

## **FINANCIAL ASPECTS OF THE BELARUSIAN FOREIGN TRADE**

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**Abstract:** *The article analyses customs regulation in the EAEU and its impact on the public finance of the EAEU Member-States. The largest share of tax revenues from the foreign economic activities in the budget revenues is in Belarus among the EAEU Member-States. The tax revenues from foreign economic activities are the second largest source of the Republican budget of Belarus.*

*The problem of dependence budget revenues of the Republic of Belarus from foreign trade development indicators is identified. There were changes in the regulation foreign trade of the Republic of Belarus due to the signing of the Treaty on the EAEU. The setting of export customs duty rates applies to the national legislation of the EAEU Member-States. Import customs duties in the EAEU are distributed to the budgets of the Member-States according to the standards.*

*As the analysis showed, more revenues accounted for Belarusian import customs duties from 2012 to 2014, but there was a significant shift towards export customs duties since 2015. The article reveals that the main source of export customs duties was duties on the export of petroleum products. The tax manoeuvre in the Russian Federation from 2015 is a major influence on the tax revenues from foreign economic activities in the Republican budget of Belarus.*

**Key Words:** *foreign trade, foreign economic activities, budget revenues, tax revenues, public finance, export customs duties, import customs duties, tax manoeuvre, Belarus, EAEU*

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### **1. Introduction**

There were changes in the regulation foreign trade of the Republic of Belarus due to the signing of the Treaty on the EAEU [21]. The framework governing foreign trade activities of the EAEU Member-States is the customs and tariff regulation. It includes such elements as the unified commodity nomenclature of foreign economic activities of the EAEU, the EAEU CCT and uniform rules of origin [14].

Customs, tariff and non-tariff regulation, bans and restrictions on foreign trade in services and intellectual property, as well as measures of an economic and administrative nature, are included in government regulation of foreign trade activities of Belarus in accordance with national legislation [16].

Different rates of import customs duties (ad valorem, specific, combined) are applied for goods imported into Belarus from third countries in accordance with the EAEU CCT. The EAEU CCT is a list of customs duty rates, ordered according to the commodity nomenclature used for classification of goods in foreign trade, formed in accordance with the principles of tariff escalation and effective tariff protection. In general, this situation is reflected in the establishment of lower rates of duties on commodities and the highest – on finished products and products with a high degree of processing.

Special protective, anti-dumping and countervailing duties are also established in addition to import customs duties to protect domestic producers.

Unified measures of non-tariff regulation of foreign trade with third countries have been introduced in the EAEU. They are based on the principles of publicity and non-discrimination and include [21]:

- prohibition of merchandise imports and (or) exports;

- quantitative restrictions of merchandise imports and (or) exports;
- exclusive right to the merchandise exports and (or) imports;
- automatic licensing (supervision) of merchandise exports and (or) imports;
- permissive procedure for merchandise exports and (or) imports.

Tariff quotas are also set for imports of agricultural products originating from third countries if similar goods are produced (mined, grown) in the EAEU in insufficient quantities.

As for the measures of non-tariff regulation in Belarus, they are established on the basis of economic policy interests or in accordance with non-economic nature [16]

Customs and tariff regulation of foreign trade has a significant impact on the public finance of the EAEU Member-States. This is due to the fact that tax revenues from foreign economic activities provide budget revenues. Table 1 shows the share of tax revenues from foreign economic activities in the revenues of the EAEU Member-States budgets for 2013-2018.

Table 1. Share of tax revenues from foreign economic activities in the revenues of the EAEU Member-States budgets [%]

Country	2013	2014	2015	2016	2017	2018
Armenia	4.3	4.2	5.3	4.7	5.9	6.3
Republic of Belarus	22.0	14.4	23.4	19.3	17.9	22.6
Kazakhstan	17.0	17.8	14.3	12.4	12.3	14.5
Kyrgyzstan	13.3	13.1	8.5	11.9	12.3	13.8
Russian Federation	38.5	37.7	24.1	19.4	17.2	18.3

Source: own study based on the [2,5,10]

In Armenia, the share of tax revenues from foreign economic activities was minimal among the EAEU Member-States and averaged 5.1% of the Republican budget revenues. The share of tax revenues averaged 14.7% in Kazakhstan, 12.2% in Kyrgyzstan, and 25.9% in the Russian Federation. The share of tax revenues did not change significantly in Armenia, Kazakhstan and Kyrgyzstan during 2013-2018, but the share of the Russian Federation decreased by 20.2% and amounted to 18.3%. The largest share of tax revenues from the foreign economic activities in the budget revenues was in Belarus among the EAEU Member-States.

## 2. Analysis of publications

An upsurge of interest in the EAEU development is associated with a scientific discussion on the Customs Code of the Eurasian Economic Union (the EAEU Customs Code) and the application of customs duties within the EAEU (V. V. Bobrova [3], S. A. Agamagomedova [1], G. F. Ruchkina and V. K. Shajdullina [18], P.A. Kadochnikov, M. G. Ptashkina [15] etc.).

## 3. The purpose of the article

Customs and tariff regulation of foreign trade has a significant impact on the public finance of the Republic of Belarus. This is also true for other EAEU Member-States, but to a lesser extent. This is due to the fact that tax revenues from foreign economic activities provide budget revenues. Therefore, it is extremely important for the Republic of Belarus to assess trends of financial aspects for further developing foreign economic activity in a changing business environment [11].

## 4. Research results

The tax revenues from foreign economic activities (tab. 2) are the second largest replenishment source of the Republican budget of Belarus (after VAT) [2]. These revenues in gross terms increased significantly over 2012-2018. Meanwhile, positive dynamics were in 2012, 2015, 2017 and 2018. There was a positive balance of foreign trade in goods and services in the same periods [9]. The sharpest drop was in 2014, which was associated with difficulties in the economies of the Republic of Belarus and its trading partners.

Table 2. Importance of tax revenues from foreign economic activities in the Republic of Belarus

Indicators	2012	2013	2014	2015	2016	2017	2018
Tax revenues from foreign economic activities, total [million BYN]	2,547.5	2,332.8	1,841.5	3,918.6	3,431.8	3,546.6	5,501.5
Share in the Republican budget revenues [%]	19.9	22.0	14.4	23.4	19.3	17.9	22.6
Growth rate [%]	168.2	91.6	78.9	212.8	87.6	103.3	155.1
Share in GDP [%]	4.8	3.6	2.4	4.5	3.6	3.4	4.5
Trade balance [million USD]	2,834.0	-2,340.9	-488.9	100.7	-32.0	149.3	782.6

Source: own study based on the [2, 9]

Tax revenues from foreign economic activities averaged 19.9% in the structure of revenues of the Republican budget of Belarus in 2012-2018. The smallest share (14.4%) was in 2014, the largest share (23.4%) in 2015. In 2018, the share of tax revenues from foreign economic activities increased by 4.6% compared with 2017 and amounted to 22.6%. Revenues from foreign economic activities averaged 3.8% of GDP in the analysed period. The share of tax revenues from foreign economic activities in GDP increased by 1.1% and amounted to 4.5% in 2018 compared with 2017.

It should be noted that the setting of export customs duty rates applies to the national legislation of the EAEU Member-States, and the procedure for their calculation and payment is regulated by the EAEU Customs Code. A number of export customs duties apply to goods exported from the territory of the Republic of Belarus beyond the customs territory of the EAEU Member-States: potash fertilizers, rapeseed, timber, rawhides, tanned leather, oil and petroleum products.

Import customs duties in the EAEU are paid by merchandise importers to a single treasury account opened with the national (central) bank of the country in which they are payable in accordance with the EAEU customs legislation. Import customs duties in the EAEU are paid and distributed to the budgets of the Member-States, according to the following standards: Armenia – 1.11%; Belarus – 4.56%; Kazakhstan – 7.11%; Kyrgyzstan – 1.90%; Russian Federation – 85.32% [6].

Figure 1 shows the structure of tax revenues of the Republic of Belarus from foreign economic activities.

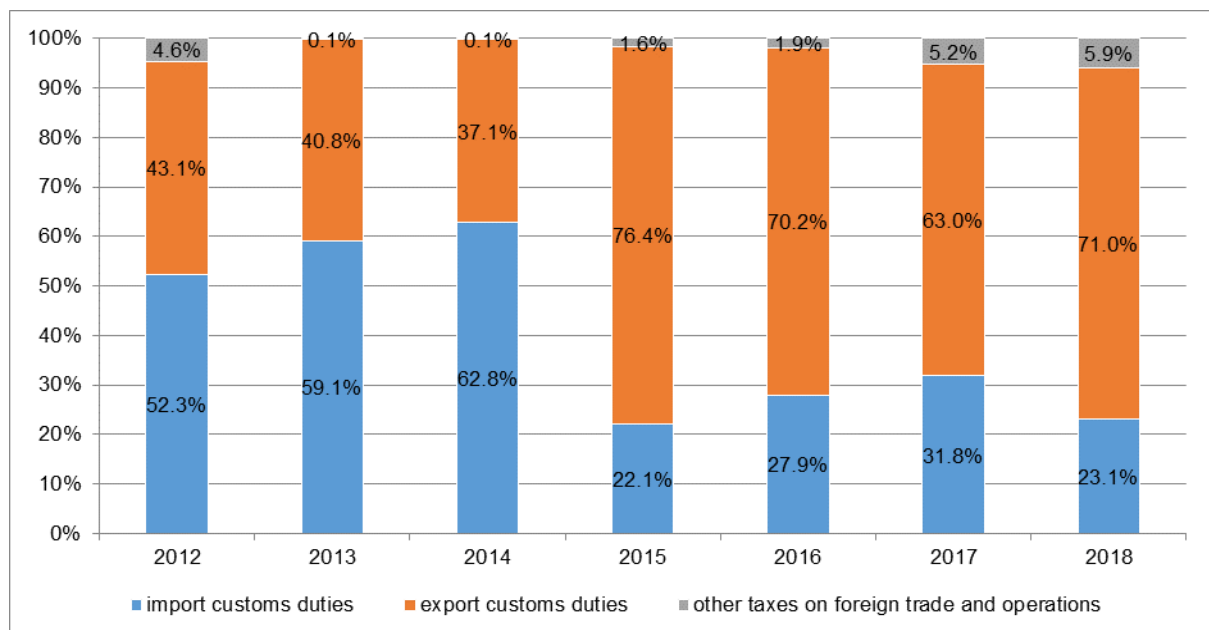


Figure 1. Structure of tax revenues of the Republic of Belarus from foreign economic activities

Source: own study based on the [2].

The structure was changed significantly during 2012-2018. More than half of revenues accounted for import customs duties from 2012 to 2014. However, there was a significant shift towards export customs duties since 2015, the share of which averaged 70%. In addition, there was an increase in the share of other taxes on foreign trade and operations from 1.6% (in 2015) to 5.9% (in 2018).

There was a decline in the share of taxes from foreign economic activities as a result of slower growth of import customs duties in 2013, and due to the abolition of export customs duties on potash fertilizers in 2014. In 2015, revenues from foreign economic activities increased due to the transfer of export customs duties from the export of petroleum products to the Republican budget and due to the resumption of export customs duties on potash fertilizers.

Import customs duties had a positive trend since 2016 (tab. 3). After significant falls in 2014-2015, import customs duties (in gross terms) reached only the level of 2014 in 2018. They increased by BYN 142.6 million (by 12.6%) in 2018 compared to 2017.

Table 3. Components of tax revenues of the Republic of Belarus from foreign economic activities

Indicators	2012	2013	2014	2015	2016	2017	2018
Import customs duties [million BYN]	1,332.2	1,378.3	1,155.7	864.4	958.9	1,129.0	1,271.6
Growth rate (to previous year) [%]	163.0	103.5	83.8	74.8	110.9	117.7	112.6
Export customs duties [million BYN]	1,098.9	952.4	684.1	2,992.4	2,408.4	2,233.1	3,908.0
Growth rate (to previous year) [%]	154.2	86.7	71.8	437.4	80.5	92.7	175.0
Other taxes on international trade and operations [million BYN]	116.4	2.1	1.7	61.8	64.5	184.5	321.9
Growth rate (to previous year) [%]	778.6	1.8	81.0	3,635.3	104.4	286.0	174.5
Tax revenues from foreign economic activities, total [million BYN]	2,547.5	2,332.8	1,841.5	3,918.6	3,431.8	3,546.6	5,501.5

Source: own study based on the [2].

Export customs duties increased significantly over 2012-2018. There was a substantial reduction in 2013-2014, but these duties increased 4.4 times in 2015. Export customs duties were slightly lower in 2016-2017 than in 2015, but the growth rate was 175% to the previous year in 2018. Tab. 4 shows the dynamics and structure of export customs duties for 2014-2018.

Table 4. Dynamics and structure of export customs duties in the Republican budget of Belarus

Indicators	2014		2015		2016		2017		2018	
	million BYN	share [%]	million BYN	share [%]	million BYN	share [%]	million BYN	share [%]	million BYN	share [%]
Export customs duties, total	684.1	100.0	2,992.4	100.0	2,408.4	100.0	2,233.1	100.0	3,908.0	100.0
including:										
export customs duties on crude oil produced in the Republic of Belarus	563.2	82.3	296.3	9.9	236.7	9.8	275.1	12.3	421.9	10.8
export customs duties on the export of petroleum products	78.7	11.5	2,002.5	66.9	1,102.3	45.8	1,310.3	58.7	2,044.3	52.3
export customs duty on potash fertilizers	39.0	5.7	689.0	23.0	1,065.2	44.2	644.6	28.9	1,440.5	36.9

Source: own study based on the [2].

There were over 82% export customs duties on crude oil produced in the Republic of Belarus in 2014, however, this type of duties averaged about 10.7% in 2015-2018. The main source of export customs duties was duties on the export of petroleum products [12], their share averaged 55.9%. The share of export customs duty on potash fertilizers increased on average to 33.2% in 2015-2018.

## 5. Conclusions

The tax revenues from foreign economic activities are the second largest replenishment source of the Republican budget of Belarus. The structure of export customs duties was changed significantly since 2015 compared to 2014. A notable dip in import customs duties occurred in 2015 compared to 2014. This is due to the Treaty on the EAEU. Import customs duties were divided into those paid and credited under The Treaty on the EAEU and those paid and credited from other non-member States of the EAEU.

The tax manoeuvre in the Russian Federation, which has begun in 2015, is a major influence on the revenues from foreign economic activities in the Republican budget of Belarus. The tax manoeuvre implies a gradual reduction of export duties on oil and oil products to 0% by 2024 [8] with a simultaneous increase in the mineral extraction tax on oil production [7]. According to the experts' estimation [4, p. 20] the total losses of the EAEU Member-States will amount to RUB 626 billion as a result of the tax manoeuvre provided in the absence of compensation payments. Moreover, the main losses (87% of the total amount) are associated with an increase in the cost of oil supplied to the refineries of Belarus.

Tax revenues from foreign economic activities in the Republican budget are planned at BYN 4,357.5 million in 2019 [17] which will be 20% less than the Republican budget actually received in 2018. In doing so, export customs duties will account for 58.6% of all tax revenues from foreign economic activities (71.0% in 2018), and import customs duties from the EAEU Member-States – 29.5% (90% of which will come from the Russian Federation).

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