

Belarus

RISK & COMPLIANCE REPORT

DATE: MARCH 2018

Executive Summary - Belarus	
Sanctions:	EU and US Financial and Arms Embargo
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering assessment
<p>Major Investment Areas:</p> <p>Agriculture - products: grain, potatoes, vegetables, sugar beets, flax; beef, milk</p> <p>Industries: metal-cutting machine tools, tractors, trucks, earthmovers, motorcycles, televisions, synthetic fibers, fertilizer, textiles, radios, refrigerators</p> <p>Exports - commodities: machinery and equipment, mineral products, chemicals, metals, textiles, foodstuffs</p> <p>Exports - partners: Russia 35.4%, Netherlands 16.5%, Ukraine 12.1%, Latvia 7.1% (2012)</p> <p>Imports - commodities: mineral products, machinery and equipment, chemicals, foodstuffs, metals</p> <p>Imports - partners: Russia 59.3%, Germany 5.9%, China 5.1%, Ukraine 5% (2012)</p>	
Investment Restrictions:	

In 2008, there were certain improvements in foreign ownership and control issues. The notorious "Golden Share" was removed in March 2008, thus allowing substantial new foreign investment. As noted above, foreign investments are not unconditionally welcome in Belarus. The government claims it works hard to create equal conditions for domestic and foreign investors in Belarus. In practice, however, foreign investments undergo additional screening and are allowed only on a case-by-case basis. Major screening criteria used by local governments include the introduction of modern technology, the number of jobs created, scope of financial investment, potential competition with existing domestic producers, etc. Also, while under the law there are no unconditional requirements on local content, workforce, exports, etc., the government highly recommends them to foreign investors. Most sectors of Belarus' economy are open for investment. Industries generally closed for investment for all countries (except Russia) include defense, state security and related industries.

In accordance with Belarusian law, the following items are in exclusive state ownership:

- munitions;
- defense infrastructure assets including civil defense assets;
- facilities producing, storing and selling narcotic and psychotropic substances, as well as organizations growing, processing and selling plants containing narcotic substances (including hemp);
- facilities producing, storing and selling caustic and poisonous substances which can pollute the environment or endanger human beings, except facilities providing agrochemical services in agriculture;
- disposal of household, industrial, radioactive and chemical waste;
- extraction and processing of precious metal ores, precious stones, potassium ores, radioactive and rare earth elements;
- patenting, standardization, metrology, certification, geodesy and cartography;
- pre-school education, out-of-school educational services, institutions, orphanages, boarding schools for orphans and disabled children;
- water-supply and sewage, city street lighting;
- backbone and international power grids;
- heat supply;
- natural gas supply: gas-distributing points, underground depots of liquefied gas;
- oil and oil-product pipelines;
- grain storages;
- public roads, bridges, overpasses, tunnels;
- railroad transportation;
- air traffic control, national and military airports;
- underground and urban electric transport;
- forestry enterprises;
- water distribution and melioration;
- production and storage of national bank notes and coins not yet issued;
- production and storage of state securities;
- historical and cultural heritage (state archives, state libraries, state art galleries);

- interregional and regional stations and laboratories, posts and other organizations of the Republican Hydrometeorology Centre, as well as laboratories and organizations of Ministry of Natural Resources and Environmental Protection;
- scientific organizations of the National Academy of Sciences and the Academy of Agrarian Sciences of Belarus;
- customs infrastructure;
- enterprises and objects of correctional labor institutions;
- cemeteries and crematoria;
- state sanitary control;
- cryptographic equipment;
- research-production organizations of the Belarusian State Research-Production Concern of Machinery and Instruments, Belarusian State Research-Production Concern of Powder Metallurgy.

Belarusian law gives land ownership rights to individuals only.

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Section 1 - Background

After seven decades as a constituent republic of the USSR, Belarus attained its independence in 1991. It has retained closer political and economic ties to Russia than any of the other former Soviet republics. Belarus and Russia signed a treaty on a two-state union on 8 December 1999 envisioning greater political and economic integration. Although Belarus agreed to a framework to carry out the accord, serious implementation has yet to take place. Since his election in July 1994 as the country's first president, Aleksandr LUKASHENKO has steadily consolidated his power through authoritarian means. Government restrictions on freedom of speech and the press, peaceful assembly, and religion remain in place.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Belarus is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Belarus was undertaken by the Financial Action Task Force (FATF) in 2008. According to that Evaluation, Belarus was deemed Compliant for 5 and Largely Compliant for 13 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Key Findings from latest follow-up Mutual Evaluation Report (2012):

http://www.eurasiangroup.org/files/MERs%20-%20ENG/Belarus/FR_2012_7_eng.pdf

US Department of State Money Laundering assessment (INCSR)

Belarus was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Belarus is not a major financial center. Corruption and illegal narcotics trafficking are primary sources of illicit proceeds. Economic decision-making in Belarus is highly concentrated within the top levels of government and, ultimately, in the presidency. The concentration of power in the hands of the presidency and the lack of a system of checks and balances among the various branches of government are the greatest hindrances to the rule of law and transparency of governance. Government financial institutions have little autonomy, and the financial sector is not sufficiently transparent and accountable. The substantial liberalization of the national currency exchange rate policies, coupled with tighter monetary policies, contributed to a decreased use of the dollar and euro in 2015 and significantly curbed foreign currency cash transactions' avoidance of the banking system. That also helped reduce the potential for off- book cash transactions and underground markets in 2015.

Trade-based money laundering occurs primarily between Russian and Belarusian businesses. Front companies are often involved and funds sometimes transferred for products that are never delivered. The Belarusian financial intelligence unit (FIU) noted increased efforts in 2015 to transfer funds from Russia to third countries via the Belarusian banking system, as an apparent consequence of Western sanctions against Russia.

There are many casinos, especially in the capital, Minsk, and foreign ownership is allowed. In 2013, the government introduced an automatic system to register winnings in legal gambling, which enables the real time registration of winnings. In 2014, the government passed various resolutions to tighten internal control in the gaming industry and issued risk management recommendations for such businesses. In 2015, the government upgraded and streamlined the system of registering financial operations in gambling via the introduction of an electronic data exchange.

Since 2006, Belarus has been the subject of numerous U.S. sanctions. In 2011, the United States reauthorized the Belarus Democracy and Human Rights Act of 2004, which includes a package of sanctions expanding the list of Belarusian officials and law enforcement representatives subject to visa bans and financial restrictions. The United States also extended limitations on trade with Belarus under the International Emergency Economic Powers Act. In May 2012, the U.S. Treasury designated Belarus-based JSC CredexBank (renamed JSC InterPayBank) as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act.

In March 2015, the U.S. Secretary of State decided to terminate sanctions imposed in 2011 on Belarusneft, a state-owned Belarussian energy company, for its involvement in the Iranian petroleum sector because the company is no longer engaging in sanctionable activity. In October 2015, the Department of the Treasury, in consultation and coordination with the Department of State, authorized general license transactions involving nine Belarusian entities pursuant to Executive Order 13405. The authorization expires on April 30, 2016, unless extended or revoked. The United States took this step in light of the positive move by the Belarusian government to release six political prisoners in August 2015.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES KYC covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and brokers; postal service operators; and property leasing firms

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 131,000 in 2014

Number of CTRs received and time frame: 47,000 in 2014

STR covered entities: Banks and non-bank financial credit institutions; professional operators of the securities market; persons engaged in exchange transactions, including commodity exchanges; insurance firms and brokers; postal service operators; and property leasing firms

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 21 in 2015

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Belarus is a member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, the Government of Belarus took significant steps to improve its legal and regulatory framework to fight money laundering and terrorism financing, including the revision of its AML/CFT law. The revised law, which was adopted on June 30, 2014 and came into effect on January 4, 2015, includes provisions on measures to prevent proliferation of weapons of mass destruction. In 2015, Belarus adopted a series of government resolutions that bring its financial regulatory framework in compliance with the revised AML/CFT law. In particular, the government tightened internal control and made some risk management recommendations to domestic financial organizations. Also, under the amended AML/CFT law, banks have the right to suspend or ban suspicious financial transactions.

The revised AML/CFT law prompted amendments in the Criminal Code. Most of these amendments were made in Article #290 "Threat to Commit an Act of Terrorism." The amended Article now criminalizes activities related to recruiting, training, and employing individuals for terrorist activities and participation in a terrorist organization, and was reworded to comply with relevant international standards. Two articles also were added to the Code on Administrative Offenses to introduce liability of legal persons both for money laundering and financing terrorism.

In October 2015, the lower house of Belarus's parliament passed in the first reading some amendments to Belarus's laws on fighting terrorism. In November 2015, the General Prosecutor's Office submitted to Belarus's parliament amendments to the Criminal and Criminal Procedure Codes for the purpose of introducing provisions for the arrest and confiscation of property of persons involved in terrorist activities. The government also has drafted additional amendments to its AML/CFT law, as well as the Criminal and Criminal Procedure Codes. The amendments to the AML/CFT law seek to expand the list of covered entities and are scheduled to be adopted in 2016.

While Belarus has made progress in several areas, deficiencies remain, particularly in implementation and enforcement. Belarus should take steps to combat corruption in

commerce and government. The government also should take steps to ensure the AML/CFT framework operates more objectively and less as a political tool.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Belarus does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

Belarus is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Belarus is not considered an Offshore Financial Centre

US State Dept Narcotics Report 2011 (introduction):

No report available

US State Dept Trafficking in Persons Report 2016 (introduction):

Belarus is classified a Tier 3 country - a country whose government does not fully comply with the minimum standards and is not making significant efforts to do so.

Belarus is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. Belarusian victims are primarily subjected to trafficking in Russia and within Belarus, as well as in Poland, Turkey, and other countries in Eurasia and the Middle East. Some Belarusian women traveling for foreign employment in the adult entertainment and hotel industries are subjected to sex trafficking. The government has identified Belarusian, Moldovan, Russian, Ukrainian, and Vietnamese victims exploited in Belarus.

State-sponsored forced labor continues to be an area of concern, and the UN Human Rights Council adopted a resolution in July 2015 expressing deep concern at the government's "violations of labour rights amounting to forced labour," among other human rights issues. The European Parliament condemned an April 2015 Belarusian presidential decree which requires unemployed persons to pay a fee to the state or potentially face compulsory community service. The UN Committee on Economic, Social and Cultural Rights took the position that an earlier presidential decree, issued in December 2012, "effectively takes away the right of workers in the wood-processing industry to freely leave their jobs." That decree assigns monthly bonuses to employees in the wood-processing industry that they must pay back if they resign; failure to repay these "bonuses" risks a court order obligating the employee to continue to work in that industry under law enforcement supervision. The ILO Committee of Experts reported that a 2010 law allows for Belarusians suffering from alcoholism or drug dependencies to be "interned in 'medical labour centers' for a period of 12 to 18 months and have an obligation to work, and refusing to work results in punishment, such as solitary confinement, for up to ten days." As of June 2015, an estimated 6,700 people were held at these centers. The government continued the practice of subbotniks, which requires employees of the government, state enterprises, and many private businesses to work on occasional Saturdays and donate their earnings to finance government projects. The UN special rapporteur on the situation of human rights in Belarus reported repercussions for non-participation in subbotniks, including non-renewal of employment contracts and the revocation of monthly bonuses. State employers and authorities also intimidated and fined some workers who refused to participate. Authorities require university and high school students to help farmers during the harvesting season without paying them for their labors, in addition to other forced community service projects. Authorities reportedly forced military conscripts to perform work unrelated to military service. Per a 2006 presidential decree, parents who have had their parental rights removed are subjected to compulsory labor, and the government retains 70 percent of their wages. The ILO Committee of Experts noted its

deep concern in 2016 that the Belarusian criminal code permits penalties involving compulsory labor be imposed for the expression of views opposed to the established political, social, or economic system. The ILO Committee of Experts cited reports that the government used or threatened to use arbitrary detention involving compulsory labor for apparently political motives.

The Government of Belarus does not fully meet the minimum standard for the elimination of trafficking and is not making significant efforts to do so. The government continued to be a leader in multilateral efforts to combat trafficking and made efforts to protect victims exploited abroad and internally by criminal enterprises. Additionally, the government developed a formal victim identification and referral mechanism and issued a contract to an NGO to provide victim services, the first such contract since a January 2013 law created the framework for state financing for NGOs. However, the government is engaged in practices that condone forced labor, and made no efforts to reform its policies. In fact, in 2015, the government introduced a new penalty on unemployed citizens that requires payment of a fee to the state to avoid compulsory community service. Other policies effectively creating state-sponsored forced labor continued, affecting civil servants, workers in the wood processing industry, students, and citizens suffering from drug or alcohol dependency, among others. For the third consecutive year, authorities did not convict any traffickers under the trafficking statute.

US State Dept Terrorism Report

No report available

In October 2015, the EU Council suspended for four months the asset freeze and travel ban applying to 170 individuals and the asset freeze applying to three entities in Belarus. This included the asset freeze on President Lukashenko. This decision was taken in response to the release of all Belarusian political prisoners on 22 August and in the context of improving EU-Belarus relations. The EU will continue to closely monitor the situation of democracy and human rights in Belarus.

Restrictive measures against persons and entities were due to expire on 31 October, 2015. The Council prolonged these measures for four months, until 29 February 2016, and at the same time suspended them for 170 persons and for three entities. Four persons involved in unresolved disappearances in Belarus remain subject to restrictive measures. The arms embargo also continues to apply.

On the same date the US Department of Treasury, Office of Foreign Assets Control (OFAC) issued a general license that permits US persons to engage in transactions with certain Belarus-based companies that have been designated as Specially Designated Nationals (SDNs), as well as entities owned 50 percent or more by the entities identified in the general license. The general license is valid for six months unless OFAC revokes or extends it.

Previous Sanctions (Suspended):

Arms

In response to the deterioration of human rights and brutal crackdown on dissent, following the disputed re-election of President Alexander Lukashenko in December 2010, the EU has imposed toughened sanctions on Belarus, including an arms embargo.

The sanctions are detailed in [Council Decision 2011/357/CFSP](#) (published in the Official Journal of the European Union L161, 21.6.2011, p25) and [Council Regulation \(EU\) No 588/2011](#) (published in the Official Journal of the European Union L161, 21.6.2011, p1).

These measures also amend previous [Council Decision 2010/639/CFSP](#) and [Council Regulation \(EC\) No 765/2006](#) which imposed a travel ban and an asset freeze on President Lukashenko and certain named Belarusian officials.

On 15 October 2012, the EU adopted [Council Decision 2012/642/CFSP](#). This was published in the EU Official Journal on 17 October 2012 (L285, 17.10.2012, p1) and came into force on 1 November 2012. This Decision extends restrictive measures on Belarus until 31 October 2013.

For the sake of clarity, it also states that the measures imposed by [Council Decision 2012/639/CFSP](#) should be integrated into a single legal instrument. Via the 2012 measure, the EU has also reiterated its grave concerns about the continued lack of respect for human rights, democracy and the rule of law in Belarus which were first adopted by [Council Common Position 2004/661/CFSP](#).

Financial

In 2006, the European Union imposed restrictive measures, which included among other matters, for a freeze on the funds of President Lukashenko and certain other officials of Belarus who are responsible for the violations of international electoral standards in the Presidential elections in Belarus on 19 March 2006 and the crackdown on civil society and democratic opposition.

EU regulations in force

- [06.11.2012 Council Regulation \(EU\) No 1014/2012](#)
- [23.04.2012 Council Regulation \(EU\) No 354/2012](#) Amended Council Regulation (EC) No 765/2006 to insert Article 4b
- [28.03.2012 Council Implementing Regulation \(EU\) 265/2012](#) Amended Annex 1B to Council Regulation (EC) No 765/2006
- [23.03.2012 Council Implementing Regulation \(EU\) No 263/2012](#) Amended Annex I to Regulation 765/2006
- [28.02.2012 Council Implementing Regulation \(EU\) No 170/2012](#) Amended Council Regulation (EC) No 765/2006, adding 21 new individuals to the Belarus asset freeze and amending a number of individual entries.
- [10.02.2012 Council Regulation \(EU\) No 114/2012](#) Amended Council Regulation (EC) No 765/2006 to impose restrictions, including an assets freeze, on persons entities or bodies responsible for serious violations of human rights the repression of civil society and democratic opposition in Belarus, or persons or entities benefiting from or supporting the Lukashenko regime (Annex IB).
- [16.12.2011 Council Implementing Regulation \(EU\) No 1320/2011](#) Amended Annex IA to Regulation 765/2006.
- [10.10.2011 Council Regulation \(EU\) No 999/2011](#) Amended Regulation 765/2006.
- [10.10.2011 Council Implementing Regulation \(EU\) No 1000/2011](#) Amended Annex IA to Regulation 765/2006.
- [20.06.2011 Council Regulation \(EU\) No 588/2011](#) Amended Annex IA to Regulation 765/2006. Introduced arms embargo.
- [23.05.2011 Council Implementing Regulation \(EU\) No 505/2011](#) Amended Annex IA to Regulation 765/2006.
- [21.03.2011 Council Implementing Regulation \(EU\) No 271/2011](#) Amended Annexes I and IA to Regulation 765/2006.
- [31.01.2011 Council Implementing Regulation \(EU\) No 84/2011](#) Amended Council Regulation (EC) No 765/2006 to impose restrictions, including an assets freeze, on persons entities or bodies responsible for violations of international electoral standards in the presidential elections in Belarus on 19 December 2010 and the crackdown on civil society and democratic opposition, and those associated with them (Annex IA).
- [08.07.2008 Council Regulation \(EC\) No 646/2008](#) Amended various Articles in Council Regulation (EC) No 765/2006 to align with developments in sanctions practice.
- [23.10.2006 Commission Regulation \(EC\) No 1587/2006](#) Amended Annex I to Council Regulation (EC) No 765/2006.
- [18.05.2006 Council Regulation \(EC\) No 765/2006](#) Imposed financial sanctions against President Lukashenko and certain other officials of Belarus who are responsible for the violations of international electoral standards in the Presidential elections in Belarus on

19 March 2006 and the crackdown on civil society and democratic opposition as listed in Annex I to that Regulation.

US Sanctions

Any person determined by the Secretary of the Treasury, after consultation with the Secretary of State:

- to be responsible for, or to have participated in, actions or policies that undermine democratic processes or institutions in Belarus;
- to be responsible for, or to have participated in, human rights abuses related to political repression in Belarus;
- to be a senior-level official, a family member of such an official, or a person closely linked to such an official who is responsible for or has engaged in public corruption related to Belarus;
- to have materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services in support of, the activities described in paragraph (a)(ii)(A) through (C) of this section or any person listed in or designated pursuant to this order; or
- to be owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, any person listed in or designated pursuant to the order.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	44
World Governance Indicator – Control of Corruption	48

Corruption is present at all government levels in Belarus; customs, public procurement and construction are particularly vulnerable sectors. Companies are likely to face discrimination and corruption in public procurement in favor of state-owned enterprises, and making informal payments or giving gifts to secure government contracts are common practices when doing business in the country. While petty corruption is relatively limited, high level corruption occurs with impunity. The Criminal Code of the Republic of Belarus criminalizes attempted corruption, extortion, active and passive bribery, bribery of foreign officials and money laundering, but anti-corruption regulations are vague and require improvement. In addition, anti-corruption laws have been poorly enforced and officials engage in corruption with impunity. The legal status of facilitation payments is uncertain. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by Global Security

Belarus has laws, regulations and penalties to combat corruption. While the Embassy has received credible reports of corruption, particularly at the local level, U.S. firms have not identified corruption as a particularly significant obstacle to foreign direct investment. Belarusian business representatives, particularly those involved in import and export transactions, however, complain often of pervasive corruption.

A number of investigations in 2007 pointed to high-level corruption. In June the Director General of Belneftkhim, the holding company controlling Belarus's petrochemical industry, was arrested. Also in June, the deputy head of a department within the Presidential Administration was charged with accepting a \$35,000 bribe. A former senior customs official was sentenced to 13 ½ years in prison in July for heading a ring of 14 corrupt officials.

Belarus signed and ratified the Civil Law Convention on Corruption on December 26, 2005; the UN Anticorruption Convention on November 25, 2004; the Criminal Law Convention on Corruption on May 26, 2003; and the UN Convention against Transnational Organized Crime on May 3, 2003. Belarus is not a signatory to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The list of major Belarusian agencies responsible for fighting corruption includes the Ministry of the Interior, the State Security Committee (KGB), the State Control Committee and the Security Council. In July 2006, the president signed into law a bill on fighting corruption,

complementing Belarus' existing anti-corruption legislation. The new law defines professions vulnerable to corruption, designates the Prosecutor General's Office as the coordinator of anti-corruption efforts and establishes limitations on government of Belarus officials' family members.

Giving or accepting a bribe is a criminal act, and penalties can be quite severe: up to 15 years of imprisonment. However, senior officials convicted of large-scale corruption can be released without penalty.

According to independent polls, corruption is most pervasive among local government officials, directors of large state enterprises, police and especially traffic police officers, doctors and teachers.

To the Embassy's knowledge, there are no local or international NGOs that help fight corruption in Belarus. The government is generally hostile to NGO that are not explicitly pro-government.

To the Embassy's knowledge, there have been no reports that any foreign investors have been implicated in bribery schemes.

Section 3 - Economy

As part of the former Soviet Union, Belarus had a relatively well-developed, though aging industrial base; it retained this industrial base - which is now outdated, energy inefficient, and dependent on subsidized Russian energy and preferential access to Russian markets - following the breakup of the USSR. The country also has a broad agricultural base which is largely inefficient and dependent on government subsidies. After an initial burst of capitalist reform from 1991-94, including privatization of smaller state enterprises and some service sector businesses, creation of institutions of private property, and development of entrepreneurship, Belarus' economic development greatly slowed. About 80% of all industry remains in state hands, and foreign investment has been hindered by a climate hostile to business. A few banks, which had been privatized after independence, were renationalized. State banks account for 75% of the banking sector.

Economic output, which had declined for several years following the collapse of the Soviet Union, revived in the mid-2000s due to the boom in oil prices. Belarus has only small reserves of crude oil, though it imports most of its crude oil and natural gas from Russia at prices substantially below the world market. Belarus exported refined oil products at market prices produced from Russian crude oil purchased at a steep discount. In late 2006, Russia began a process of rolling back its subsidies on oil and gas to Belarus. Tensions over Russian energy reached a peak in 2010, when Russia stopped the export of all subsidized oil to Belarus save for domestic needs. In December 2010, Russia and Belarus reached a deal to restart the export of discounted oil to Belarus. In 2015, Belarus continued to import Russian crude oil at a discounted price. However, the plunge in global oil prices heavily reduced revenues.

Little new foreign investment has occurred in recent years. In 2011, a financial crisis began, triggered by government directed salary hikes unsupported by commensurate productivity increases. The crisis was compounded by an increased cost in Russian energy inputs and an overvalued Belarusian ruble, and eventually led to a near three-fold devaluation of the Belarusian ruble in 2011. In November 2011, Belarus agreed to sell to Russia its remaining shares in Beltransgaz, the Belarusian natural gas pipeline operator, in exchange for reduced prices for Russian natural gas. Receiving part of a \$3 billion loan from the Russian-dominated Eurasian Economic Community (EurAsEC) Bail-out Fund, a \$1 billion loan from the Russian state-owned bank Sberbank, and the \$2.5 billion sale of Beltransgaz to Russian state-owned Gazprom helped stabilize the situation in 2012; nevertheless, the Belarusian currency lost more than 60% of its value, as the rate of inflation reached new highs in 2011 and 2012, before calming in 2013. In December 2013, Russia announced a new loan for Belarus of up to \$2 billion for 2014. Notwithstanding foreign assistance, the Belarusian economy continued to struggle under the weight of high external debt servicing payments and trade deficit. In mid-December 2014, structural economic shortcomings were aggravated by the devaluation of the Russian ruble and triggered a near 40% devaluation of the Belarusian ruble. Belarus entered 2015 with stagnant economic growth and reduced hard currency reserves, with under one month of import cover.

Agriculture - products:

grain, potatoes, vegetables, sugar beets, flax; beef, milk

Industries:

metal-cutting machine tools, tractors, trucks, earthmovers, motorcycles, televisions, synthetic fibers, fertilizer, textiles, radios, refrigerators

Exports - commodities:

machinery and equipment, mineral products, chemicals, metals, textiles, foodstuffs

Exports - partners:

Russia 39%, UK 11.2%, Ukraine 9.5%, Netherlands 4.3%, Germany 4.1% (2015)

Imports - commodities:

mineral products, machinery and equipment, chemicals, foodstuffs, metals

Imports - partners:

Russia 56.6%, China 7.9%, Germany 4.6% (2015)

Banking

The Belarusian banking system is a constituent component of the financial system of the Republic. It is a two-level system comprising the National Bank and other banks. Besides banks, other There are eight representative offices of foreign banks in Belarus – those of Russia, Lithuania, Latvia, Germany, Ukraine, as well as the office of the Interstate Bank.

Stock Exchange

The Belarus Currency-Stock Exchange was formed in 1998 in accordance with a Decree of the President of Belarus. The founders of the stock exchange were the National bank of the Republic of Belarus (a control share holding), Fund of the state property of the Ministry of Economics of the Republic of Belarus and a number of large banks of the Republic of Belarus.

Section 4 - Investment Climate

The Government of Belarus (GOB) officially welcomes foreign investment, which is seen as a source of new production technologies, jobs, and hard currency. The Investment Code of the Republic of Belarus (passed on June 22, 2001) is the regulatory framework governing all forms of investment activities in Belarus. Several presidential edicts and decrees have been issued that also regulate investment activities.

Belarusian authorities note the geographic location of Belarus, its inclusion in the Eurasian Economic Union (which also includes Russia, Kazakhstan, Armenia, and Kyrgyzstan), robust infrastructure, highly-skilled workforce, and six free economic zones as reasons to invest in Belarus.

The government has placed a priority on investments in pharmaceuticals; biotechnology; nanotechnologies and nanomaterials; petrochemicals and chemicals; mechanical engineering industry and production of machines and equipment; transport and related infrastructure; civil engineering; production of construction materials; agriculture; the food industry; information and communication technologies; and tourism.

Regulations on investment provide for the following forms of investment activities in Belarus:

- Green field: establishing a legal entity (joint ventures and foreign enterprises);
- Brown field: property or property rights acquisition, i.e.: share in charter capital, real estate, securities, intellectual property rights, concession, equipment and other permanent assets.

The government has been very cautious to privatize state property; investments in sectors dominated by state-owned enterprises have, at times, come under threat from regulatory bodies.

The government also claims there are no specific requirements for foreigners wishing to establish a business in Belarus. Investors, whether Belarusian or foreign, allegedly benefit from equal legal treatment and have the same right to conduct business operations in Belarus. However, according to numerous informal sources in the local business community and independent media, the existing laws and practices often discriminate against the private sector, including foreign investors, regardless of the country of their origin.

In April 2011, Belarus established the state organization "National Agency of Investments and Privatization," which was tasked with facilitating and expediting foreign investment and privatization in the economy. The Agency has focused on organizing fact-finding missions to Belarus, joint investment and business forums abroad, and packaging investment proposals for potential investors.

Nevertheless, both the central and local governments' policies often reflect an old-fashioned Soviet-style distrust of private enterprise – whether local or foreign. Although technically the legal regime for foreign investments should not be less advantageous than the one for domestic investments, FDI in many key sectors and many of the most profitable business areas in Belarus is not welcomed. For example, refining crude oil, trade in tobacco and alcohol, lotteries, etc. have been taken over by private domestic businesses connected to the Presidential Administration.

FDI is prohibited in the following areas:

- defense and security issues in Belarus;
- production and distribution of narcotic, dangerous and toxic substances.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	107 of 168	transparency.org/cpi2015/results
World Bank's Doing Business Report "Ease of Doing Business"	2016	44 of 189	doingbusiness.org/data/exploreeconomies/belarus/
Global Innovation Index	2015	53 of 141	globalinnovationindex.org/userfiles/file/reportpdf/GII-2015/country/Belarus.pdf
U.S. FDI in partner country (\$M USD, stock positions)	2015	N/A	
World Bank GNI per capita	2014	USD 7,340	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The Government of Belarus (GOB) claims attracting FDI is one of the priorities of the country's foreign policy, and net inflows of FDI have been included in the list of government performance targets since December 2015. The GOB claims there are no specific requirements for foreigners wishing to establish a business in Belarus. Investors, whether Belarusian or foreign, allegedly benefit from equal legal treatment and have the same right to conduct business operations in Belarus by incorporating separate legal entities. However, the existing laws and practices often discriminate against the private sector, including foreign investors regardless of the country of their origin.

Other Investment Policy Reviews

According to the GOB, the UNCTAD reviewed Belarus's investment policy in 2009 and made recommendations regarding the improvement of its investment climate.

http://unctad.org/en/Docs/diaepcb200910_en.pdf

Laws/Regulations on Foreign Direct Investment

Foreign investment in Belarus is governed by the July 12, 2013 law "On Investments," legal acts of the President of Belarus, and other legislation as well as international and investment agreements signed and ratified by Belarus.

The GOB claims there is no executive or any other interference in the court system that could affect foreign investors. In reality, however, there have been instances of executive interference in the judiciary that have harmed foreign investors' operations in Belarus.

The GOB regularly updates the following websites with the latest in laws, rules, procedures and reporting requirements for foreign investors: <http://www.investinbelarus.by/en/>

<http://www.economy.gov.by/>

Business Registration

Belarus has a regime allowing for a simplified taxation system for small and medium-sized, and foreign-owned businesses.

Belarus has an investment promotion agency, named the National Agency of Investment and Privatization (NAIP), which was established in May 2010 for the purpose of facilitating foreign investment. NAIP is tasked with representing the interests of Belarus as it seeks to attract FDI into the country. The Agency claims it is a "one-stop shop" for

- organizing fact-finding missions to Belarus, including assisting with visa formalities;
- providing information on investment opportunities, special regimes and benefits, state programs, and procedures necessary for making investment decisions;
- selecting investment projects;
- providing solutions and post-project support (aftercare).

The services are available to all investors.

Belarus defines enterprises as follows:

- Micro-enterprises – less than 15 employees;
- Small enterprises – from 16 to 100 employees;
- Medium-sized enterprises – from 101 to 250 employees.

Industrial Strategy

According to the GOB's Strategy for Attracting FDI, the priority sectors, which need FDI include pharmaceuticals, biotechnology, nanotechnology, production of new materials, and information and communication technologies. The NAIP maintains a database of investment proposals at <http://www.investinbelarus.by/en/invest/base/>.

Limits on Foreign Control and Right to Private Ownership and Establishment

The GOB claims foreign and domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity.

The GOB also claims there are no general (statutory, de facto, or otherwise) limits on foreign ownership or control. In reality, however, the GOB establishes such limits on a case-by-case basis.

The limits on foreign equity participation in Belarus are above the average for the 20 countries covered by the Investing Across Sectors indicators in Eastern Europe and the Central Asia region. Belarus, in particular, limits foreign equity ownership in service industries.

Sectors such as fixed-line telecommunications services, electricity transmission and distribution, and railway freight transportation are closed to foreign equity ownership. In several other sectors, including media and insurance, foreign ownership is limited to a less-than-50% stake. In addition, a comparatively large number of sectors are dominated by government monopolies, including, but not limited to, those mentioned above. Those monopolies, together with a high perceived difficulty of obtaining required operating licenses, make it difficult for foreign companies to invest in Belarus.

Privatization Program

Belarus has no privatization program. The president of Belarus noted on several occasions that any state-owned enterprise in the country could be privatized partially or completely provided an investor offers a good price. It is believed, however, that what the government would assess as a "good price" and what a potential investor would assess as a "good price" would be quite different. The country does have a list of open-joint stock companies which stocks are available for privatization. The list www.gki.gov.by/auction/auinf/auishares includes basic information on privatization conditions, and sometimes a brief description of assets listed for privatization.

Interested investors are encouraged to forward a brief letter of interest to the State Property Committee. Letters are reviewed by a special commission that decides on the feasibility of preparing a decision of the President on privatization of shares via tender, auction, or direct sale. The investor may also send a letter of interest regarding assets that are not on the State Property Committee list and the government will examine such offers.

The State Property Committee occasionally organizes and holds privatization auctions. Many of the auctions organized by the State Property Committee have low demand as the government conditions privatizations with strict requirements, including preserving or creating jobs, launching a successful business project within a limited period of time, etc.

Screening of FDI

Although the GOB claims that it does not screen, review, or approve FDI, the above practices prove the opposite. Belarus is still very much a soviet-style command economy, which prescreens and approves all significant foreign investment.

Competition Law

Belarus's Economy Ministry is responsible for reviewing transactions for competition-related concerns (whether domestic or international in nature).

2. Conversion and Transfer Policies

Foreign Exchange

According to the GOB, the foreign exchange regulations do not include any restrictions or limitations regarding converting, transferring, or repatriating funds associated with investment. Foreign exchange transactions related to FDI, portfolio investments, real estate purchasing, and opening bank accounts are carried out without any restrictions.

Foreign exchange is freely traded in the domestic foreign exchange market. Foreign investors can purchase foreign exchange from their Belarusian rubles accounts in Belarusian banks for repaying investments and transferring it outside Belarus without any restrictions.

Since June 1, 2015, the JSC Belarusian Currency and Stock Exchange has traded the U.S. dollar, the euro, and the Russian ruble in a continuous double auction regime. Local banks submit their bids for buying and selling foreign currency into the trading system during the entire period of the trading session. During the trades the bids are honored if and when the specified exchange rates are met. The average weighted exchange rate of the U.S. dollar, the euro, and the Russian ruble set during the trading session is used by the National Bank as the official exchange rate of the Belarusian ruble versus the above-mentioned currencies from the day on which the trades are made. The cross rates versus other foreign currencies are calculated based on the data provided by other countries' central banks or information from *Reuters* and *Bloomberg*. The stated quotation becomes effective on the next calendar day and is valid till the new official exchange rate of the Belarusian ruble versus these foreign currencies comes into force.

The IMF has listed Belarus's exchange rate regime in the "floating exchange rate" category.

Remittance Policies

There have not been reports of problems exchanging currency and/or remitting revenues abroad.

3. Expropriation and Compensation

According to Article 12 of the Investment Code, nationalization and requisitioning shall only be possible if it is subject to the timely and full compensation of the cost of the nationalized or requisitioned investment assets and other damages caused as a result of nationalization or requisition.

Belarus has signed nearly 60 bilateral agreements on the mutual protection and encouragement of investments. According to such agreements, neither party may expropriate or nationalize investments either directly or indirectly by means or measures similar to expropriation or nationalization, for purposes other than public benefit or according to the appropriate legal procedure.

Expropriation of private property sometimes occurs in Belarus in the form of de-privatization. That is, the government sometimes seeks to secure majority share in some joint stock companies under various pretexts, e.g. securing the interests of workers, long loss-making record, etc. Some successful local businessmen have been forced out of business through bureaucratic methods. In the recent past there have been instances of confiscation of business property as a penalty for violations of law. Although under the Investment Code, fair compensation for the expropriated property should be offered, the government usually refers to breaches of domestic laws and offers no compensation.

Confiscations are not usually related to any particular industry and are not targeted exclusively at international firms. Both foreign and domestic assets sometimes become subject to expropriation and sometimes to the benefit of businesses under the control of the Presidential Administration.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Belarusian legal system is a civil law system with clear separation of branches, institutions etc., and with the main source of law being legal act, not precedent. Article 44 of Belarus's Constitution guarantees the inviolability of property. Article 11 of the Civil Code safeguards property rights.

Belarus has a written and consistently applied commercial law, which is to a wide extent codified. However, the law contains many inconsistencies and is not always business friendly.

Each of Belarus's six regions and the capital city of Minsk has economic courts to address commercial/economic issues. In addition, the Supreme Court has a judicial panel on economic issues. In 2000, Belarus established a judicial panel on intellectual property rights protection. Under the Labor Code any claims of unfair labor practices are heard by regular civil courts or commissions on labor issues. However, the judiciary is not independent from the executive and therefore cannot always provide a reliable and impartial mechanism for resolving disputes.

Bankruptcy

Belarus has a written law adopted on July 13, 2012 and several presidential edicts on bankruptcy, which are not always consistently applied, especially with regard to state-owned companies. Some other legal acts, e.g. the civil code, also include certain regulations on bankruptcy-related issues.

Under the bankruptcy law, foreign creditors have the same rights as Belarusian creditors.

Belarusian law criminalizes false and intentional insolvency as well as concealing insolvency. According to the World Bank's 2015 Doing Business Report, Belarus was ranked 14 in Resolving Insolvency (rankings available at: <http://www.doingbusiness.org/rankings>).

Investment Disputes

The GOB has no statistics on investment disputes in 2015. There were no known investment disputes with American investors in 2015.

International Arbitration

Judgments of foreign courts are accepted and enforced if there is a relevant international agreement signed by Belarus. Courts recognize and enforce foreign arbitral awards. International arbitration is accepted as a means for settling investment disputes between private parties. In principle, the government of Belarus accepts binding international arbitration of investment disputes between foreign investors and the state, although the Embassy is not aware of any cases where this has been put to the test.

The Belarusian Chamber of Commerce and Industry has an International Arbitration Court.

The July 12, 2013 law on mediation, as well as codes of civil and economic procedures, established various alternative ways of addressing investment disputes.

ICSID Convention and New York Convention

Belarus is a member of the International Center for the Settlement of Investment Disputes (ICSID) (also known as the Washington Convention). It is also a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. The enforcement of arbitral awards in the Republic of Belarus is governed by Chapter 28 of the code of Economic Procedure.

Duration of Dispute Resolution – Local Courts

Local economic court proceedings do not normally exceed two months. The term of such proceedings with the participation of foreign persons is normally no longer than seven months, unless established otherwise by the international agreement signed by Belarus.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Belarus is not a WTO member but announced in April 2016 it will step up efforts to join the organization. Belarus has previously committed to hasten efforts to join the WTO without taking corresponding decisions to speed up its possible entry into the WTO.

Investment Incentives

The GOB claims foreign entities have the same investment opportunities as Belarusian ones.

Belarus has signed about 60 bilateral investment agreements. Such agreements routinely provide for:

- national or most favored treatment;
- minimum standards;
- no expropriation for reasons other than for the public benefit; on a nondiscriminatory basis; according to the appropriate legal procedure; and on conditions of fair compensation;
- other guarantees.

Belarus has six free economic zones (FEZ) "Minsk," "Brest," "Gomel-Raton," "Mogilev," "Grodnoinvest," and "Vitebsk." (See Section 16)

Industrial Park "Great Stone"

In 2011, the governments of Belarus and China signed an intergovernmental agreement to create a 91.5 sq. km industrial park near Minsk. The project, called Great Stone, allegedly provides attractive conditions for doing business. Any company, regardless of the country of capital origin, can become a resident of the industrial park. The Great Stone park is modeled on the basis of the China-Singapore Suzhou Industrial Park (PRC). (See Section 16).

Performance Requirements

The host government does not mandate local employment. Foreign investors have the right to invite foreign citizens and stateless persons, including those without permanent residence permit, to work in Belarus provided their labor contracts comply with Belarusian law. The GOB often imposes various conditions on permission to invest, and pursues “forced localization” policies on a case-by-case basis. Other performance requirements are often applied uniformly to both domestic and foreign investors.

Data Storage

According to official Belarusian information, data storage is not subject to licensing. Law enforcement regulations governing electronic communications do not include any requirements in regard to foreign IT providers. Beginning in 2016, IT providers are required, by law, to maintain all electronic communications for a one-year period.

6. Protection of Property Rights

Real Property

Property rights are enforced by the Civil Code. Mortgages and liens are available. The property registry system is reliable. Investors and/or duly established commercial organizations with the participation of foreign investor (investors) have the right to rent plots of land as established by edict 667 of the President of Belarus of December 27, 2007.

For information on the ease of “registering property” see the World Bank’s Doing Business Report rankings available at: <http://www.doingbusiness.org/rankings>).

Intellectual Property Rights

Belarus continued to work to improve respect for IPR, including through continued enforcement of its legislation, in 2015. There have been some improvements in the overall situation compared to years past. Some trade and software development companies noticed positive developments regarding software piracy, including increased enforcement efforts by the Ministry of Interior. However, there continues to be inflows of counterfeit consumer goods, largely from Russia. The government took steps toward the end of the year to amend the administrative and criminal codes to increase the punishment for violations of IPR; these amendments will take effect in 2016.

Information provided by the government of Belarus on the IPR situation in 2015 indicates a continued commitment to protecting IP rights and erecting an appropriate legal framework. For example, in 2015 Belarus passed amendments to increase fines for various IPR violations under the Administrative Code and to introduce criminal liability for repeated IPR violators, who received previous administrative penalties.

In September 2015, Belarus signed the Eurasian Economic Union Treaty on Coordinated Protection of Intellectual Property Rights, which seeks to establish a single system of IPR protection throughout the Eurasian Economic Union area. Belarus has not yet ratified the treaty.

While Belarus does not have a separate law that obliges public authorities and organizations to use only licensed software, under Belarusian law, public procurement of intellectual property is only allowed from a holder of exclusive rights of the property.

In 2015, Belarus completed its three-year presidency of the regional group of countries of Central Asia, the Caucasus, and Eastern Europe of the World Intellectual Property Organization (WIPO). According to the government of Belarus, during its presidency, Belarus took an active part in drafting international agreements and other WIPO documents. With assistance from WIPO and the Eurasian Patent Office, Belarus continued to implement a comprehensive upgrade of the National Center of Intellectual Property's automated systems, which should better address the needs of users of the national patent system. Belarus conducted several national seminars, with the assistance of WIPO and the European Commission, to address best practices in fighting IPR violations.

The U.S. government recognized Belarus's commitment to protecting intellectual property rights through the passage of amendments that increased fines for IP violations under the Administrative Code and added criminal liability for repeat IP offenders in 2015. These improvements led to the determination that Belarus should no longer be on USTR's Special 301 Report Watch List. However, the U.S. remains concerned about the prevalence of counterfeits and continued obstacles to effective enforcement IPR, and expects Belarus to continue improving its IPR regime as part of its World Trade Organization accession negotiations. The United States will continue to assist Belarus with technical consultations to that end.

The World Intellectual Property Organization (WIPO) provides 186 Country Profiles. These are available at: <http://www.wipo.int/directory/en>

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Ms. Monica Bland
Chief of Political/Economic Section
tel.+375 (17) 210-1283, ext. 4196
e-mail: usembassyminsk@state.gov

7. Transparency of the Regulatory System

The government states that its policies are transparent and the implementation of laws is consistent with international norms to foster competition and establish "clear rules of the game." However, independent economic experts note that private sector businesses are often discriminated against in relation to public sector businesses. In particular, state-owned enterprises often receive government subsidies, benefits and exemptions, including cheaper loans and debt forgiveness. Such beneficial treatment is not usually available to private sector companies.

According to Belarusian legislation, drafts of laws and regulations pertaining to investment and doing business are subject to public discussion. Draft legislation is published on the government agencies' websites.

Seeking to become more competitive globally, many large Belarusian companies adopted or are in the process of adopting international financial reporting standards (IFRS).

Belarus has no informal regulatory processes managed by nongovernmental organizations or private sector associations.

8. Efficient Capital Markets and Portfolio Investment

The Belarusian government welcomes portfolio investment and has taken steps to safeguard such investment and ensure a free flow of financial instruments. The Belarusian Currency and Stock Exchange is open to foreign investors, but it is still largely undeveloped because the government only allows companies to trade stocks if they meet certain criteria, which are burdensome for many and particularly so for private companies. Private companies must be profitable and have net assets of at least Euro 1 million. In addition, any income from resulting operations is taxed at 24%. Finally, the state owns more than 70% of all stocks in the country, and the government does not seem to be willing to trade in them freely.

Bonds are the predominant financial instrument on Belarus's corporate securities market.

In 2001, Belarus joined Article VIII of the IMF's Articles of Agreement, undertaking to refrain from restrictions on payments and transfers under current international transactions.

Loans are allocated on market terms and foreign investors are able to get them. However, the discount rate of 22% (as of May 1, 2016) makes it too expensive for many private businesses, which, unlike many state-owned companies, receive no subsidized (interest free) loans.

Starting in March 2016, Belarus's National Bank allowed businesses to buy and sell foreign exchange at the Belarusian Currency and Stock Exchange through their banks. Previously they could only buy or sell foreign currencies from or to banks.

Money and Banking System, Hostile Takeovers

Belarus has a central banking system. The country's main bank, the National Bank of the Republic of Belarus, represents the interest of the state. It is the main regulator of the country's banking system and it is also an emission center. The President of Belarus appoints the Chairperson and Members of the Board of the National Bank, designates auditing organizations to examine its activities, and approves its annual report. As of January 1, 2015, the banking system of Belarus included 31 commercial banks. According to the National Bank, the share of troubled loans in the banking sector was 11.5 percent as of April 1, 2016. Three of the country's four largest commercial banks are fully state-owned and account for 70-75 percent of the total assets of the country's banking sector. Some economic experts, including from international financial institutions, have noted growing concern regarding the share of troubled loans in the banking sector. To the best of the Embassy's knowledge, rules on hostile take-overs are clear, and applied on a non-discriminatory basis.

9. Competition from State-Owned Enterprises

Although the number of state-owned enterprises (SOEs) is smaller than that of private businesses, SOEs dominate the economy in terms of assets. Their share in Belarus's GDP is at least 75 percent. Belarus does not consider joint stock companies, even those with 100 percent government ownership of the stocks, to be state-owned and generally refers to them as part of the non-state sector. Thus, statistics regarding the role of SOEs in the economy are not reliable.

According to independent economic media reports, private businesses are often discriminated against in relationship to SOEs in terms of access to government contracts, subsidized credits, and debt forgiveness.

SOEs are allowed to purchase or supply goods or services from private sector/foreign firms.

SOEs are generally subject to the same tax burden and tax rebate policies as their private sector competitors.

Private enterprises are generally disadvantaged against SOEs in terms of preferential access to land and raw materials.

Since Belarus is not a WTO member, it is not a party to the Government Procurement Agreement (GPA).

Sovereign Wealth Funds

Belarus has a \$186 million State Budget Fund of National Development, which is used for implementing major economic and social projects in the country.

10. Responsible Business Conduct

Information unavailable.

11. Political Violence

In the Embassy's estimation, the potential for widespread, politically-inspired violence that would adversely affect foreign property interests is low.

12. Corruption

Belarus has effective and non-discriminatory anti-corruption legislation, which includes certain provisions of the Criminal Code and Administrative Code as well as the Law on Public Service and the Law on Combating Corruption. The latter is the country's main anti-corruption document. It was adopted on July 2015. Government organizations directly engaged in anti-corruption efforts are prosecutors' offices, internal affairs and state security agencies.

Belarusian anti-corruption law covers family members of government officials and political figures. The country's regulations require addressing any potential conflict of interests of parties seeking to win a government procurement contract. The list of such regulations include the July 13, 2012 law On public procurement of goods (works, services), the December 31, 2013 Presidential Decree On conducting procurement procedures, and the March 15, 2012 GOB resolution on the procurement of goods (works, services).

Bribery is considered a form of corruption and is punishable with a maximum punishment of ten-year imprisonment and the confiscation of property.

Belarus is a party to a number of international anti-corruption conventions and agreements.

The Republic of Belarus has consistently ratified and complied with requirements of main international anti-corruption acts, such as the Convention of the Council of Europe 173 "On criminal liability for corruption (S 173)" (concluded in Strasbourg on 27 January, 1999); The United Nations Convention "Against Transnational Organized Crime," signed by Belarus in Palermo on 24 December, 2000, and the United Nations Convention "Against Corruption" (concluded in New York on 31 October, 2003); the Civil Law Convention on Corruption

(concluded in Strasbourg on 4 November, 1999) (ratified in 2005). Belarus also signed a number of the intergovernmental agreements to address this problem.

According to the GOB, Belarus provides protection to NGOs involved in investigation of corruption crimes.

According to Belarus's General Prosecutor's Office, the greatest number of corruption crimes in 2015 was accounted for among government officials and in health care.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Belarus signed and ratified in November 2004 the United Nations Convention against Corruption.

Belarus has not joined the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions but is currently considering to do so.

13. Bilateral Investment Agreements

Belarus has signed bilateral investment agreements with:

1. Armenia
2. Austria
3. Azerbaijan
4. Bahrein
5. Bangladesh
6. Belgium
7. Bosnia and Herzegovina
8. Bulgaria
9. Cambodia
10. Cape Verde
11. China
12. Croatia
13. Cuba
14. Cyprus
15. Czech Republic
16. Denmark
17. Egypt
18. Estonia

19. Finland
20. France
21. Germany
22. Great Britain
23. India
24. Israel
25. Italy
26. Jordan
27. Iran
28. Iraq
29. Korea, Democratic People's Republic of
30. Korea, Republic of
31. Kuwait
32. Kyrgyzstan
33. Laos
34. Latvia
35. Lebanon
36. Libya
37. Lithuania
38. Luxemburg
39. Macedonia
40. Oman
41. Pakistan
42. Poland
43. Qatar
44. Romania
45. Saudi Arabia
46. Serbia
47. Singapore

48. Slovakia
49. Slovenia
50. Sweden
51. Switzerland
52. Syria
53. Tajikistan
54. Turkey
55. Turkmenistan
56. Ukraine
57. United Arab Emirates
58. United States
59. Venezuela
60. Vietnam
61. Yemen

According to the GOB, Belarus is also a party to the following agreements:

- Free Trade Agreement between the Eurasian Economic Union and its Member States, and the Socialist Republic of Vietnam;
- Treaty on Eurasian Economic Union;
- Agreement on Trade in Services and Investment in the Member States of the Common Economic Space of Belarus-Kazakhstan-Russia;
- Agreement on Promotion and Reciprocal Protection of Investments in the Member States of the Eurasian Economic Community;
- Convention on Protection of Investor Rights;
- Partnership and Cooperation Agreement Establishing a Partnership between the European Communities and Their Member States, of the One Part, and Belarus, of the Other Part;
- The Energy Charter Treaty.

Belarus is a party to the Agreement between the Government of Republic of Belarus and the Government of the United States of America on Promotion of Capital Investment (24 June 1992). Belarus and the United States also signed the Agreement between the Republic of Belarus and the United States of America on Stimulation and Protection of Investments (Minsk, 15 January, 1994), however the agreement did not enter into force.

Belarus has been a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank since December 1992. In July 2011, Belarus ratified amendments to the Convention on Establishing MIGA and concluded agreements on the legal protection of guaranteed foreign investment and the use of local currency. According to Belarus's Economy Ministry, these agreements finalized procedures for Belarus to become a full member of MIGA.

Bilateral Taxation Treaties

Belarus is a successor of the USSR in the Convention between the Union of Soviet Socialist Republics and the United States of America on Matters of Taxation (Washington, 20 June 1973). The U.S. has discontinued negotiations with Belarus on the development of a bilateral taxation treaty. Belarus has forty-five such agreements with other countries.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

In November 1998, President Lukashenka signed a law on free economic zones (FEZ) in Belarus. At present, each of Belarus's six regions has its own free economic zone. The tax and regulatory scheme applicable to businesses in these zones is, in principle, much simpler than elsewhere in Belarus. Tax benefits for businesses inside the zones include, import tariff, real estate and VAT exemptions, and reduced income tax and lease payments. In October 2005, the President signed an edict that established uniform rules for all FEZs. To apply for opening a business in a FEZ, a company has to present a business project, which envisages at least one million Euro investment.

In June 2012, Lukashenka signed an edict on the establishment of a Chinese-Belarusian Industrial Park, which is expected to help attract \$5 billion worth of Chinese and other foreign investments in Belarus's economy. According to top government officials, residents of the Park will receive unprecedented preferences and benefits, unavailable elsewhere in Belarus. The government urges foreign businesses to invest primarily in projects in machine building, chemistry, biomedicine, household appliances and electronics. More up-to-date information on the Chinese-Belarusian Industrial Park can be found on the website of the Belarusian-Chinese Committee on Trade and Economic Cooperation. <http://www.belaruschina.by/en>

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

According to official statistics, Belarus received \$1.6 billion in FDI in 2015, of which 85% were reinvested profits. According to Belarus's Economy Ministry, the top ten foreign investors in Belarus included Russia (38%), Cyprus (32%), United Kingdom (3.6%), China (3%), Lithuania (2.5%), Netherlands (2.4%), Germany (2.1%), U.S. (1.9%), Poland (1.9%) and Turkey (1.3%). The capital city of Minsk received 57% of all FDI in Belarus.

Fields of economy that attract the most FDI include:

- trade (45.1 percent),
- transportation (31.2 percent),
- communications (2.6 percent),
- computer technologies (2.4 percent),
- real estate (1.8 percent),

- agriculture, hunting, forestry (1.5 percent),
- financial operations (1.2 percent),
- construction (0.8 percent)

For detailed statistics on foreign direct investments in Belarus for 2010-2014 see the website of Belarus's National Bank <http://www.nbrb.by/engl/statistics/ForeignDirectInvestments/>

For the latest available statistics on foreign portfolio investments in Belarus see the website of Belarus's National Bank <http://www.nbrb.by/engl/statistics/PortfolioInvestment>

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

civil law system; note - nearly all major codes (civil, civil procedure, criminal, criminal procedure, family and labor) have been revised and came into force in 1999 or 2000

International organization participation:

BSEC (observer), CBSS (observer), CEI, CIS, CSTO, EAEC, EAPC, EBRD, FAO, GCTU, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFC, IFRCs, ILO, IMF, IMSO, Interpol, IOC, IOM, IPU, ISO, ITU, ITUC (NGOs), MIGA, NAM, NSG, OPCW, OSCE, PCA, PFP, SCO (dialogue member), UN, UNCTAD, UNESCO, UNIDO, UNIFIL, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO (observer), ZC

Section 6 - Tax

Exchange control

<http://www.nbrb.by/engl/>

Treaty and non-treaty withholding tax rates

No information available

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD](#) [PKF International](#))

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