embassy in the Russian capital had been increased as a result of the attack.

Continued on p. 4

Russian Embassy under Attack in Minsk (continued from p. 3)

Meanwhile, the Russian Foreign Ministry issued a statement calling for a thorough investigation. The statement also said the Russian side considered the incident an attempt by unknown groups to sow mistrust and tension between Russia and Belarus. A day after Russia strongly condemned an attack on its embassy in Minsk, Belarusian President Alyksandr Lukashenka retaliated by saying that "thugs and scoundrels" from Moscow may be to blame.

Lukashenka told journalists on Wednesday [September 1] that a theory about Moscow's involvement in the incident was "interesting" and that police would investigate it.

"Most likely, they probably needed this incident to demonstrate how bad Lukashenka is - why, he nearly carried out that "terrorist attack," as they put it, on his own. Thugs and scoundrels!

There is nothing else I can say," the Belta state-run news agency quoted Lukashenka as saying.

He accused Moscow of orchestrating media attacks on him, referring, most probably, to a series of documentaries recently shown on the Russian TV, which portray Belarus as a country with political repression, no media freedom and rigged elections, and ruled by "Europe's last dictator." Lukashenka also said Russia had brought "unprecedented economic pressure" to bear on Belarus, but had failed in its aims.

Russia's Foreign Minister Sergei Lavrov has dismissed as blasphemous allegations of Moscow's suspected involvement in a recent attack on its own embassy in Belarus.

Relations between Russia and Belarus have been strained over a host of issues lately, including energy and the South Caucasus. Earlier in August the Kremlin

accused Lukashenka of failing to honour a promise to follow Russia's lead in recognizing the former Georgian republics of Abkhazia and South Ossetia.

Seven young people were arrested shortly after an anarchist group claimed responsibility for the attack on the Russian embassy.

The Belarusian Interior Ministry's press office said on September 7 that firearm cartridges, narcotic drugs, ski masks and books promoting anarchism had been found in a search of the apartment, and that one of the suspects had already been charged with drugs possession. Five of the seven were released on September 12.

30/08/-12/09/2010

Source: RIA Novosti, BelTA, BelaPAN, Radio Free Europe
Prepared by: ODB



Lithuanian, Belarusian and Ukrainian Foreign Ministers Discuss Cooperation within Framework of EU Eastern Partnership Initiative

On September 8, in Minsk, Lithuanian, Belarusian and Ukrainian Foreign Ministers discussed in detail the issues of cooperation within the framework of the EU Eastern Partnership Initiative, reported the Ministry of Foreign Affairs. Ministers Audronius Azubalis, Syarhei Martynau and Kostyantyn Gryshchenko agreed to better coordinate the activities of experts and institutions when preparing and submitting to the European Commission the joint projects in the fields of integrated border management, energy, transport and preservation of

cultural heritage.

The ministers discussed the preparation for the Eastern Partnership Foreign Ministers' meeting that would be held in the end of 2010 and for the Eastern Partnership Initiative Summit, which is scheduled for 2011. The next meeting of Lithuanian, Belarusian and Ukrainian foreign ministers will take place in Vilnius.

A bilateral meeting of Lithuanian and Belarusian foreign ministers was also held in Minsk. During the meeting, Minister Azubalis expressed concern about the high-voltage electricity transmission line from Russia to Belarus, which is still not functioning since January, and which may affect the Lithuanian energy system. Minister Martynau promised to address this issue at an early date.

Head of Lithuania's diplomacy stressed that the plan by Belarus to construct a nuclear power plant in Astravets district, at the border with Lithuania and merely 53 km from Vilnius, was a matter of great concern to Lithuania.

Minister Azubalis and his Belarusian counterpart agreed that the issue of the facilitation of travels for the residents of border areas had to be solved in the nearest future.

The programme of the Minister's visit to Minsk also included a meeting with representatives of the Belarusian civil society and the opposition, as well as a visit to the National Museum of Culture and History of Belarus to see the exhibition dedicated to the Battle of Zalgiris.

09/09/2010

Source: The Baltic Course

Belarusian Opposition Journalist Dies

On Saturday, 4 September, Belarusian media space exploded with the news of Aleh Biabenin's tragic death.

The editor and one of the founders of the opposition site Charter'97 was found dead in his summer house outside the capital city of Minsk on 3 September at around 5:30 p.m.. His colleague Natalya Radzina, another editor of Charter 97, told journalists Biabenin had made plans with friends Thursday afternoon to go to the movies the same evening, but did not show up at the theatre.

After friends tried to call him a few times, they received a text message from Biabenin's phone that said he was driving to his summer house and could not respond to calls.

In an official autopsy report released to his family on Saturday, the authorities said Biabenin, 36, committed suicide by hanging. He left no suicide note. Following his colleagues' and friends' assertions that the suicide version should be ruled out and the immediate reaction by the international community that included human rights groups, the OSCE, the Council of Europe, the European Parliament and the Council of the EU, Minsk prosecutors announced Tuesday [7 September] that they were probing other motives for the journalist's death. A criminal case was reportedly opened. The final conclusions will be announced by the end of September.

On 9 September, the Belarusian Foreign Ministry spokesman Andrei Savi-

nyh said Minsk would tell the OSCE it is prepared "to invite one or two expert criminologists for the investigation of Aleh Biabenin's death."

The move appeared to fall short of the OSCE's call for an independent probe, and the government did not give details about the extent of access the foreigners would be allowed.

Opposition politicians and colleagues have voiced concerns that Aleh Biabenin may have been targeted by the authorities because of his profession as an independent journalist and his new role in Andrei Sannikau's election campaign team. Aleh Biabenin had been attacked in the past. In April 1997 he was allegedly abducted, taken to woods and subjected to a mock execution. His site, Charter97, has had frequent brushes with authorities this year, including interrogations of staff members as retaliation for their critical reporting on authorities, confiscation of equipment during politicised audits, and debilitating cyber attacks.

Coming in an already febrile pre-election political climate, Aleh Biabenin's death has generated widespread speculation inside the country. Some commentators believe that if this was a murder, it could be an attempt to discredit Lukashenka by a rebellious faction in the country's security services. Others see it as part of an extended Russian campaign to harm Belarus-EU rapprochement. Many also admit that it would be a political suicide for the Belarusian authorities to kill an opposition journalist ahead of



Aleh Biabenin was born in 1974. He graduated from the Department of Journalism of the Belarusian State University. In 1990s he occupied the position of the deputy chief editor of *Imya*, an independent Belarusian newspaper. Since 1998 he was the founder and head of the charter97.org website. Aleh Biabenin had a wife and two sons.

the election.

Russia's state-controlled television - which is typically silent when its own journalists are murdered inside Russia - has reported extensively on Biabenin's death. The coverage reflects the severe deterioration in relations between Minsk and Moscow, which over the summer escalated into a full-blown information war.

04/09– 09/09/2010

Source: **BelaPAN, Reuters, osce.org, KyivPost, ODB**

EU Ambassador to Appear in Belarus Soon

The EU Ambassador to Belarus will be appointed very soon, the EU Office in Belarus informs.

The application of documents for the participation in the contest was completed by 10 September. Brussels is now conducting candidate assessment procedures. According to the EU office in Minsk, officials of the European Commission and the Council of the EU as well as the EU diplomats were able to apply.

The EU Office in Belarus is currently headed by EU Charge d'affaires a.i. in Minsk Jean-Eric Holzapfel. The decision to appoint the Ambassador followed the Lisbon Treaty coming into effect and the formation of the European External Action Service.

20/09/2010

Source: **BelTA**

Belarusian Economy in August. Review of General Trends



IPM RESEARCH CENTER
Research • Forecasting • Monitoring

Real sector: The growth of investments strengthened

In the first half of 2010, real GDP of Belarus grew by 6.6% yoy (6.4% yoy in Jan-May). The growth rate increased due to a substantial hike of growth in industry (from 7.7% yoy in Jan-May up to 8.8% yoy in Jan-Jun). At the same time, agricultural growth weakened somehow (from 5.5% down to 4.3% yoy).

Improvements in the macroeconomic dynamic were consequent to the acceleration of the investments growth from the demand side view. In June, capital investments grew by 14.4% yoy, which provided an increase of cumulative growth in the 1st half of 2010 up to 4.0% yoy (0.3% yoy in Jan-May).

Banks' loans were the source of investment finance, which contributed mostly to the growth of investments. Among the branches of the economy the highest growth of investments was peculiar to public utilities (33.4% yoy), construction (31.2% yoy), and housing construction (21.8% yoy). However, the branches with the biggest share in the structure of investments – industry, agriculture, transport – still performed a downturn in investments. Hence, the lack of financial sources for investment projects in major branches keeps on to be a vital problem for the national economy.

Structural trends Belarus made a debut issuance of the sovereign Eurobonds

In July, Belarus made a debut issuance of the sovereign Eurobonds. It was made by two tranches with a total value of USD 1 bn and a coupon rate of 8.75%. The first tranche of USD 600 m was placed with a discount (at 99.011% from the par value). The second tranche (USD 400 m) was placed at 102% from the par

value. Finally, for the first tranche the yield to maturity amounted to 9%, while 8.251% for the second one. The moment for market entry may be treated as rather successful.

First, Belarus waited until the sovereign spreads passed their peaks because of the global crises. Second, Belarus avoided a short-term hike of the rates in May-June at the background of the debt crisis in Europe. The funds received allow financing a huge part of the fiscal deficit. Moreover, it will facilitate to the stabilization of the currency market and the replenishment of the reserve assets. Finally, it may provide a number of advantages for the long-term growth, due to expanding the access of the Belarusian private companies to borrowings at the global capital market. However, there are a number of arguments against these borrowings at the current moment. The government did not formulate the goals of these borrowings explicitly, which raises the anxiety that they will be used just for balancing the distortions in the economy consequent to its excessive stimulation. However, their might be no contribution to the solution of the structural problems. Finally, a rather huge amount of the Eurobonds issuance is unlikely to be fully logical taking into account the refusal from a new program with IMF, while these funds would have been much cheaper for Belarus.

Foreign trade: New trends in trade with Russia

In Jan-May, the merchandise trade deficit amounted to USD 2.7 bn, having dropped by 15.1% yoy. But in May, the deficit amounted to USD 702 m, having increased by 21.6% yoy. The growth rate of imports (18.5% yoy) was higher than those of exports (17.4%) in May, firstly since the beginning of the year.

Exports to non-CIS countries reduced by 8.5% yoy, while imports grew by 39.9% yoy, and the deficit amounted to USD 229 m in May. The fall of exports was consequent to the decline of oil products exports by 38.5% yoy (by

58.2% yoy in physical volume). High growth rates from non-CIS countries in May were mainly driven by the hike in the imports of cars and the beginning of the imports of oil from Venezuela. At the same time, the tendency of decreasing investment imports from non-CIS countries maintained. In May, exports to Russia grew by 47.6% yoy, while imports by 3.0% yoy, and the deficit declined by 26.2% yoy down to USD 593 m. A similar dynamics takes place from the beginning of the year, hence, in Jan-May the deficit in trade with Russia reduced by 20.3% yoy down to USD 2.9 bn. In Jan-May, the decline of imports was consequent to a drop of crude oil imports, while Belarus purchased it mainly within its duty-free quota.

Despite high growth rates of exports to Russia, there are still a number of problems in this regard. For instance, there is a tendency of growing accounts receivable for the goods supplied, including the overdue ones. In Jan-May, a debt of Russian companies to the Belarusian ones increased by 2.6 times yoy, and in May by 4.9 times yoy. This reflects that Belarusian producers soften the terms of settlements trying to promote their goods at the Russian markets.

Public finance: Budget deficit is growing

In May, the abolishment of the export oil duties began to affect the cumulative dynamics of revenues from the external economic activity, which declined by 0.5% of GDP. Further, there was a loss in consolidated revenues due to the abolishment of the agricultural levy and local sales tax of 1.7% of GDP. It was partially compensated by the growth in VAT revenues (by 1.1% of GDP), and in the revenues from income and profit taxes (by 0.2% of GDP). Finally, tax revenues dropped by 0.8% of GDP in comparison to Jan-May 2009 and amounted to 30.6% of GDP.

As for the non-tax revenues, their dynamics was even more adverse: they dropped by 1.1% of GDP down to 2.7% of GDP.

Continued on p. 8

Belarusian Economy in August. Review of General Trends

Among the main items of the consolidated expenditures, only those for the national economy (due to abolishment of the subsidies to the oil traders) performed a downturn (by 0.2% of GDP), while other were almost constant in respect to GDP.

Hence, consolidated expenditures were close to the level of the previous year. A consolidated deficit amounted to 2.8% of GDP, which is considerably more than the initially planned level. In this situation, the Ministry of Finance raised their projection of the Republican budget deficit from 1.5 up to 2.3% of GDP, explaining it by increasing expenditures.

Monetary policy: The growth of base money accelerated

In June, NBB kept on active provision of liquidity to commercial banks and its claims on them grew by 9.2% mom (BYR 1.3 trn). Net foreign assets of the monetary authorities dropped by 2.6% mom (USD 137 m). Finally, base money grew by 9.5% mom in May, while in annual terms it strengthened up to 95.2% yoy (78.8% yoy in May). It should be emphasized, that in June and May the value of net foreign assets was likely to have been stabilized by the banks' funds in foreign currency that were placed at the NBB as excessive reserves (USD 654 m in May and USD 187 m in June). This leads to an artificially high level of the base money, which does not fully

reflect the situation in the monetary sphere in this case.

The stimulation of the economic activity by the NBB resulted in further reduction of interest rates at all segments of the financial market. Furthermore, it determined maintenance of high growth rate of the outstanding loans (31.5% yoy in June, 32.2% yoy in May). Interest rates on the households' deposits in national currency were reducing less than on the other segments of the market. Through this and due to the acceleration of incomes, the growth rate of ruble households' time deposits increased most severely (from 33.9% yoy in May up to 48.7% yoy in June). Cash in circulation grew by 6.2% mom in June, while in annual terms the growth rate strengthened up to 28.3% yoy (20.9% yoy in May). Ruble money grew by 6.2% mom, and broad money by 2.1% mom. In annual terms their growth rates amounted to 36.3% and 24.8% yoy correspondingly (27.9% and 25.5% yoy in May).

Consumer prices grew by 0.2% mom in June, and in annual terms inflation amounted to 6.9% (7.1% in May). During June- July, Belarusian ruble devalues versus the NBB currency basket by 1.5%. The exchange rate to US dollar was 2974 USD/BYR by the end of July.

Banking sector: Establishment of the Special Financial Agency postponed

In July, the chairman of the NBB P. Prakapovich stated that a legislative

base for the establishment of the Special Financial Agency (SFA) on government programs financing management was accomplished. The commitment on establishment of such an agency and freeing the state banks from the burden of state programs financing was taken by Belarus within the agreements with the IMF. In August, a working meeting headed by the President took place. Instead of the expected discussion dealing with the technical details of the SFA establishment, during this meeting the participants returned to the discussion of the expediency of this measure itself. A. Lukashenka stated that the state banks should retain their role of active financial donors for the state programs. Finally, the meeting was finished by the President's instruction to proceed with the fine tuning of the legislative base for the SFA. De-facto, this means that the final decision in regard to this issue has been frozen at least till the next year. In 2010, the authorities consider macroeconomic targets as an obvious priority, while these targets are unlikely to be achieved without the direct control on the credit policy of the largest banks. In this situation, a number of distortions – a hindered access to the capital by the private sector, sharp fluctuations of the liquidity level in the banking system, an excessive credit risk exposure by banks – will be still urgent for the financial system of the country.

20/08/2010

Source: IPM Research Centre

Belarus to Add to 8.75 Percent Dollar Bonds due 2015

Belarus, is offering to sell more of its 8.75 percent dollar bonds due 2015. The new notes may be priced to yield about 8.312 percent. That compares with 9 percent when Belarus initially raised \$600 million last month, according to data compiled by Bloomberg.

"The original Belarus deal went beautifully and this tap is offering enough premium to interest new investors to come into the deal and for those already holding the notes to top up," said Norval Loftus, chief investment officer of Allegra Asset Management in London, who said he doesn't own the 8.75 percent bonds but wants to buy the new notes.

Continued on p.10

07/08/2010



Source: Bloomberg



Belarus to Add to 8.75 Percent Dollar Bonds due 2015 (continued from p. 7)

Belarus, which separates Russia from the European Union's Baltic region, agreed a \$3.5 billion 15-month standby loan with the International Monetary Fund last year after export revenue slumped. The government of Alyaksandr Lukashenka pledged to sell assets and boost investments from abroad to wean itself off assistance programmes.

BNP Paribas SA, Deutsche Bank AG, Royal Bank of Scotland Group Plc and OAO Sberbank, which managed the original sale, are also arranging the tap. The notes are rated B+ by Standard & Poor's, four steps below investment-grade, and an equivalent B1 by Moody's Investors Service.



11/08/2010 Itar-Tass Belarus Raises Gas Prices for Organisations and Entrepreneurs

Belarus has raised gas prices for private entrepreneurs and legal entities by 13.2 percent to the level of 716,000 Belarusian roubles (around 238 dollars) per 1,000 cubic meters without VAT, says a resolution adopted by the Economics Ministry of Belarus.

According to the Belarusian Ministry of Economy, the increase in price is connected 'with a higher cost of gas imported from Russia and the change of common economic conditions.



11/08/2010 anna.aero Belavia Now Serving 32 Destinations from Minsk; Stockholm and Tehran Latest Additions to Growing Network

Belavia Belarusian Airlines, the national carrier of Belarus has seen passenger numbers double in the last six years and last year handled just under 700,000 customers. From its base in Minsk the airline now serves 32 destinations non-stop with a fleet of mostly Western built aircraft, and accounts for almost 70% of traffic at the airport.

20/08/2010 agrimarket.info Belarus Increased Exports of Food Products by 49.8%

In the first half year of 2010, Belarus increased exports of food products by 49.8% compared to January-June of 2009, to the level of 1484.5 mln USD, imports - up 3.4%, to the level of 780.8 mln USD, declared the National Statistical Committee of the Republic of Belarus (Belstat).

In the first half year, the export volumes of food products essentially grew due to the increase of the value of supply volumes of sugar, dairy products, beef, marked Belstat.

During January-June of 2010, the share of food products in the general structure of exports from Belarus totaled 13.2% as opposed to 10.9% in January-June of 2009, the share of food products in the structure of consumer goods export volumes - 60% against 56.5%.

In the reporting period, the share of food products in the general structure of imports to Belarus totaled 5.3% as opposed to 5.8% in January-June of 2009, the share of food products in the structure of consumer goods import volumes - 31.3% against 36.7%.

The main positions of imports of food products to Belarus included grains (58.2 thsd tonnes, down 58.6%), vegetable oils (51.9 thsd tonnes, up 0.4%).

25/08/2010 Steelguru Belarus Crude Steel output up by Almost 2% in 7 Months

According to the statistics, Belarus crude steel output totalled 1.55 million tonnes in January to July 2010 period, up by 1.9% YoY.

In January to July 2010 period, the Belarus steel product output reached 1.42 million tonnes, down by 1.1% YoY. Steel pipe output reached 95,000 tonnes in first 7 months of 2010, up by 70% YoY.

In July 2010, Belarus crude steel and finished steel product output enjoyed a pick up of 1.9% MoM and 1.4% MoM, respectively.

**Kulczyk Holding s.a.****28/08/2010 RIA Novosti Polish Company to Invest 1.5 Bln Euro in Belarus Energy Sector**

Poland's Kulczyk Holdings has signed a deal with Belarusian energy company Belenerha for the construction of a coal power plant, worth 1.5 billion euro, the Polish Radio External Service reported on Saturday.

Kulczyk Holding and Belenerha will have equal shares in the plant.

"The construction will begin in late 2011 and finish in late 2015," Marta Wysocka, spokesperson for Kulczyk Holding told the Rzeczpospolita daily.

Energy from the Belarusian plant will also be sent to Poland via an energy bridge connecting the towns of Ros and Narew. The plant will use Polish coal from the Bogdanka colliery.

30/08/2010 The Baltic Course Liepajas Papirs to Open New Paper Mill in Belarus in 2011

The joint-stock paper producer Liepajas papirs will open a new paper mill in Belarus at the beginning of 2011.

Liepajas papirs plans to produce its least expensive products in Belarus, production of which is not cost effective in Liepaja anymore, and that are mostly sold in Russia, Belarus and Kazakhstan. These three countries have a common market, therefore Liepajas papirs will not have to pay customs duties.

The new venture's production volumes are expected to reach EUR 70,000 in the first six months next year. According to data from "Firmas.lv", the turnover of Liepajas papirs in 2009 reached LVL 2.92 million, and the company's profit was LVL 216,554. The company's share capital is LVL 94,600.

03/09/2010 BelaPAN Belarus' Foreign State Debt Reported Down 2.2 percent in July

Belarus' foreign state debt decreased by 2.2 percent in July to 25,218 billion rubels (about \$8.5 billion), according to the finance ministry.

The upper limit for the year had been set at \$9.5 billion.

As of August 1, the central government's borrowings reportedly totalled 24,706 billion rubels, or 98 percent of the total amount of the country's state foreign debt.

Loans provided to residents under government guarantees rose by 16.9 percent in July to 511.9 billion rubels, the Finance Ministry said.

Belarus' state foreign debt increased by almost 60 percent in 2008 to \$3,718.9 million and by 110 percent in 2009 to \$7,891 million.

07/09/2010 Lukashenka Promises to Privatise Unprofitable State Farms

Inefficient state farms will be put into private hands, Alyaksandr Lukashenka said while visiting the Ivatsevichy district of the Brest region.

According to the presidential press-office, the Belarusian leader said that the government would wait for two years and then privatise the farms that failed to become profitable.

Deputy Prime Minister Ivan Bambiza noted that some unprofitable farming enterprises had already been privatised. The privatisation process will now be extended to not only enterprises that operate at a loss but also inefficient and low-profit businesses, he said.

By directive of the head of state, the government will soon devise approaches to privatising such enterprises, including co-operative farms and farms controlled by local governments, the press office said. Lukashenka also suggested proposing measures to develop sheep farming in the country.



09/09/2010 agra-net.com Heineken has high hopes for Belarus

Heineken has not ruled out the possibility of commencing the production of new licensed brands in Belarus in the near future, according to local media reports.

At present licensed production accounts for 10% of its brand portfolio in Belarus, and produces three licensed brands there - Gosser (from Austria), Dr. Diesel (Russia) and Zlaty Bazant (Serbia). It intends to roll out Zlaty Bazant Cerne in October 2010.

10/09/2010 oilandgaseuroasia.com Belarusnafta To Set Up Subsidiary in Poland

Belarusnafta (Belarusneft) plans to open a subsidiary in Poland with authorized capital of 300,000 euro, Ukroil reports, noting the proposal was made by Belnaftakhim and approved in principle by the Belarusian government. In resolution number 1271 dated September 2, Belarusnafta has been instructed to put 300,000 euro into the authorized capital of Belarusnafta-Polska Sp.z i.ŕ.

Belnaftakhim, the Belarusian state oil and chemicals concern, is one of the largest industrial enterprises in Belarus. the concern was established in April 1997 and brings together crude production, refining and transport enterprises as well as several chemical and petrochemical companies and design bureaux, repair and construction companies.

20/09/2010 [The Moscow Times](http://TheMoscowTimes) Russia Cuts Gas Prices to Ukraine and Discounts to Belarus



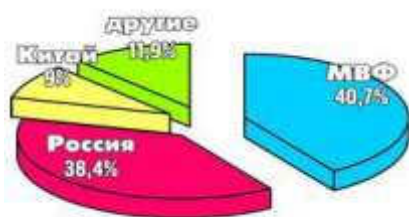
Belarus will see its gas bill shoot up by a third to match European levels while Ukraine enjoys a discount, bringing the fee to the same level of \$250 per thousand cubic metres for both countries. The price juggling mirrors relations between Russia and its two western neighbours.

Earlier this year Moscow agreed to slash Kyiv's fees by \$100 per thousand cubic metres if it had crept up to \$330, and by 30 per cent if the price was lower than \$330. Ukraine and Russia have seen relations blossom since the arrival of Viktor Yanukovich at the presidential office. He will have saved his country 3 billion dollars by the end of 2010 and 4 billion in 2011, Lenta.ru reported.

Belarus meanwhile pays \$186 per thousand cubic metres at the moment, its price hike to \$250 in 2011 represents a 35 per cent rise. The jump is set to happen as Russia cancels Belarus' current discount opportunities.

Transit prices will also be raised. Minsk currently pays \$1.88 per thousand cubic metres and could have to brace itself for \$2 per cubic thousand metres.

To whom Does Belarus Owe Money and How Much?



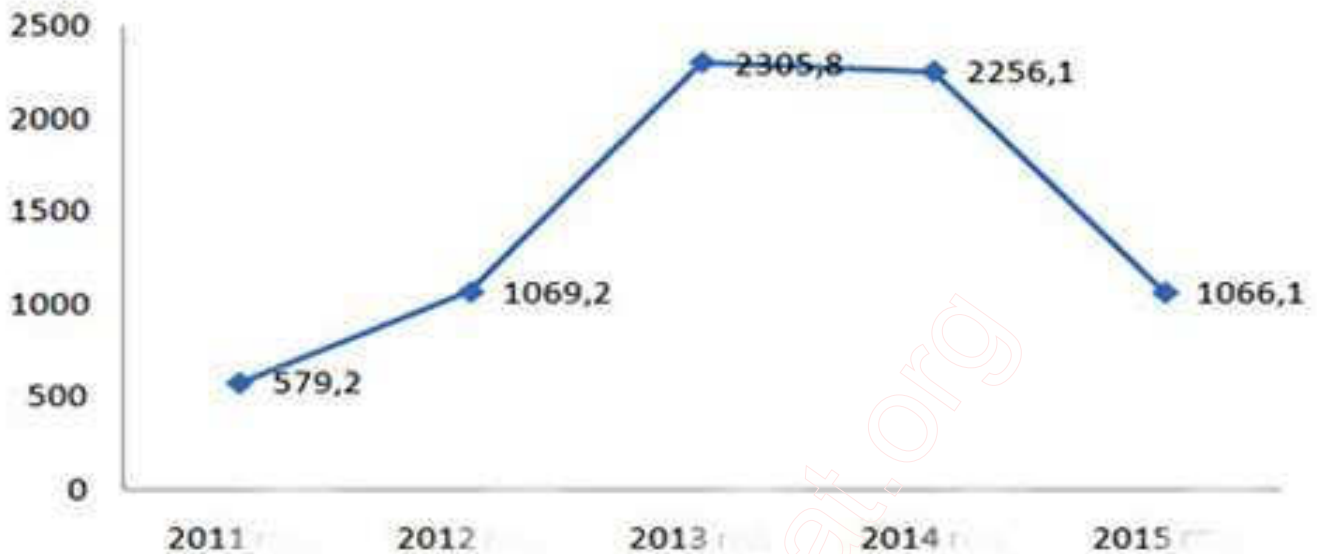
Red – Russia
Yellow – China
Green – other
Blue – International Monetary Fund

A downturn in global economic activities in the last two years and the declining demand on foreign markets challenged the Belarusian government to seek alternative sources of foreign-currency earnings. Foreign loans are one of the important channels for attracting money. This summer Belarus has finally launched its maiden five-year dollar-dominated Eurobond. In the past, Belarus has already received loans from the IMF, the World Bank, Russia, China, and Venezuela. But any debt sooner or later has to be paid back. Therefore, it is very important and beneficial to handle this money efficiently.

Since 2008, the external debt of Belarus has increased from US\$ 2,3 billion to US\$9,5 billion. The largest share of total loans comes from the IMF, Russia and China. Next year the country will spend US\$695 million on debt service.

Continued on p. 11

To whom Does Belarus Owe Money and How Much?



Source: Ministry of Finances of Belarus. *Foreign Debt Payments (in bln dollars)**

* Ministry of Finance figures do not include Belarusian Eurobonds payments

Threshold security

According to experts, external debt does not yet pose a significant challenge for the country and, according to some estimates, it has now become about 30 percent of the GDP. Head of the Institute of Business and Management Technology at the Belarusian State University, Dr Heorgy Gryts notes that a critical threshold in the EU is 60 percent and that has been already surpassed by twenty European states.

“However, there is another problem,” the expert warns. “We will start to repay the primary debt in five years and to pay the interest as early as next year. Therefore it is very important to allocate money to fast-payback projects and high-tech goods production. It is not easy to do, considering that 80 per cent of the equipment used by domestic enterprises has a high degree of physical deterioration. Average profitability countrywide is 7-8 per cent, whereas Belarus borrows Eurobonds at 8.5 percent.

Therefore, the country should set up a competitive economy as soon as pos-

sible, obtain new technology and equipment, build new businesses and improve production profitability.

Basically, Belarus has to pay back all its borrowed money in the next five years. We have to start paying off the debt to Russia and the IMF in 2012, and Belarus is due to make the first Eurobonds payments in February 2011.



Mikhail Zaleski

Having received funds via Eurobonds placement, external Belarusian debt ratio in 2011-2015 will exceed eight billion dollars.

Economist Mikhail Zaleski believes

that in order to repay its existing debt Belarus will attract new borrowing.

2013 and 2014 will be the hardest for Belarus: payment peak for Belarusian external borrowing will be reached.

However, the official Minsk today is not concerned about payment peak. On the contrary, the Belarusian authorities consider increasing external borrowing. Debt securities are planned to be listed on the Russian market in the near future. Next year Belarus intends to borrow another billion dollars through Eurobond.

The official Minsk does not pay attention to the fact that in 2013 and in 2014 the country will need 4.5 billion dollars to repay its external debt. This does not include the Eurobonds payment that needs to be made. However, the country is actively placing them.

20/09/2010

Source: Respublika, tut.by, BelaPAN, translated by ODB