

# Encouraging signals

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began his four-year term as Secretary-General of UNCTAD in September 2005. He previously served as Director-General of the WTO. Dr Supachai began his professional career at the Bank of Thailand in 1974. He was elected a member of the Thai Parliament and was appointed Deputy Minister of Finance in 1986. In 1992, he became Deputy Prime Minister.

<sup>1</sup> *The United Nations Conference on Trade and Development (UNCTAD) is the main UN agency dealing with trade and development issues. It serves 193 Member States as a forum for intergovernmental consensus-building on trade and development policy. It undertakes research, policy analysis and data collection, and facilitates debates among experts to identify good practices and policy advice. And it provides technical assistance to help countries implement international commitments, enabling policies and good practices.*

The preliminary findings of UNCTAD's ongoing Investment Policy Review (IPR) of Belarus are encouraging. The Reviewers believe the Government's reforms are heading in the right direction to deliver a more transparent, predictable and competitive business environment - indispensable for attracting high-quality investors. However, challenges remain.

## On the right track

Belarus has a lot to offer investors: a sizeable internal market, a privileged location between Russia and the European Union, well developed transport infrastructure, a highly skilled work force and a strong commitment to reform. Both domestic and foreign entrepreneurs agree that the Government's reforms of the past two years have clearly reduced the regulatory and administrative burden on business. They cite the streamlining of business regulation processes, abolishment of the 'golden share rule', simplification of the tax system for small and medium enterprises, and new incentives schemes to attract investment to the least developed areas of the country. Moreover, the World Bank's 2009 *Doing Business Report* showed a marked improvement in the 'ease of doing business' in Belarus.

## Tackling the challenges

The Government's commitment to reform will be an important factor in delivering further improvements. UNCTAD's IPR has identified a number of areas where determined and coordinated action will enhance Belarus's competitiveness and increase its attractiveness as an investment location.

For example, weaning the economy off subsidised energy by 2011 and exposing the mostly state-owned productive sector to international competition will be an important part of creating a competitive economy. This will go hand in hand with Belarus's accession to the WTO and harmonisation with the multilateral trading system's openness, transparency and non-discrimination principles and rules.

Fostering a sustainable and dynamic private sector is another key area for action. To date, the private sector has played only a minor role in the economy, primarily in the services sector. The Review has identified regulatory and administrative reforms that could assist business development and productivity. These include fair pricing

mechanisms, an effective land titling system, a competitive fiscal regime, and non-discrimination in access to raw materials and industrial inputs. A comprehensive private sector development strategy, forged together with business and academia, could set out a roadmap for reaching agreed solutions on these and other issues.

Policy stability and coherence are also important objectives. It is widely recognised that transparent and predictable legal environments play a crucial role in making an economy competitive. Since 2007, Belarus has introduced many policy initiatives, laws, decrees and edicts as part of the reform process. The challenge will be to ensure that these lead to better business conditions. This will require highly effective and targeted consultation, coordination and implementation. Events such as the Belarus Investment Forum address some of these challenges by communicating a better understanding of the overall reform and development strategy.

Attracting high-quality, competitive investors is one of the biggest challenges facing any country. It is also one of the most important strategies a government can activate. The right investors can bring new management techniques, technology, skills, markets and value-chain integration opportunities. They can test-market Belarus goods and services, and help transform existing competencies into competitive skills and products.

However, FDI, like trade, is not a magic potion for development. It exposes local producers to competitive pressures and may generate short-term shocks. The Government has an important role to play in mitigating these risks and maximising the beneficial impacts for the embryonic private sector. It can do so by accelerating reforms, fostering innovation, providing education and training to fill gaps in the skills base, and encouraging foreign investors to develop local sourcing networks. Government can also remove obstacles and distortions that reduce competitiveness in terms of time, cost, quality, value-added, etc. The policy review will present a number of suggestions in this regard.

## Commitment, engagement and persistence

Foreign direct investment can play a key role in enhancing competitiveness and encouraging private sector development. UNCTAD believes that with commitment, engagement and persistence, the Government can deliver the right enabling environment and attract the right FDI to help it achieve Belarus's considerable potential. **F**