

УДК 811.111:339.727.22(476)

Foreign investments in Belarus

Иностранные инвестиции в Беларуси

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Modern world turns into a giant community with international markets very quickly. International trade became the defining factor in making and supporting thriving economy in different countries.

Modern global economy cannot develop without foreign investments. Favorable investment climate is one of the most important factors in the positive development of any economy. It is possible to tell that foreign investments have effective result and positively affect gross national product (GNP) growth. Placing foreign capital in the country brings new technologies, new ways of organizing production and direct access to the world market.

In the present economic situation, the question of attracting foreign investment is very critical: the economic crisis and sharp decline in investment resources are bound to appeal to foreign sources of funding.

In 2009, the World Bank published a rating, in which Belarus is in the middle position among the 200 states. The World Bank identified the advantages and disadvantages of Belarusian investment climate. The benefits include low-cost labor, safety and simplify the registration, the shortcomings – a burdensome tax system, expensive credit and frequent government intervention. Definitely negative factors, affecting investment attractiveness of Belarus, are more weighty and significant than positive ones.

One of the primary factors influencing an investment climate is the standard-legal system.

By estimations of the World Bank 2 of 3 reasons, which do Belarus less attractive to foreign investors, concern to standard-legal regulation. As it was told above these reasons are a frequent intervention of the state and burdening tax system. And an international practice shows that there is a direct relationship between the legal ordering and stabilization of current economic processes.

Foreign investors determined the instability and unpredictability of the legal framework as the main problem. Investing the capitals, a for-

foreign investor wishes to have a guarantee that investment conditions will not change further and that any changes will not worsen commercial results of their activity as investor. And it is known that there were practices of intervention of the state in investment foreign projects with full freezing them further in Belarus.

Moreover Belarus has one of the most difficult tax systems in the world, and in addition, it frequently changes. Foreign investor spends about 50% of its profit and even more on the payment of all taxes.

The third reason named by the World Bank as a shortcoming to attraction foreign investments is expensive credits. An interest rate in Belarus is about 16 %. For comparison in Poland the interest rate makes 5 % that practically 3 times lower than in Republic of Belarus. It is simple to draw a conclusion that to investors it is much easier and cheaper to put means and to get profit in Poland with the interest rate of 5 %, rather than in Belarus where it is about 16 %.

There is also a huge number of factors negatively affecting the investment climate in the country in addition to 3 named by the World Bank. They are: a lack of a modern infrastructure, high rates of inflation, low purchasing capacity of the population, standards of work with foreign investors, corruption, etc. The human factor, thereby preventing the improvement of the situation in the country, is also evident. "To date, according to Belarusian media, only 7% of foreign professionals possess rudiments of the English language" - commented a member of the Committee on Foreign Investment Council of Ministers of the Republic of Belarus.

Despite all the negative factors, there are also positive ones. According to statistics from the World Bank there are 3 main points, impacting on attracting foreign investments into the republic positively.

1) Simplification of registration.

Order number 1 of 16.01 was considered a bill on simplification of registration. The bill provides for the reduction of consideration for the registration of incoming documents, simplify procedures for registration of foreign investors as residents of free economic zones.

2) low-cost skilled labor

3) security

Today in republic there is a number of the structures the main objective of which is attraction of foreign investments: committee on investments at the Ministry of Economics, credit-investment management the

Ministry of Foreign Affairs, the Belarus agency of assistance to foreign investments, management of investments of the Ministry of business and investments, etc.

Investors are interested in Belarus for many reasons. Firstly, low-cost entry into the market, which is about 10 million consumers. Secondly, expanding the opportunities for expansion in the markets of Russia, which Belarus has a single economic space with. Also, investors who are interested in the Belarusian economy, know that the republic had not yet begun to privatize in a global scale, which indicates that in this situation they can get a good profit.

But in common the Belarusian investment climate is characterized as unsatisfactory. For improvement of the given situation in our country, it is necessary to spend some changes. World practice has already defined a universal set of the measures: tax stimulus, financial stimulus, not financial stimulus. And the main thing is to create an international image of the country, providing the investor is better than other countries, opportunities, political and economic stability in this country. Certainly need to start with the legal framework, banking and taxation. Must move towards European standards and to give investors the freedom to develop. Should strive to create a favorable investment climate not only for foreign investors, but also for own. It is not surprising that foreign investors do not want to invest in production, when Belarusian private traders afraid to get into the market.

Republic of Belarus has great prospects in development. A significant number of factors that affect investment climate contributes to our country. Beginning from the geographical location, ending the potential in the industrial market. All this contributes to the formation of the State and transcended it to international level.

Anyway foreign investors are interested in Belarus. They are attracted by the growth rate of the Belarusian economy since the early 21 century, a good transportation infrastructure, stability, finally by the status of the State in Central Europe.

And the large-scale investment - a necessary condition for release of the Belarusian economy from the prolonged crisis.