

**WORLD BANK GROUP**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL FINANCE CORPORATION  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES  
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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**INTERNATIONAL MONETARY FUND**

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Statement by the Hon. **ANDREI V. KOPYAKOV**,  
Governor of the Bank for the **REPUBLIC OF BELARUS**,  
at the Joint Annual Discussion



**Statement by the Hon. Andrei V. Kobayakov,  
Governor of the Bank for the Republic of Belarus,  
at the Joint Annual Discussion**

Dear Mr. Chairman, Mr. President, Mr. Managing Director, Fellow Governors:

Since time immemorial humankind has sought to establish more effective social relations and to create a mechanism in the system of government that would guarantee every citizen the freedom to choose his economic and social way of life.

The new states that emerged at the turn of the 21st century naturally want to build their own “happy homes.” Some copy their neighbors, others become infatuated with trendy theories, while still others come under the wing of the powerful.

Belarus is also looking for its path to prosperity. The results of this search are stirring more and more interest, especially in the context of the latest events that have occurred in the global economic community. The global problems stemming from the global economic recession, from energy price increases, from the stagnation of a number of highly developed countries, from the decline of GDP in many countries and from economic shocks as a whole, have a negative impact on global economic ties and hamper the development and strengthening of trade and socioeconomic relations between nations. In addition, a number of seemingly noneconomic factors, such as the aftermath of natural cataclysms, international terrorism and social conflicts within nations, have an adverse effect on national economic indicators and international economic relations.

For almost a decade now the Republic of Belarus has been a stable country, bolstering its economic, social and political positions in the international community step by step. This can be attributed to a strong and effective government that works for people’s welfare and does not allow anarchy or interethnic or political conflicts. One of the most important components of the Belarussian development model is a strong social policy that is oriented above all toward improving people’s living standards.

In recent years problems associated with the economic recession in the industrialized countries have increasingly come to the fore. The steady prevalence of capital flight over trade in goods and services lowers GDP. In terms of economic growth, Belarus consistently ranks among the leading countries of Europe and the CIS. In terms of GDP, Belarus was the first post-Soviet republic to surpass its 1990 level. GDP grew 11 percent in 2004, and in the first six months of 2005 it was 8.9 percent higher than over the same period in 2004 (the forecast for 2005 is 8.5-10 percent).

Industry is undergoing steady and dynamic growth. The 6.7 percent decrease in the energy intensiveness of GDP from January through May 2005 (the forecast for 2005 is 6 percent) at a time of rising world energy prices demonstrates that GDP growth continues to be achieved without a significant increase in the consumption of fuel and energy resources. The profitability of production has increased, and the proportion of enterprises operating at a loss has declined.

The Republic of Belarus's monetary and credit sector is operating reliably, as evidenced by the stability of the Belarussian ruble, the continual decline in the inflation rate and the steady increase in the flows of investments in fixed capital.

Significant factors in the development of investment infrastructure and financial and insurance services markets include the geographical location of Belarus, its well-developed industrial and transportation infrastructure, growing export capacity, research and technology facilities and an amply skilled work force. Our country's trade and economic relations are also growing stronger. Belarus maintains trade relations with more than 150 countries.

Belarus is a European supply corridor through which a substantial quantity of Russian goods is exported to the EU countries. Belarus has a well-developed transportation infrastructure, which is to be further developed under government programs.

The volume of foreign trade in goods and services has shown growth. In actual prices it increased by 11.1 percent over January-May 2004, with exports increasing by 19.3 percent and imports by 3.2 percent.

The 16.1-percentage point differential between the growth rate of exports of goods and services and the growth rate of imports produced a balance-of-payments surplus of \$698.6 million in the trade of goods and services from January through May 2005. Of this total, the balance-of-payments surplus for trade in goods was \$318.5 million, and for services, \$380.1 million.

I would like to highlight in particular the changes that have resulted from the ownership-reform process. More than 4,000 state-owned facilities with a total of almost 1 million employees were restructured during the entire privatization period from 1991 through July 2005. Most of the facilities were converted to open joint-stock companies.

In the medium term, there are plans to beef up the social orientation of the country's development. The Republic of Belarus Program for Socio-Economic Development for 2006-2010 provides for a further improvement in living standards and in the quality of life based on the development and effective utilization of human potential, equipment overhaul, and upgrades in the structure of economy, while increasing its competitiveness.

This shows that Belarus has chosen the correct path of development, which enables us to take a leading position both economically and socially. It is no secret that the republic is running into certain difficulties and problems in the socio-economic sector. A number of economic and political reforms are proceeding with a weak momentum. But one must take account of the fact that the country's economy is in a transitional stage of development. The government is making every effort to speed up the republic's integration into the global community and strengthen its international economic ties. These processes would have more momentum, if the country had a more detailed program of cooperation with the Fund and the Bank.

Over the years Belarus and the World Bank Group have executed a number of important agreements that define the framework of cooperation: the Memoranda of Understanding (1994 and 1997), the Cooperation Strategies (1999 and 2002) and loan agreements on specific projects.

At the same time, as we have previously noted, the time has come for a substantial revision in the format of our cooperation with the Bank. The lessons of recent years dictate the need for a more balanced and flexible approach to determining the program of cooperation, which takes into account its changing priorities and the trends in the republic's macroeconomic situation.

In formulating its economic policy, the Government of Belarus makes use of the recommendations by experts from the International Monetary Fund. In recent years these recommendations played a role in the significant tightening of monetary and credit policy, the unification of the national currency's exchange rate, the easing of restrictions in foreign trade and the progress that has been achieved in privatization.

Working with the IMF has produced concrete results in improving the system of collecting, compiling and disseminating statistical information and devising actions to take against the funding of terrorism and money laundering.

In the short term, cooperation with the Fund will continue across a broad spectrum of technical assistance areas. In this connection we would like to count on fuller recognition from the Fund of the positive results the Republic of Belarus has achieved in economic policy and development, as well as in the creation on that basis of a favorable information base, which is essential for attracting foreign investors. We would also hope that, despite certain difficulties in the relationship, the International Monetary Fund will take into consideration the specific characteristics of the Republic of Belarus's socio-economic development and its desire to continue close cooperation.

I would like to conclude by delivering high praise to the authorities of the city of Washington, the staff of the International Monetary Fund and the World Bank and the security service for the wonderful job they did in organizing the Annual Meetings.