

Renewable source of interests



Germany has long been a leading trade and economic partner of Belarus in Europe, as well as an investor, and continues to be so. The Head of the Representation of the German Economy in Belarus, Vladimir Avgustinsky, discusses pragmatic cooperation between our two countries and potential for mutually beneficial liaisons.

The Representation, which you've headed for a long time, is an outpost for the German economy. How does it work to aid integration with the country to which it's accredited?

Despite the global financial and economic crisis, the crisis of the Eurozone, Germany remains one of the main driving forces of integration processes within the EU. At the same time, Germany, like other countries with a similar (non-energy) economic structure, is experiencing high energy costs and relatively high labour costs, with an increasing shortage of manpower.

Yet, Germany continues to be the most attractive investment country in Europe, according to the European Survey of Attractiveness (E&Y European Attractiveness Survey 2016) published by Ernst & Young in June 2016.

The secret of Germany's success in keeping such a high position, even in times of crisis, is its reliance on innovation, structural reform and correction of industrial policy. These are the country's

advantages, which are often mentioned in regard to Belarus: particularly, its economic and political stability. The strongest European economy is high-tech, well diversified and enjoys constant growth. Priority is given to entrepreneurship; the German economy is 'forged' by almost four million companies, which, among other things, realise the innovative potential of the country. Thanks to business, Germany ranks, steadily, in first place globally for export of technological products. It also enjoys first-class infrastructure, in its quality of roads, airports and railway networks. For the third year in a row, Germany is the world leader, according to the World Bank's Logistics Performance Index.

It's easy to make comparison with the Republic of Belarus, whose advantages include:

- A favourable geographical and geopolitical position between the EU and the EAEU, with high transit potential.
- Efforts by the country's leadership to create a favourable framework for economic and investment activities (with almost the entire country as an investment site, offering preferential terms — such as in small towns and rural areas, HTP, FEZs, and the Industrial Park).
- Political stability, which contrasts with the situation in neighbouring Ukraine and sanctions between Russia and the EU. Since 2012, the indicator of 'political stability' has topped annual surveys on the business climate in the Republic of Belarus.
- Developed infrastructure and highly qualified personnel, which are ranked among the top three favourable factors by German investors.
- Further opportunities for cooperation, as is evident from viewing activities by foreign, including German, companies. There is potential to expand these greatly.

If Germany and Belarus share similar advantages, then why is there such a significant difference between their investment attractiveness? We must look to our approach to using these advantages to drive economic growth. Germany, though lacking in significant natural resources, encourages innovation, and gives support to small and medium-sized businesses, encouraging their export potential. It promotes powerful development in the scientific-research sphere, which directly affects industrial development.

We might assume that the integration of Germany and Belarus is less active than it was, let's say, twenty years ago. Why? You probably know the answer to this question, or you may have your own ideas...

Historically, Belarus was a place of investment. Being an assembly shop of the former USSR, Belarus housed a number of competitive production facilities. However, the model — existing for the last twenty-five years — was based on the potential of state-owned enterprises. It exhausted itself long ago, making it impossible to use market mechanisms to stimulate the development of competition. Therefore, modernisation projects had little effect. Belarus has been attempting to catch up with developed countries, while facing new global challenges, such as intensification of social and economic development and a new industrial revolution. There's also the need to find new opportunities for providing economically effective climate and environmental protection. At the moment, these challenges guide the economic, industrial and investment policy of Germany. It seems this experience would be useful to Belarus.

I'll try to explain. In forming and realising its economic policy, Germany now relies on:

- Increased government (and private, primarily domestic) investment, to further develop infrastructure (already being the world leader in this field!), education

and innovation, through the creation of start-ups and the attraction of venture capital;

- Ensuring the economy's employment needs are met, through more active involvement in the labour process, including making use of people of retirement age, refugees, young parents, and foreign specialists;
- Cost-effective energy supply, climate and environmental protection;
- Opening of new markets outside Europe and expansion of export opportunities for enterprises.

These directions clearly show that work is underway to improve our advantages, driving forward economic growth and increasing the country's welfare, as well as being factors of investment attractiveness. Belarus also has huge potential but it's important to use it effectively.

Cooperation continues between the Belarusian and German economies but perhaps less effectively than we'd like. Can you give us some examples of successful cooperation?

Many German companies have long been represented on the Belarusian market and are well known to professionals as suppliers of high-tech, modern equipment, and as reliable partners.

For dozens of years, German giant Siemens has operated on the Belarusian market. At present, this company operates through its bureau in Minsk — representing its worldwide recognised technologies, including in the energy sector. These are conceptual solutions for the design, construction, reconstruction and operation of power plants, the necessary components, systems and equipment for the production of energy from various fuels, software for network management, electricity sales and electrical balance management.



Useful dialogue: Director of Robert Bosch in Minsk, Vladimir Rybolovlev, and Chairman of BelCCI, Vladimir Ulakhovich

As part of this activity, Siemens has realised dozens of projects on installation and maintenance of generating equipment at Belarusian state district power plants, at thermal power stations, and at large industrial enterprises, such as Grodno Azot, Belaruskali, and Gomelsteklo.

Robert Bosch launched on the Belarusian market in the 1990s. In addition to automotive and industrial technologies and consumer products, Bosch also offers energy-efficient solutions, being the leading supplier of thermo-technics and security systems and the largest manufacturer of heat pumps.

Since 2004, the subsidiary company of Wilo SE, a European leader in the production of energy-saving pumping equipment for water supply, heating, water disposal and fire extinguishing, has been operating in the Republic of Belarus.

In 2006, a factory for producing Ceresit-brand construction materials, made by Henkel Bautechnik, set up in Zaslavl, providing thermal insulation for buildings.

For many years, Knauf has been making its contribution to improving the energy efficiency of construction in Belarus.

Modern IT solutions for power system management at micro and macro levels are offered by world-renowned German software developer SAP.

I could go on.

For a long time, the RETHMANN Group of Companies, which are key players on the world market in the spheres of water purification, collection and processing of secondary raw materials, logistics and bio-industrial goods, have operated in Belarus. They enjoy projects with SARRIA Bio-Industries (a plant for reclamation of waste for industrial application and production of alternative combustible and biodiesel fuels in Bereza) and REMONDIS (transportation and processing of municipal waste in Minsk).

In 2007-2008, LEHMANN Maschinenbau GmbH implemented a project to construct a waste sorting



At BAU 2017 international exhibition in Munich

facility at Novopolotsk's Biomechanical Plant of Communal Recyclable Resources. The supply of equipment was carried out by German companies in the Minsk and Mogilev regions, alongside construction and installation services, and consulting and engineering support for the construction of biogas complexes.

Currently, a pilot project is running in the agro-town of Torguny (Vitebsk Region) using local and renewable energy resources to create electricity. Technical support, pre-design works, production and delivery of equipment, support during construction, installation, and commissioning are carried out by German Viessmann.

This list goes on and on. The main idea is that we must continue to develop cooperation. As I've already noted, the secret of success in maintaining Germany's high position, even in times of crisis, is reliance on innovation, structural reform of its research and innovation system, and adjustment of its industrial policy. However, the 'country advantages' we spoke of (and which it shares with Belarus) are vital. We continue

improving these aspects, driving forward economic growth and increasing the country's standard of living. Only then can we look at other factors of investment attractiveness.

Belarus also boasts huge potential to become part of the value chain within the global and regional division of labour. It's important to find points of growth, which, alongside historical and geopolitical country advantages, and in conjunction with structural reform, allow us to make the necessary leap. Belarus needs to study the experience of other countries and relate this to application in Belarus. This is the most important task for institutions implementing investment policy and stimulating foreign economic activity.

Are our prospects encouraging, regarding the restoration of business ties, the implementation of joint business projects, and the conduct of interested dialogue?

In early 2016, the EU lifted sanctions against Belarus: undoubtedly, a landmark event. The intensification of official contacts at various levels, on the part of the EU and Germany with Belarus, is a new reality. We



At 9th Day of German Economy

hope that this will give new, positive and constructive impulses to bilateral German-Belarusian economic cooperation. The Representation of the German Economy, which last year marked its fifteenth year of activity within Belarus, is ready to intensify bilateral Belarusian-German cooperation.

Over the past fifteen years, the Representative Office of the German Economy in Minsk has experienced ups and downs in its political and economic relations with Belarus. The missions' aim has always been

(even in the complicated framework of conditions existing in the country) to create opportunities for German companies to establish and expand cooperation with Belarusian partners, and to assist Belarusian companies in entering the German market.

Such was the mission for which the German Union of Industrial and Commercial Chambers created the Representative Office. The Federal Ministry of Economics and Energy will, I believe, in the future, link to the work of the Representative Office. German companies need well-

organised support when entering the Belarusian market and expanding their activities. The European Union and, therefore, Germany, intends to try new paths of cooperation with Belarus. The potential of bilateral trade in goods and services is far from exhausted. Against the backdrop of instability in the economies of Russia and Ukraine — the two most important foreign trade partners of Belarus — new directions for bilateral cooperation with Germany and the EU are opening up.

Cooperation is already afoot in the fields of logistics and energy between German and Belarusian enterprises. At the same time, vocational training projects are supporting industrial cooperation. Only by training highly-qualified personnel can we ensure the preservation of well-paid jobs in the traditional sectors of Belarusian industry and the creation of new jobs in promising sectors of the future. This is the only way to increase the export potential of Belarusian enterprises. There's an urgent need today.

The Federal Ministry of Economics and Energy of Germany provides German exporters and investors with tools to stimulate foreign economic activity in the form of guarantees for export credits ('Hermes cover') and investment guarantees. In addition, over the years, the Ministry has successfully implemented a programme to improve the skills of specialists and management personnel at small and medium-sized enterprises in Belarus.

In parallel, the Ministry has been funding the German Economic Group in Belarus for many years. The demand-driven activities of this group of consultants make a significant contribution to supporting the creation of an adequate framework for the operation of foreign enterprises in the country. However, the success of the above-mentioned events would be unthinkable without the co-ordinated support rendered

Facts

■ The Representation of the German Economy began its activity in 1995, as the Contact Office of the Federal State of North Rhine-Westphalia — the Representation of the Chamber of Commerce and Industry of Bonn. In 2000, under the decision of the Federal Ministry of Economics of Germany and the German Union of Industrial and Commercial Chambers, it became the Representative Office of the German Economy in the Republic of Belarus. The official opening took place in 2001. Since then, the Representative Office has been part of the worldwide network of German foreign chambers of commerce. There are more than 130 offices in ninety countries around the world, supporting the foreign economic activities of German businesses and promoting the effective development of trade and economic relations between German and Belarusian enterprises.

to German companies in Belarus by the Embassy of the Federal Republic of Germany, the German-Belarusian Economic Club and the Representation of the German Economy.

What actions, forums and other events has the Representation organised to encourage rapprochement between the economies of Germany and Belarus?



International BAU 2017 exhibition attended by Belarusian representatives

Germany needs reliable partners in Eastern Europe, while Belarus needs broader diversification of economic ties e.g. with China. Given the highly developed technical base of the Belarusian economy, this role is more suitably guided towards the German economy and the internal European market.

For fifteen years, the Representation of the German Economy has acted as a contact body for businesses. It has laid the foundation for companies to master the Belarusian market. With the help of the Representation, they've dealt with an experienced partner whose team can provide support directly in Belarus.

I want to emphasise that the effective work of our foreign bureau would be impossible without the support of the host country. The crucial fact is that

the authorities assist. There are no obstacles and you can work in a constructive atmosphere. Of course, it's even better when, as in the case of the Days of the Belarusian Economy in Berlin and other cities, we organise events together with Belarusian partners, and launch formats with the prospect of continuation. This ensures consistency and trust, and should inspire the Representation

to continue its intensive work to expand economic cooperation between our two countries. Probably, the result of all these efforts will be the transformation of the Representation to a Delegation and then into a German-Belarusian Chamber of Commerce; I believe this will happen one day.

What are the Representation's plans? Does it change its activities to reflect the current situation in relations between our two economies? What tasks does it foresee for itself in the near future?

The Representation has been successfully operating for fifteen years — which is a considerable achievement. Other countries have tried to create their own representative offices in Belarus, to strengthen the role of companies and enterprises, but have failed to gain particular success.

Speaking of our initial hopes, when we first opened, at the beginning of the new millennium, Belarus was among the top twenty-five fastest growing economies in the world! Its GDP grew by 5 percent every year; moreover, from 2004-2008, it saw GDP growth of more than 10 percent. It wasn't sustainable, however, and the global situation has become much more difficult, because of the decline in oil prices and the squeezing of traditional markets. The Belarusian economy has faced huge challenges. Being an open economy with a strong dependence on exports, it's susceptible to market fluctuations and financial crises.

I hope that the fifteen years of our Representation have brought effective and efficient cooperation in the development of trade and economic relations between the Republic of Belarus and Germany. Over this time, the contractual and organisational basis for cooperation between the Belarusian Chamber of Commerce and Industry and German partner organisations has significantly strengthened.

The co-operative agreement between the Belarusian Chamber of Commerce and Industry and the German Union of Chambers of Commerce and Industry is gaining more momentum. In 2013 and 2015, we organised Days of the Belarusian Economy in Berlin. With positive co-operative dynamics between the Belarusian Chamber of Commerce and Industry and the Union of German Chambers of Commerce and Industry, we can see clear intentions to update the agreement. It will feature new initiatives, undoubtedly giving impetus to relations between our chambers.

We're working to improve the effectiveness of various Belarusian-German business events, knowing that great potential exists for cooperation, to the benefit of both countries.

By Vladimir **Mikhailov**