

# Everything on Bitcoin and Blockchain

BREAKTHROUGH FOR DIGITALIZATION OF THE BELARUSIAN ECONOMY?

**After a prosperous IT industry established itself in the Belarusian capital city of Minsk over the past years, the government now strives to boost the location's attractiveness for high-tech enterprises through an openly liberal legislative package. The goal: to catapult Belarus to the forefront of IT.**

On December 21, 2017 the Belarusian President Alexander Lukashenko signed the Decree No. 8 "On the development of the digital economy". The legal regulation which was long and controversially discussed by corresponding ministries and authorities, was effected in a surprisingly liberal edition. After it comes into effect, the regulation will make a difference not only for the further development of the High-Tech Park operating in the capital city since 2005 – a kind of a free economic zone for the IT.

## Goals of the Decree

With the Decree<sup>1</sup> president Lukashenko pursues the goal to create the best conditions for the development of IT branch and adjacent sectors, at least on a regional level. Thanks to the extension and enhancement of preferences for high-tech enterprises, on the one hand, and the legal regulation of current business practices, on the other hand, the government hopes for the inflow of future investments into the country. This is the first time they use such means to massively advertise the wish to see an inflow of foreign labour into the country. The Decree enables the recruitment of foreign professionals by the residents of the High-Tech Park without special job permits and the visa-free entry to Belarus for Park's res-

ident company professionals and founders (Chapter 7 of the Regulation on the High-Tech Park in Annex 3 to Decree No.8).

## The most important tools and mechanisms of the Decree

Many provisions of the Decree are unique globally. Thus, digital contracts become valid in Belarus (Clause 5.3 of Decree No. 8). Also, the regulation of the practical use of the register of transaction blocks or blockchain (Clause 2 of the Decree) can be considered a legal and economic breakthrough. Clause 3 of the Decree gives natural persons and legal entities, thereby not only those registered in the High-Tech Park, a de facto free rein (in terms of taxation) to use blockchain for circulation of cryptocurrencies up to January 1, 2023.

The existing preferences for companies in Minsk High-Tech Park are extended till January 1, 2049 (Clause 1 of Decree No.8; Chapter 5 of Regulation on the High-Tech Park in Annex 3 to Decree No. 8). Besides, the Decree is not short of significantly expanding businesses eligible for the registration in the High-Tech Park, thus reaching out far beyond pure software development and programming. Clause 3 in Chapter 2 of Annex No. 3 to Decree No. 8 (Regulation on the High-Tech Park) lists some 38 types of activities in the high-tech field. The list is drawn up by the decision of the supervisory board of the Park. Following the legal amendment, the Park is now open for registration of companies from the following trades: artificial intelligence, driverless transportation systems, medicine and biotechnologies, software, education in IT,

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cryptocurrencies as well as advertising and mediator services with the use of software produced by the residents of the Park.

Thanks to this expansion, Belarus can, among other things, become much more attractive for the establishment of product-oriented IT companies, unlike previously being the haven for outsourcing individual IT services (Clauses 32 and 33, Chapter 5 of the Regulation on the High-Tech Park in Annex 3 to Decree No. 8).

The subsidiary liability of shareholders, CEOs and owners of insolvent enterprises for the liabilities of these enterprises, insofar as this insolvency was not caused by the actions of these persons as per criminal law, is abolished (Clause 3.6 of Decree No. 8). Furthermore, new instruments are introduced for Belarus: convertible bonds (Clause 5.1 of Decree No. 8) as well as option transactions and option contracts (Clause 5.2 of Decree No. 8). If and when the business practices of residents of the High-Tech Park prove expediency of this legal amendment, these norms shall be considered for incorporation into the Civil Code of the Republic of Belarus, thus covering all companies (Clause 5 of Decree No. 8).

### Assessment and outlook

The new decree is not a cure-all for the Belarusian economy. The predictability of the entire economic policy, consistent and transparent application of the law as well as credible and fair judiciary are not less and, for most part, even more significant for the investors than unprecedented preferences introduced for specific businesses by the Decree. Similarly, potential investors bear in mind that Belarus keeps the Internet under strict political and legal control.

On the other hand, Minsk was obviously encouraged by many previous successful settlements of international IT enterprises to make an attempt to massively stimulate the IT sector development. They seek to increase the number of those employed in the high technology sector from current 30.000 to more than 100.000 by 2030. The export revenues should grow almost fivefold up to

4,7 billion US dollars, the tax revenues are expected to increase to 10 billion US dollars and foreign direct investments is to go up from 0,8 to 4 billion US dollars.<sup>2</sup>

In this sense, the chances are not bad, because block chain is regarded to be one of the megatrends of today, which provides new possibilities for a number of economic sectors. Additionally, Minsk will be facing the following task for the economic in coming years: to generate spillover effects for the traditional industries of the country and to modernize them as well. Also a regional development component seems to be advisable: due to its living standard Minsk is definitely attractive for nationals and foreigners, however, remaining urban centres of the country may be at risk of becoming dependent on the development of the capital city.

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<sup>1</sup> Decree No. 8 „About the digitization of the economy“. The official Russian version is available for download under: [http://president.gov.by/ru/official\\_documents\\_ru/view/dekret-8-ot-21-dekabrja-2017-g-17716/](http://president.gov.by/ru/official_documents_ru/view/dekret-8-ot-21-dekabrja-2017-g-17716/). Retrieval date: 27.12.2017.

<sup>2</sup> Media kit of the Law on Digital Economy is available for download under: [https://media.dev.by/decree\\_mediakit\\_en.pdf](https://media.dev.by/decree_mediakit_en.pdf). Retrieval date: 27.12.2017.