

# WOOD PROCESSING INDUSTRY



NATIONAL AGENCY  
OF INVESTMENT  
AND PRIVATIZATION

REPUBLIC OF BELARUS

# REPUBLIC OF BELARUS

## The country for a long-term partnership

The Republic of Belarus is a state in the center of Europe. Belarus surpasses such European countries as Greece, Portugal, Austria, the Netherlands, Belgium, the Czech Republic in terms of area.

The Republic of Belarus is an export-oriented state with a developed service and agricultural sectors. The potential of Belarus is based on its industry.

Belarus also carries out export and import operations with more than 200 countries of the world.



## KEY INDICATORS, 2018



**USD/BYN = 2.09**

exchange rate  
MAY of 2019

**B/B/B3**

credit rating  
(S&P/F/M)

**131%**

FDI growth



**9.5 mln**

Population

**1.99 mln**

the capital is Minsk

**207.6 thous. km2**

total area



**59.7 bln USD**

GDP

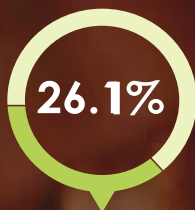
**19.9 THOUS.USD**

GDP per capita

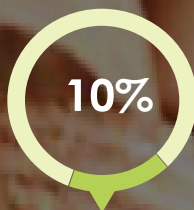
**3.0 %**

GDP growth

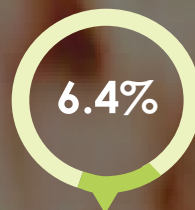
# GDP STRUCTURE BY ECONOMIC SECTORS



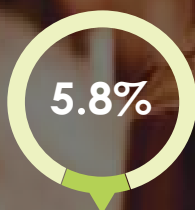
INDUSTRY



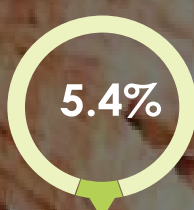
TRADE



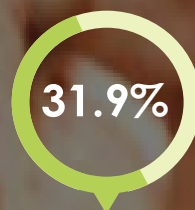
AGRICULTURE



TRANSPORT



CONSTRUCTION



SERVICES AND TAXES  
FOR GOODS



**BELARUS IS IN THE  
TOP 10 OF THE  
EUROPIAN FOREST  
STATES**



**39.8 %  
THE FOREST COVER  
LEVEL OF THE REPUBLIC  
OF BELARUS IN 2018**

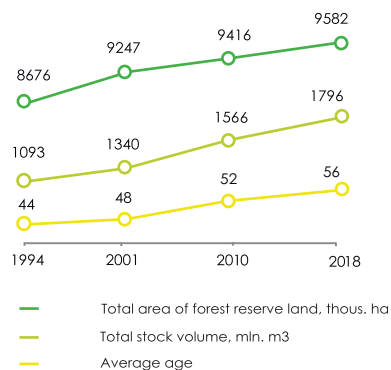
## FOREST RESERVES

Forests are one of the main renewable natural resources and the most important national wealth in the Republic of Belarus. Forests cover almost 40% of the country's territory, and the contribution of the forest sector to the GDP is about 2%.

Forests and forest resources are of great importance for the sustainable social and economic development of the country, provision of its economic, energy, environmental and food security.

The Government of the Republic of Belarus recognizes the importance of institutional changes, investments, new technologies and capacity building in the forest sector, as well as the necessity of sustainable satisfaction of the growing demand for wood products both among woodworking enterprises and in the energy production sector from wood fuel.

DYNAMICS OF INDICATORS OF THE FOREST RESERVES OF THE REPUBLIC OF BELARUS



In this respect, the objectives of forestry development are increasing the efficiency of management of the forestry activity, the efficiency of reforestation and forest planting, increasing the use of forest residues and increasing the contribution of forests to the realization of public goods in the target forest regions of the Republic of Belarus.

As a result of focused efforts on forest reproduction and forest cultivation positive dynamics of the forest reserves was achieved.



## EXPORT OF FOREST PRODUCTS

In the absence of export of round wood in 2018 wood products were exported and services were rendered on the whole in the industry in the amount of more than 140 mln. USD which is 94% as compared to 2017.

The export growth amounted to 174% under similar conditions due to the development of its own woodworking capacities

In 2018 the enterprises of the Ministry of Forestry increased the export turnover of wood products which in value terms amounted to: sawn goods - 56% of total volume of export sales, cylindrical products - 6% and other products - 36%.

The exports of sawn goods in 2018 in percentage terms by countries amounted to: Lithuania - 25%, Latvia - 28%, Germany - 24%, Poland - 15.2%, Belgium - 5.4%, the Netherlands - 3.0%, Romania - 2.0%, Azerbaijan - 1.5%, Sweden - 1.4%, Russia - 1.1%, and others - 1.2%.

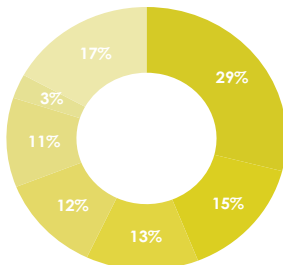
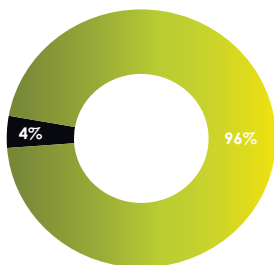
The transition of forestry in Belarus to the green economy principles is a large-scale project which covers all main areas of activity in the industry. Its goal is not to turn the forests into the protected areas but, on the contrary, to increase the economic efficiency of forestry based on the principles of sustainable forest management.



**140 MLN.  
DOLLARS**

**THE EXPORT TURNOVER  
OF FOREST PRODUCTS  
FOR 2018**

FOREST PRODUCTS EXPORT STRUCTURE IN  
BELARUS, 2017



■ CIS ■ EU ■ Poland ■ Lithuania ■ Rumania  
■ Germany ■ Latvia ■ Netherlands ■ Others

In this respect Belarus provides measures for the production of high value-added forest products, the development of regions due to a fuller use of forest resources, including non-wood, the development of ecotourism and many other things.

## THE 10TH PLACE

WOOD-CHIP BOARD  
SHARE IN THE WORLD  
EXPORTS - 3.4%

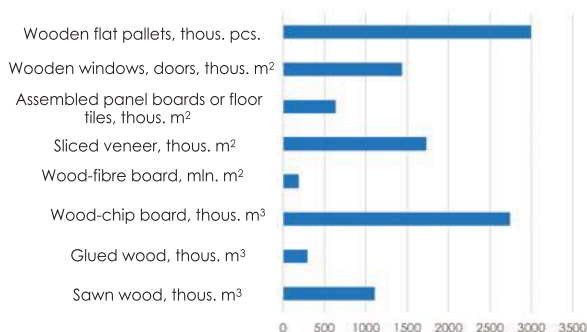


## WOOD PROCESSING INDUSTRY

The share of the woodworking industry in Belarus is about 2% in the industrial production structure of the Republic and includes a number of segments: production of sawmills and building materials, plywood, furniture, standard houses and wooden building parts, production of matches. The woodworking industry is one of the largest industries in Belarus.

The production volume of wood and paper products, as well as printing activity in 2018 made up 2,045.0 mln. USD (+ 14% compared to 2017).

### PRODUCTION OF INDIVIDUAL TYPES OF PRODUCTS MADE OF WOOD AND PAPER IN 2018



In 2018 the production of all commodity items of wood and paper products displays the growth, with the exception of wooden windows and doors, of wooden building constructions and joinery products for walls and saunas, of wallpaper.

The largest growth is shown in the production of plywood (+ 45.7%), fuel briquettes from sawdust or other wood waste (+ 29.3%).

The forestry and woodworking enterprises of Belarus are united by the Bellesbumprom concern which is a monopolist in harvesting of wood and production of a number of products therefrom.

The Bellesbumprom concern includes 60 enterprises which account for about 70% of wood processing and about 45% of furniture production in the Republic of Belarus.

# INVESTMENTS AND PROJECTS

An example of cooperation between foreign investors and the Belarusian woodworking enterprises is the project of the Austrian company Kronospan - one of the world's largest manufacturer of wood products.

The investment agreement of the Ministry of Economy of Belarus and Kronospan Holdings East Limited was signed in Frankfurt am Main during the Belarusian Investment Forum.

Woodworking production with an estimated cost of 150 mln. euros is created on the basis of the state-owned enterprise Smorgon Aggregate Plant.

The Austrian holding Kronospan plans to invest about 170 mln. dollars in the Belarusian woodworking industry in the next two years

In addition to the construction of a plant in Smorgon the Austrian company intends to launch the production in Mogilev. The share of the exported products from the total production is 93%.

The Austrian group Egger also intends to build a modern woodworking production in the Borisov district of the Minsk region.

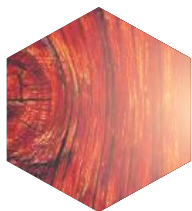
The new production will specialize in the production of chipboard and oriented strand board (OSB). The investments from the Austrian side roughly estimated will amount to 200 mln. euros.

The expected investment projects in wood processing are the creation of joint ventures that will work on raw stuff from the Belarusian forestry enterprises.

At the present the negotiations on the creation of new joint ventures are being carried out with the Baltic countries, Scandinavia, Serbia, Germany and Poland.



**THE 10TH PLACE**  
**RAILWAY OR TRAM SLEEPERS**  
**MADE OF WOOD**  
**SHARE IN THE WORLD EXPORT -**  
**2%**





# FOREIGN TRADE

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In 2018 the work on export diversification was continued.

For 2018 wood and pulp-and-paper products were exported in the amount of 1.8 bln. \$, which is by 337.6 mln. USD more than the volume of exports of the goods in the period of 2017 (+25.6%).

Production of import-substituting products is carried out by 35 commodity items.

These are the goods that were previously produced in the country in insufficient quantities or were not produced at all.

They include wood-fibre board and wood-chip board, plywood, certain types of paper and cardboard.

Also these are the goods the production of which has been mastered in accordance with the existing state, scientific and technical and industry or other programs.

They include vinyl wall covering, two-layer base paper for wall covering and floor laminated coverings. One of the directions of import substitution development is furniture industry. The potential for the development of furniture business in the country has a rather high level.

The commissioning of upgraded wood processing complexes has significantly expanded the capabilities of furniture makers.

Furniture companies began to produce economical and commercially successful furniture due to the use of domestic materials.

It is expected that the production of furniture in Belarus will increase by 50% - up to 1.8 bln. rubles, export - by 20% by 2020. The policy of moderate rise in the prices for furniture products will be continued on the domestic market.

Own furniture production was created in OJSC Ivatsevichdrev.

Furniture made of wood boards began to be produced at OJSC Rechitsadrev and OJSC Gomeldrev. Small furniture companies are also actively developing, which, by the way, are now also consolidating forming the Association of Furniture and Woodworking Enterprises, which is working on the development of public-private partnership and stimulation of business activity in the furniture and woodworking industries.

The number of furniture makers in Belarus has recently doubled and today it already exceeds 600 business entities.

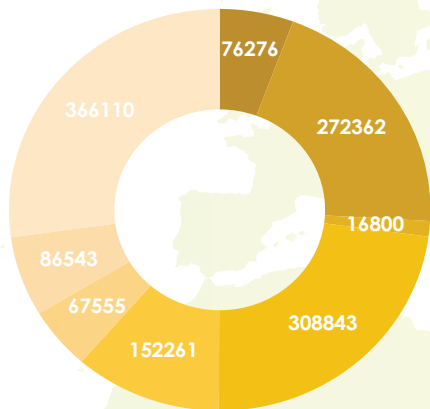
This is a positive aspect since it ensures the involvement of its own wood resources in the turnover, creates a high added value product within the country, and also creates new working places.

One more promising direction in the field of woodworking is wooden housing.

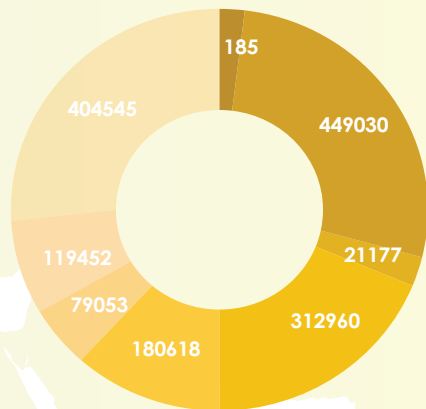
There is a demand for wooden houses both at home and abroad.

## EXPORT OF WOODWORKING PRODUCTS, THOUS. \$

2017

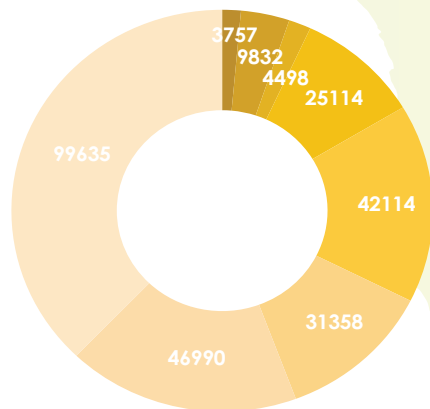


2018

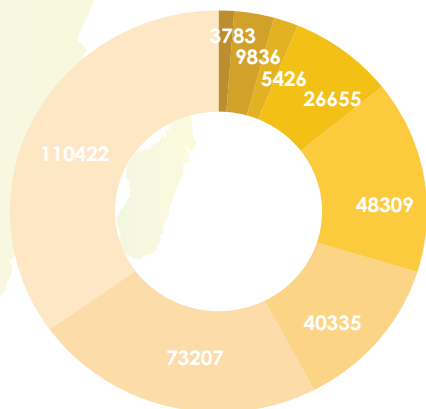


## IMPORT OF WOODWORKING PRODUCTS, THOUS. \$

2017



2018



- Raw wood
- Length cut wood
- Sawn wood
- Wood-chip board

- Wood-fibre board
- Joinery building products
- Seat furniture
- Other furniture

# Production of Bleached Chemi-Thermomechanical Pulp



Bleached chemi-thermomechanical pulp (BCTMP) is made from wood, including hardwood, which taking into account the balance of industrial wood, makes it expedient to locate production in Belarus.



Bleached chemi-thermomechanical pulp is used for production of **top-quality paper** for polygraphic industry, food packing, cardboard and tissue paper.

**2.9 m<sup>3</sup>**

raw material consumption per 1 ton of BCTMP, which is almost two times less than the manufacture of pulp using a pulping method

**70-250 MLN \$**

required investment amount

**100-300**

**THND TONS**

total production capacity

## BENEFITS



paper and cardboard made with the use of BCTMP correspond to the group of the highest quality products



bleached chemi-thermomechanical pulp is a cheaper alternative to bleached hardwood pulp



manufacturing doesn't pollute air and require less expenses on chemicals and fresh water



The project will be implemented through the introduction of modern technologies in the production of BCTMP, wide use of available forest and energy resources.



# PREFERENTIAL TREATMENTS OF INVESTMENTS

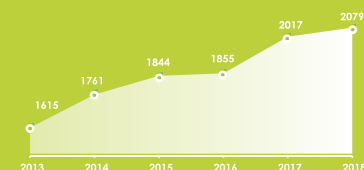
## FREE ECONOMIC ZONES

1. Exemption from income tax
2. Exemption from real estate tax in relation to the buildings on the FEZ territory
3. Exemption from payments for the right to conclude a lease agreement for up to five years from the date of registration
4. Exemption from payment for 5 years for the lease of land allocated for construction

Minimum investment amount 0.5 mln. EUR

## INVESTMENT CONTRACT

1. Exemption from import and customs duties and VAT when importing technological equipment
2. VAT deduction in full
3. Granting a lease of a land plot without an auction



## SMALL AND MEDIUM TOWNS

1. Exemption from income tax for 7 years from the date of registration
2. Exemption from real estate tax for 7 years from the date of registration
3. Exemption from income tax in terms of profits derived from the sale of own-produced goods
4. Exemption from payment of a state duty for issuing a license
5. Exemption from personal income tax for 7 years

## The South-Eastern district of Mogilev region (SED)

1. Personal income tax - 10% for 7 years from the date of commencement of business
2. Pension insurance for subjects - 24% for 7 years from the date of commencement of business
3. Preferential loans for natural persons for the construction of residential premises for 20 years at 1 percent per annum
4. Financing of expenses for the creation of engineering and transport infrastructure for the implementation of agricultural and industry projects

## Great Stone Industrial Park

Great Stone Industrial Park has a status of an international special zone. In the park there can be implemented the projects in the fields of electronics and telecommunications, pharmaceuticals, finechemistry, biotechnology, engineering manufacture, new materials, comprehensive logistics, e-commerce, storage and processing of large volumes of data, telecommunications, scientific research and development engineering activity.

An unprecedented regime has been established for the investor in the Park:

1. Exemption from income tax for 10 years, and subsequently at a rate of 50% from the current rate valid in the Republic
2. Exemption from real estate tax
3. Exemption from land tax
4. Exemption from rent
5. Personal income tax - 9% until January 01, 2027
6. Exemption from compensation for losses of forestry and agricultural production
7. Tax on income of foreign organizations - 0% for 5 years from the first year of gross profit





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**Phone:**

+375 17 200 81 75



**Fax:**

+375 17 226 47 98



**E-mail:**

[mail@investinbelarus.by](mailto:mail@investinbelarus.by)