

ECONOMIC ENVIRONMENT



TIME FOR ACTIVE ACTIONS

Despite all the obstacles, over the past three years the country has managed to increase industrial production by almost half. And last year the export of such products reached a record figure for the last decade - \$6.5 billion. However, the focus of the President's April meeting was not on achievements, but on those problems that require immediate solutions.

Quality as the main component

The Head of State had a principled and very demanding conversation about the main goal and strategic task for the industrial complex. As a result, the President, in a set of priority measures, instructed to build reliable protection against any external factors. What are the elements of this protection? First of all, maximum technological independence, import substitution, market diversification, trained personnel and the strictest discipline. But all this, Aleksandr Lukashenko believes, makes no sense without

the main component – the impeccable quality of the final product. The President is categorical that the current times require the strictest discipline and the most active actions from everyone. And in the Year of Quality, the manufactured products must be at the highest level more than ever. “And there is no other way. This is not a whim, but a harsh necessity of life. The matter of the future of the country and people. Our products must be of high quality in all characteristics and parameters,” concludes Aleksandr Lukashenko.

About three hundred people – senior officials, members of the Government, governors, directors of enterprises, heads of banks, scientific centres, heads of administrations of free economic zones – took part in the meeting, which took place in the Palace of Independence. In such a representative composition, the future of the Belarusian industry was essentially discussed from the point of view of both tactics and strategy. And not just anyone, but the President, identified a number of areas that require special attention.

Indeed, it follows from the Government reports that, in general, the Ministry of Industry has been ensuring stable growth in production volumes over the past few years. In three years they grew by almost 40 percent. There was a result last year too. Industrial products manufactured were approximately 30 billion roubles, the growth rate was almost 113 percent. We began to produce more electronics, cars and trucks, and combine harvesters. Planar, INTEGRAL and BelOMO have fully formed a portfolio of export orders for the current year and even partially for 2025. However, not everything is so smooth for other industrial giants. In particular, production volumes of refrigerators, tractors, loaders, and engines decreased. And this despite the fact that the country has many years of experience in the machine tool industry – the most important industry in any industrial economy. Nevertheless, the President asks, where is the use of modern technologies, such as artificial intelligence and robotics? After all, they provide high precision and productivity in materials processing, resource savings, cost reduction and product quality.

Attention to the far arc

At the meeting, attention was drawn to the fact that in recent years the foreign trade of organisations of the Ministry of Industry has been characterised, on the one hand, by an increase in export supplies, and on the other, by a forced withdrawal from Western markets. In 2023, the industry generated a record export of \$6.5 billion over the past decade. The increase to the 2022 level is almost half a billion (8 percent). Moreover, exports have been steadily increasing for three years in a row. This means that the industry was able to neutralise the negative trends of 2019-2020. Supplies are reoriented to the markets of friendly countries. First of all, to the traditional market of Russia and other CIS countries. The Head of State is convinced that the key goal today is export diversification.

Based on this, the situation in non-CIS countries cannot but cause concern. Sales to these regions were less than 20 percent compared to pre-sanction 2021. Plans for export to friendly countries in the far arc have not been fulfilled. At the same time, in Africa, Latin America, and Asia today there is a huge demand for industrial products. It is there that you need to work closely and occupy your niches. And above all on the African continent. Food security is one of the vital issues for Africa. Therefore, agricultural machinery and equipment are especially in demand there.



And this circumstance must be taken full advantage of, the President believes. According to the Head of State, today there are agreements on the supply of over 3 thousand tractors, 80 harvesters and 30 dump trucks to Zimbabwe. More than 150 tractors – to the Togolese Republic. In 2024, it is planned to supply equipment to Nicaragua, Vietnam, Iran, and Pakistan. But the President believes that we need to go further and expand cooperation. And understand that the strategic task is to create joint assembly plants of Belarusian equipment in supporting countries.

New market trends

There is another objective reality, which, by the way, is not very pleasant and even alarming in its own way. It was also discussed at the meeting. And it concerns the state of affairs in the key Russian market. Despite the fact that more than 90 percent of products go to the Russian market, traditional Belarusian goods, which have always been in demand for their quality and reliability, have recently been losing ground there. The Head of State cited indicative figures: the export of Belarusian tractors in 2023 decreased by 18 percent, the share of Belarusian tractors in Russian imports dropped to the lowest level in the last decade, 10.6 percent, and trucks – to 6 percent. The same trends are emerging at Atlant: export volumes of refrigerators and freezers, which were in demand only yesterday, have decreased by almost half.

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Aleksandr Lukashenko recalled the fact that Vladimir Putin announced in his annual message that by 2030 the constituent entities of the federation should receive about 40 thousand buses, trolleybuses, trams, and electric buses. Money is provided for this. In this regard, Aleksandr Lukashenko outlined a specific goal, "The task of the Belarusian industry is to connect and provide at least 30 percent of the required volumes. This is our niche. You just have to roll up your sleeves and work."

At the meeting, it was emphasised that the country can create competitive equipment using domestic materials and components, however, in a number of areas, the updating of products and production is also slow. Each critical position shows weaknesses, and it is precisely at these points that competitors then hit with sanctions, the President noted. And he set a number of important tasks for the meeting participants. First of all, it is necessary to take measures to ensure maximum technological independence and create conditions for the sustainable operation of the economy, not dependent on any sanctions. And this is a strategic task for the industrial complex. It is necessary to build reliable protection against any external factors – another task for

everyone. This is why import substitution is so vitally important and must be pursued constantly. The Head of State once again reminded that this is the priority of priorities. Meanwhile, we have to admit that the industry's turn in this direction is still slow. The share of imported components in Belarusian products is still high.

The priorities are well known

At the meeting, attention was drawn to the risks posed by dependence on foreign equipment and software.

Therefore, the creation of domestic software and its implementation should become an absolute priority for domestic developers.

Another goal for solving existing problems is to strengthen the integration of industry with science and the development of high-tech industries. In these conditions, the implementation of programmes of the Union State of Belarus and Russia, joint import substitution projects that create the basis for technological sovereignty and economic security, becomes especially important.

In general, the strategic task is to achieve technological sovereignty in cross-cutting areas that ensure the sustainability of the entire country's economy. These are means of production, machine tools, robotics. Projects to achieve technological sovereignty should become the engine of industrial renewal and help the entire economy reach advanced levels of efficiency and competitiveness. As a result, the Government has been instructed to work out and formulate a long-term order from Russian partners for high-tech products at least until the end of this decade, so that our enterprises understand what rules they should follow to work in Russia.

The key issue is ensuring product quality and proper service. Message from the President, "In the Year of Quality (and always) the manufactured products must be at the highest level. And there is no other way. This is not a

whim, but a harsh necessity of life. The matter of the future of the country and people. Our products must be of high quality in all characteristics and parameters. We must reach approximately the Japanese level of quality. The goal is to gain a foothold and increase market share."

Personnel is crucial

The President did not hide the problem of providing the industrial sector with qualified personnel. Everything is important: investment, technology, discipline, product quality. But the most important factor is personnel. They solve all these problems. A highly qualified specialist will solve any problem, a dropout will ruin the matter. According to the President, today in the republic as a whole, of the 27 thousand vacancies in the manufacturing industry, 85 percent are in blue-collar jobs. Mechanics, drivers, machine operators, and welders are in the highest demand. At Minsk Automobile Plant, the shortage of workers is 13 percent. At the Minsk Motor Plant there is a turnover of working specialties: mechanics, turners, installers, electricians, grinders and milling operators.

The question arises: how to increase the material interest of workers in enterprises? And how does their leadership intend to solve this problem? Are there not enough workers? Maybe the time has come for the Government to think about attracting retired pensioners. Among them there are many active people who want to work. It may not amount to 30 thousand people, but we will find several thousand patriotic people whom we can invite to production. They will be happy to come, work and be of great benefit as mentors. In other words, the President noted, it is necessary to decide how to interest them, including financially.

Make way for the young

At the meeting, the issue of securing young specialists in the field was raised. According to the President, it seems that the negative trend in this part could not be reversed. Moreover, experts warn that the risks of losing competencies in the field of design and development of new types of products are growing, because at most enterprises there are few young specialists in the design and development departments. And this is an issue to resolve not only for the Ministry of Industry, but also for the Ministry of Education, Aleksandr Lukashenko drew attention. And he fundamentally stated, "It is not enough to change the approach to training qualified specialists in blue-collar and technical professions. Based on the experience of the

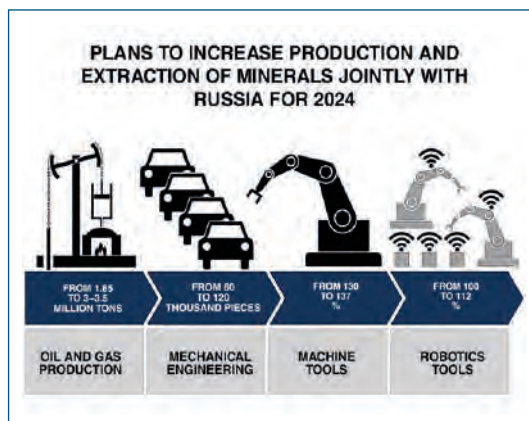
Soviet past, we must significantly raise the prestige of the engineering professions, raise the status of those people whose hands and intellect create real material values." The Head of State is convinced that it is necessary to actually strengthen the connection of all levels of education, from school, university to enterprise, and for everyone to work for a common result.

Challenges in difficult times

Subsequently, Aleksandr Lukashenko called on the meeting participants to voice not only conclusions and problems, but also their proposals. The discussion turned out to be active and lively.

Of course, the most difficult task for the engineering industry is maintaining and strengthening the competitiveness of products in the domestic and foreign markets. This point of view was expressed by the Chairman of the Presidium of the

National Academy of Sciences, Vladimir Gusakov. Belarusian products, he is convinced, should not be inferior in quality to the best foreign analogues. There are no trifles in solving this problem: optimal designs, modern materials with functional properties, surface protection technologies, as well as electronic control and high-tech production, are important. In this regard, Vladimir Gusakov identified a number of key problems, including the need to modernise production. In his opinion, large enterprises need



not only targeted equipment with individual components and assemblies, electronic control systems, but also the preparation of long-term modernisation plans, including scientific and technical audit. The Chairman of the Presidium of the National Academy of Sciences also spoke about the importance of using digital technologies in modern management systems. For example, today almost all mechanical engineering enterprises are mastering digital technologies for designing mechanical engineering products. But to transition to a complete digital production system, it is necessary to create complete digital replicas of machines and production lines. You can't do without this. Vladimir Gusakov also touched upon the topic of modernising the production of mechanical engineering components and critical imports, which, in his opinion, is hampered by an insufficient machine tool base, especially with numerical control. He sees the solution to this problem in the creation or acquisition of a modern machine tool base with control electronics and robotisation of production lines, as well as in import substitution of cutting tools.

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Element of technological sovereignty

How many arms were broken in the debate about whether Belarus needs its own agricultural engineering industry. Minister of Agriculture and Food Sergei Bartosh reported that the basis of the machine fleet on farms is made up of Belarusian models. There are 212 thousand units, the number of imported ones is 27 thousand.

One of the priorities for the competitiveness of domestic technology is the price factor. The price is 20-25 percent lower than the Russian one, and two to three times lower than the imported price.

As a positive example, the minister noted the increase in the warranty period for domestic equipment from two to three years, and to five years for energy-intensive equipment from 2024. He also positively assessed the prompt elimination of equipment failures and the provision of replacement vehicles in case of long-term failures.

Sergei Bartosh summed up: domestic technology makes it possible to perform all types of processing operations in the agro-industrial complex. However, increasing the manufacture of agricultural products requires new developments, improvement of previously produced machines and the rapid development of new types of equipment.

Russian vector and its capabilities

Ambassador of Belarus to the Russian Federation Dmitry Krutoy reported on the situation of domestic industrialists on the Russian market. It turns out that the Ministry of Industry here has become our number 1 exporter with a sales volume of about 6 billion dollars. He also visited food manufacturers. This is a quarter of total exports. However, the lion's share of this volume comes from the 'big six' – BELGEE, Byelorussian Steel Works, BELAZ, Minsk Tractor Works, Minsk Automobile Plant and Horizont. They account for 75 percent of the Ministry of Industry's exports to Russia. In total, supplies have increased by \$3 billion in recent years. By the way, for comparison, China increased sales by \$8 billion. Comparing the size of the economies of the two countries, such a balance can be considered a considerable success.

Dmitry Krutoy named passenger transport as one of the promising areas for increasing exports to the Russian Federation. Over five years, they plan to replace 40 percent of the buses, all that are in Russia, 60 percent of trams and 70 percent of trolleybuses (a total of about 65 thousand units of equipment). Based on the target, we should take 30 percent of this increase through special programmes, this is approximately 4.5 thousand units annually. Last year we supplied 1.5 thousand to Russia. That is, for us this is actually a threefold increase, summed up Dmitry Krutoy. According to the ambassador, programmes in the field of water purification, reconstruction and construction of roads, as well as in the housing and utility services sector are also capacious, generously funded areas. Here too there



is room for maneuver for our enterprises. According to Dmitry Krutoy, interaction with Russian state corporations will also have a good effect. Due to sanctions, their ability to purchase various equipment has been reduced. Now they are more willing to consider Belarusian options. A separate topic is the assembly production of Belarusian equipment in Russia. True, it is important to understand whether they will become an additional sales channel for products without giving rise to unnecessary competition.

Aleksandr Lukashenko asked a direct question, "As I understand it, there are no problems on the Russian market, as follows from your speech?"

"There are threats," answered Dmitry Krutoy.

The President remarked to this, "There are always threats. The threat of war and so on, so should we stop living? No, we will live... I don't see any problems at all in organising work there. This is the first. Second. Everything that you have listed lies in the plane of the Government and directors. What is the problem? The flexibility of those present here and the Government."

The Head of State recalled that the Ambassador of Belarus to Russia has the status of Deputy Prime Minister and has the right to demand effective actions from members of the Government and monitor their implementation.

About the strategy for the future

Industry Minister Aleksandr Rogozhnik assured the President that appropriate conclusions would be drawn from what was said at the meeting and the situation would be corrected. At the same time, the minister noted the positive dynamics in the industry in recent years. Apart from some product items (tractors, refrigerators, freezers), in all other groups everything that is produced is sold. Aleksandr Rogozhnik elaborated, "While we made 26 thousand Geely cars in 2022, last year we made almost 70 thousand. And everything was sold. This year we reach almost 90 thousand. Every year, starting from 2020, we

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have increased our production of harvesters by 500 units. Very good dynamics for the Minsk Automobile Plant.” According to the minister, industry organisations are implementing a strategy for the short term (until 2025) and the long term (until 2030). The largest projects include the modernisation of production at BELAZ, Gomselmash, renewal of production capacities at the Minsk Bearing Plant, Integral and others.

Speaking about development strategy

All reports presented at the meeting were summarised by Prime Minister Roman Golovchenko. First of all, he unequivocally assured the President, “Of course, all additional tasks set at this meeting will be implemented. We still need to find solutions for a number of them, but we accepted your statement unconditionally.”

Roman Golovchenko updated the question posed by the Head of State: what is missing for a qualitative breakthrough? “The question is clear, the answer is simple: there is a lack of innovation and scientific contribution. That is, statistically it seems not bad. Our share of shipped innovative products is 46.5 percent, with a target of 33.5. That is, we fulfill and exceed.”

At the same time, the Prime Minister proposes to change the structure of interaction between science and industry, since now industrial science, represented by specialised institutes and scientific and practical centres, works in isolation from production. Roman Golovchenko believes that such

structures should be transferred to those who can actually benefit from the fruits of their developments.

Speaking about the strategy for the development of the industrial sector as a whole, the Prime Minister outlined specific areas – revenue, cost, quality, sales, personnel and the creation of new high-tech production facilities.

In terms of improving sales, the Prime Minister focused on the far arc, the share of which in the Ministry of Industry’s exports does not yet exceed two percent, “We have approved a programme for the development of cooperation between Belarus and African countries for 2024 – 2026. The goal is to restore the maximum export volume of Belarus, which was once on this continent at 410 million dollars, and then reach 600 million in 2026. The tasks are formed by year in the context of all industries, and the demand for this will be fierce.”

Summarising what has been said, the head of the Government expressed the initiative to develop a unified programme for industrial modernisation and place control over its implementation in the Government. Among specific areas, he identified microelectronics, electric transport and a number of others. Separately, he emphasized interaction in industrial modernization with China. To this end, about a hundred joint potential projects have already been proposed in the fields of automobile, mechanical engineering, machine tool building industries, as well as optics, electronics, pharmaceuticals and biotechnology.

Vladimir Khromov