

A Summary of Discussion
CityU CSHK PASS Workshop Series – Workshop 5
Cultural Diversity and Risk Management: Hong Kong Professional Services, Overseas
Investment and Industrial Park Development in Belarus and Djibouti¹
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On 26 October 2021, the Research Centre for Sustainable Hong Kong (CSHK)³ organized the fifth PASS workshop, focusing on economic development and challenges in Belarus and Djibouti, as well as exploring the opportunities and risks of Hong Kong investment and professional service sectors in special economic zones (SEZ) in the two countries along the Belt and Road. Business leaders, seasoned managers and expert researchers in Belarus, Djibouti and Hong Kong robustly discussed and brought with them diverse experiences from the sectors of SEZ and port management, infrastructure construction, logistics, telecommunications, corporate finance and digital economy. More than 200 participants in Hong Kong, Mainland China, Belarus, Djibouti and around the world joined the workshop online. Here is a summary of the insight sharing and panel discussion at the workshop.

Workshop summary

¹ For details of CSHK PASS Workshop Series, please refer to Project Brief in Appendix.

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³ Established in June 2017 by a cross-disciplinary research team, the Research Centre for Sustainable Hong Kong (CSHK) is an Applied Strategic Development Centre of City University of Hong Kong (CityU). CSHK conducts impactful applied research with the mission to facilitate and enhance collaborations among the academic, industrial, and professional service sectors, the community, and the government for sustainable development in Hong Kong and the Region. Linda Chelan Li, Professor of the Department of Public Policy at CityU, is Centre Director. For more information, please visit www.cityu.edu.hk/cshk. Please send comments on the paper to sushkhub@cityu.edu.hk.

Dr. V.L. Hurski

Dr. Hurski mainly introduced the scientific and technological cooperation between China and Belarus. On one hand, the turbulence of the global economy and the slowdown in its growth, the high volatility in the commodity and stock markets and the growing uncertainty of the external economic environment generate new economic and social risks, challenges and threats for all countries in the world. On the other hand, these factors offer new opportunities for further development. In the modern globalized world, the economy is highly integrated and China remains a reliable partner of Belarus.

In the early days of sovereign state formation, Belarus set the task of economic transformation through development in science and innovation. According to the *Main Directions of the Socio-Economic Development of Belarus for 2021-2025* developed by the Belarusian government and approved by the President Alexander Lukashenko, the most important policy priority in the nearest future is to support 'growth points' in the country, including industrial centers, highly efficient agricultural areas, free economic zones, science and technology parks (technoparks), innovation centers, technology transfer centers and venture organizations. One of the key documents of the innovation development of Belarus is the *State Program of Innovative Development of the Republic of Belarus for 2021-2025*. It states that by 2025 Belarus will create about 100 highly profitable export-oriented industries within the framework of innovative projects, increase the volume of exports of science-intensive and high-tech products to 18.3 billion US dollars.

Belarus was among the first batch of countries supporting BRI and it actively implemented a number of scientific and economic projects. Also, Belarus has developed a comprehensive strategic partnership with China in trade and economic cooperation. Belt and Road Initiative (BRI) has played an important role in the cooperation in science, technology and innovation between China and Belarus, which is progressively developing. As a treaty base and an effective mechanism, the Commission on Scientific and Technical Cooperation within the Belarusian-Chinese Intergovernmental Committee on Cooperation have been formed for coordinating joint activities. Over the past 2 years, the number of joint scientific and technical projects has significantly increased, which, under the auspices of the Commission on Scientific and Technical Cooperation, are financed by the State Committee on Science and Technology of the Republic of Belarus and the Ministry of Science and Technology of China. In 2017-2018, 28 scientific and technical projects were implemented; in 2019-2020, there were more than 35 such projects. Currently, preparations are underway for the next competition of joint scientific and technical projects for 2022-2023.

The strategically important and most ambitious project of the bilateral cooperation between Belarus and China within the framework of the BRI is the Great Stone Chinese-Belarusian Industrial Park. The idea of creating the industrial park in Belarus came from the heads of the two states – Alexander Lukashenko and Xi Jinping. Design of the park began in 2013. Construction started almost simultaneously with the announcement by the President of China of the BRI in 2014. Visiting the park in 2015, the Chinese leader called it 'the pearl of the Silk Road Economic Belt'. The heads of the two states signed the park development plan. Since

the creation of the park, more than 600 million US dollars have been invested. Currently, 79 residents from 16 countries are registered in the park, and 40 of them are Chinese companies. In 2021, their number in the park is expected to increase to 85 residents. Residents' investment projects exceed 1.2 billion US dollars.

With the active support of Belarus and China, the park has become the largest and exemplary project in our region. According to the international business newspaper *The Financial Times*, the Great Stone was named the best special economic zone of 2020 under the BRI, as well as the fastest growing zone. The engineering and transport infrastructure on the territory of the first stage of development is actively being operated, and the second stage is being designed. The Chinese-Belarusian cooperation priorities of the park include mechanical engineering, chemistry, new materials and artificial intelligence. New legislation on the park has been passed to promote pharmaceutical and health services, with an emphasis on traditional Chinese medicine. The Eurasian Center for Traditional Chinese Medicine is established and the establishment of a sub-park of Chinese medicine and a medical village is underway. The design of a high-speed passenger railway linking the Park with Minsk is also in progress.

The implementation of the international logistics terminal project namely 'Eurasian Railway Gateway' with the participation of Chinese, German, Belarusian and Swiss companies has begun and it deserves special attention. The project provides a direct and accelerated exit of transported goods along the China-Europe-China route. Medium-term plans include the creation of a regional multimodal logistics hub with the construction of a narrow-gauge railway from the park to the border with Poland to reduce travel time along this route and further increase cargo traffic.

In 2020, the Great Stone Park officially made the transition from the construction phase to the high-quality development phase. On June 11, 2021, Alexander Lukashenko signed Decree № 215 to improve legal regulation and investment climate of the Great Stone Park. The specified normative legal act introduces the concept of the subject of innovative activity of the park, whose projects will enjoy the main benefits of residents for two years, which should significantly increase the success of their implementation from idea to commercial implementation. To stimulate the financing of such startups, additional benefits are provided for venture organizations with a place of registration in the park. They are exempt from income tax upon alienation of shares or stakes in the authorized capital of innovation entities located both in the park and outside it until 2062.

To develop the Chinese-Belarusian investment and innovation cooperation an Innovation Center for the Commercialization of Scientific and Technical Developments has been created in the park. It is a platform for preparing start-up projects and housing laboratories and experimental production centers, test centers. It is also a center for intermediate research of small-scale production, a business incubator, training centers, office space for startups, trade show and showrooms. Participants of the 'Iskra' program, which was specially created to develop innovative activities in the park, also offer financial and consulting support to startups at the Center. The participants of this program include the Belarusian Innovation Fund,

the China-Eurasian Fund for Economic Cooperation, the Park Development Company, the Chinese-Belarusian Industrial Fund, BelWeb Bank and others.

Thus, the Great Stone Park gets the status of an international platform of BRI, covering production, financing, research activities and training, and helps attract investment to the Republic of Belarus.

In addition, currently 17 technoparks are operating in Belarus. The founders are mainly universities and local authorities. They include the Science and Technology Park «Polytechnic» of the Belarusian National Technical University, Technological Park Mogilev of the Mogilev Regional Executive Committee, Technopark Polesie of the Belarusian Investment Fund and others. In future, they could become an object of the Chinese-Belarusian innovation cooperation.

Among the proposals for increasing the efficiency of the Belarusian-Chinese scientific, technical and innovative cooperation are organization and implementation of joint scientific research, innovative programs in economics, finance and information technologies, joint specialized scientific laboratories from universities on the territory of the technopark or on the basis of universities, joint scientific and organizational events, mutual internships and joint scientific publications.

For Belarus, which has significant scientific potential and does not have a sufficient raw material base, the strategy for the further development of the national economy is determined by the effectiveness of the use of innovations. However, it is important not only to create new technologies, but also to effectively use them in the real sector of the economy, to increase the country's competitiveness through the development and creation of high-tech and science-intensive industries.

Belarus attaches great importance to relations with Hong Kong. This can be evidenced by the decree of the Belarusian government dated October 6, 2021 on the opening of the Consulate General of Belarus in Hong Kong by the end of this year⁴.

Prof. Linda Li:

What kind of input (activities, investments, ideas) that Hong Kong can offer for Belarus from your point of view?

Dr. V.L. Hurski

We welcome various types of investments and hope to realize more cooperation in trade and economy in the future. Hong Kong services and perspectives can help Belarus to better use Chinese investments by offering more professional consultations.

⁴ Until the time of editing this paper on 9 March 2022, the Consulate has not been materialized yet and no news or updates were reported with regard to the progress.

Louis Chan, HKTDC Research

Belarus is strategically located among many important B&R partners. The population (10 million) is not that sizable, but Belarus has an encouraging economic performance in the past 25 years. Belarus has a highly export-oriented economy, with over 60% production will be exported. And it is a member of the Eurasia Economic Union, which consists of Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan.

Belarus is not rich in natural resources, but it has a very strong industrial base since Soviet times. The main industries of Belarus include metallurgical, and also various branches of engineering, as well as other chemical related industries. They also have a very strong agriculture industry, from food to machinery, and other related tools and equipment. In recent years, the country also takes a lot of efforts in IT and service-related economy. The manufacturing industry of Belarus attracts many foreign investors, especially those who are considering a manufacturing relocation.

The Eurasia Economic Union is a bridge between and a gateway to Europe and Asia. It consists of 5 major countries in the region. Belarus has made a lot of effort to enhance its attractiveness for investment. The country has a very nice scoreboard for investment attractions, from an e-government development index, innovation index, to the ease of doing business.

The government of Belarus has set up a few priority sectors for investment, targeting mainly export-oriented, import-substituting and high-tech industries. To facilitate these foreign investments and the country's economic dynamics, there are a few leading investment vehicles, including 6 Free Economic Zones (FEZs), a high-tech park and the Great Stone Industrial Park. A series of incentives are offered for companies that resident in 6 FEZs, especially for export-oriented and import-substituting products.

After all those foreign investments and local efforts for many years, Belarus has a wide web of traditional industrial success. If you go to the Heathrow fifth terminal in London, the glass wall was produced by a Belarusian company. When you go to an international machinery, especially for industrial vehicles, you will definitely find a name from Belarus.

For the high-tech park, it is a hallmark initiative to upgrade and diversify the Belarusian economy. The country has put a lot of efforts to boost its IT development. Between 2017 and 2019, IT service exports from Belarus increased almost 150% to US\$2 billion, and, last year, IT companies accounted for almost 50% of the country's GDP growth. At the moment, the IT sector in Belarus accounts for more than 6.1% of the country's GDP. The president and the government paid a lot of attention to the development of ICT sectors and the digital economy.

Legal entities in Belarus have the right to own store and exchange tokens for one another or for fiat money. Belarus also has a huge success in IT sector, such as Viber, MSQRD, and online games. Some Belarusian IT companies also became active players in international IT economy.

Belarus is one of the most active BRI partners. It is the first country in the Commonwealth of Independent States (CIS) to receive the permission to China mainland market. Many Chinese companies in Belarus, including the China Merchant Group, and some media groups. Definitely, the Great Stone Industrial Park is one of the milestones of Sino-Belarus economic relations. For Belarus, China ranked 3rd as a trading partner, 7th as an export market and 2nd as an import source. But when talking about foreign direct investment, China only accounted for 2.1% of FDI inflows in 2020, which means there is still much space for further business expansion. Also, the government launched a lot of public-private partnership programs for international investors, including those from Hong Kong and mainland China.

There are more than 100 settlements, usually called secondary towns in rural areas, that are offering generous incentives for international investors. This could also become potential destination for Hong Kong or mainland Chinese companies who are looking for manufacturing relocation or further supply chain deployments.

Linda Tjia:

Could you give us some hints about the priority sectors of the manufacturing industry?

Louis Chan:

Broadly speaking, if we take the 6 special economic zones, there are basically zones for import-substituting and export-oriented industries. The country is very manufacturing focused, and they have pretty a wide range of industries like those make microwave heaters, and many software companies are very advanced in ICT products and mainly serve for export. On the other hand, they also have heavy vehicle related or agriculture related machinery sectors, that could also become opportunities for Hong Kong companies and traders.

Gao Rui, China Merchant Group

Mr. Gao shared the thoughts from China Merchant Group (CMG) and experience of projects in Belarus and Djibouti, specifically the comprehensive development in these two countries based on CMG's business model and practice.

CMG is a century-old enterprise with integrated industries. It is now based in Hong Kong. But in fact, the history of the group could be traced back to Qing dynasty, as old as 1872. CMG is one of the earliest modern business enterprises of China. CMG was deeply involved in the Reform and Opening-up (改革开放), with the core idea "to promote social progress with commercial success", and developed and operated Shekou Industry Park (蛇口工业区) in Shenzhen since 1979. It was a small village at that time, but soon became one of the fastest developing areas and the foundation of Shenzhen city.

Now, CMG mainly focuses on three core industries, transportation, finance, and urban/industrial park development. The business network becomes more globally, through the operation of global ports network, the connection with Euro-Asia logistic corridor, and the

comprehensive development of special zones combining Port-Park-City.

As to practices, Mr. Gao introduced the business model of CMG. Based on the development process in Shekou, Shenzhen city, CMG accumulated much experience in developing ports, logistics, parks/urban development. When expanding the business network to global level, CMG found that many potential countries such as Belarus, Djibouti, and Sri Lanka, have their very unique advantages to become excellent international corporation platforms, just like Shekou. But also, they have shortcomings to restrain the full use of their potential. Thus, CMG comes with the idea of applying their success of Shekou in these areas.

Belarus is the key bridge between East and West. It is a member of the Eurasia Economic Union. The Great Stone Industrial Park has an administration system supported by one-stop service. It will settle all the issues related to investors activities, such as registration of legal entities, licensing permission, and custom administration. A series of attractive policies are offered in the park like tax exemption. CMG developed a sub-park including exhibition center, warehouses and container yards based on its own strength. Up to 2020, the Great Stone Industrial Park has achieved a series of achievements.

Operation	
CMG's investment (the development company)	150 million USD
Total companies operating in the industry park	68
Client companies' Intentional investment	1.22 billion USD
Client companies' Contracted investment	706 million USD
Environment-friendly practice	
Reserved primeval forest area	139.94 hectares (16.37%)
Planted area	12.65 hectares (1.48%)
Localization team	
Total employees	177, from 4 countries
Belarusian employees	149

CMG also has a typical project based on the model of 'Port-Park-City' in Djibouti. CMG sees many potentials of Djibouti. Firstly, it is located at the Asia-Europe shipping route, at a strategic location of the Red Sea. Being a port hub already for those inland countries, especially for Ethiopia, Djibouti could become one of the world-class shipping centers, trade center, and logistic center. In the long term, CMG believes Djibouti could serve the world like Singapore, Dubai and Hong Kong.

To explore the potential of Djibouti, CMG started the research in 2013. The old port has a history of more than 80 years, with outdated facilities and a maximum berth of 50,000 tons. The traffic environment was jammed, and the contradiction with urban development is prominent. Thus, the CMG tried to relocate and upgrade the old port, creating economic and social benefits for the local area. The new modern deep-water port, with an investment of 580 million USD, started construction in August 2014 and officially opened on May 24, 2017. The designed throughput is 10 million tons, and the berth is designed for 100,000 tons. Subsequently, CMG developed and operated the new 'Djibouti International Free Trade Zone'.

The start-up area is 2.4 km², including land for lease, warehouses, container yard, and also hotels and office buildings. With one-stop services and at-site custom office, the zone is granted with a series of special policies, such as tax exemption and reduction, and some flexible policies in workforce and cargo flows. From the start of the operation, 2018, until now, there are over 180 resident companies in the zone and 30 of them are from China, including in trading, logistics and manufacturing. The occupation rate of the warehouse is over 90%.

CMG also tried to introduce some new services like e-commerce platform, seaport & airport joint logistic services. After the port and free trade zone, CMG also focused on city development by upgrading the old port area into “East Africa International Business Zone”, in order to help Djibouti becoming the new international business center.

Besides the commercial success, CMG also focused on the social progress in the long term, especially in developing countries where risk and uncertainty are relatively higher than developed countries. China Merchants Group’s goal of comprehensive development model “Port-Park-City” could build a platform of better environment to overcome these risk and uncertainty for potential investors.

Linda Li:

Could you talk a little bit more about the challenges, the major difficulty you think for your comprehensive development based on Port-Park-City model?

Mr. Gao:

There are some difficulties in legal system or financial system, thus investors are advised to do some research before the business expansion. However, we still should move beyond the stereotype understanding of risks and opportunities. You may find these risks not that unmanageable.

Ding Yi, China Telecom Group

Mr. Ding Yi briefly introduced the development history and the main business areas of China Telecom Group (CTG). CTG was established in 2012 and set a headquarter in Hong Kong. Now, CTG has established business and affiliates in 41 countries and regions around the world and received multiple prestigious honors and awards as the mark of global recognition. CTG has a huge global cable resources for transmission, including 47 submarine cables, which delivers a high-level quality and safety services, and is dedicated to deliver DICT services for a wide range of customers. In addition, CTG has over 30 cloud nodes that cover each corner of the world, providing computer products and cloud services to the global market.

Mr. Ding then introduced the economic cooperation between Belarus and China and the business of CTG in Belarus. In January 1992, Belarus established diplomatic relations with China. In May 2017, President Xi Jinping met with President Lukashenko who came to China to attend the “One Belt One Road” International Cooperation Summit Forum. The presidents jointly witnessed the signing of cooperation documents related to the “One Belt One Road” construction and economic and technological cooperation.

Under such a good relationship with China, the China-Belarus Industrial Park was established as a flagship project under the "One Belt, One Road" policy that the heads of state of China and Belarus attach great importance to. The planning of the park is divided into three phases, each phase will last 10 years. Up to now, the Sino-Belarus Industrial Park has 79 resident enterprises. The park is attractive because of a wide range of business advantages:

- Income tax holiday within 10 years (the subsequent payment rate has been reduced by 50%);
- Real estate tax and land tax exemption period within 50 years;
- Dividend tax holiday within 5 years;
- "Grandfather Clause" (guarantee of constant business conditions);
- Regarding all the problems of enterprises entering the park, a "one-stop" comprehensive service system has been established online in the park;
- Well-educated population in Belarus.

Also, there are some challenges when doing business in Belarus. The epidemic has caused a serious impact on the Belarusian economy, with direct losses reaching billions of dollars. The economic growth for the whole year of 2020 was -4.0%, which indirectly caused a substantial decline in the consumption capacity of Belarusian enterprises. In addition, the current economic sanctions imposed by Europe and the United States on Belarus have caused the Belarusian economy to be hit. Also, there are other factors that would cause some troubles for enterprises in Belarus, such as the huge differences between the two countries in terms of building codes and technical standards. Effective bilateral communication is important.

Approved by CTG and China Telecom International Corporation, China Telecom Belarus Co., Ltd. was registered and established in the China-Belarus Industrial Park on September 2, 2016, and began to officially commercialize the internal GPON network in the park in 2019, and began to develop GPON users. CTG participated in the construction and operation of the communication infrastructure of the park. China Telecom Belarus Co., Ltd. focuses on serving Belarus, Eastern Europe and the CIS countries, guiding industrial partners to settle in, and further expanding the business cooperation ecosystem while further improving the park's comprehensive service capabilities. China Telecom Belarus began to participate in the construction of telecom's network since 2016 and provided high-quality services to those enterprises in the park. There is an increasing trend of customer number and the group has developed an integrated telecom network in the park. CTG also provided other DICT services and products in Belarus.

Owing to the advantages of Belarus, in terms of preferential policy, industry development direction of IT, China-Belarus Industrial Park, and the positive economic trend, CTG sees many potentials in Belarus. The market for telecom and IDC services in Belarus is growing.

Linda Li:

How about the telecom market in Belarus? Will you face the competition with other service

providers?

Mr. Ding Yi

Yes, we are facing strong competitors because in Belarus, there are many other operators. But I believe that we can handle as we are facing different group of customers. We mainly serve for Chinese enterprises who are willing to invest in the country. Also, we are the exclusive provider in the Great Stone Industrial Park to supply ICT network services.

Question:

Did the international sanctions bother you?

Mr. Ding Yi

Yes, some sanctions imposed by US and EU raise problems for Chinese companies. For example, some Chinese investors may develop a huge project in Belarus several years ago and aims to become service providers in the park,; however, because of the sanctions, their businesses were terminated. That will impact our business and it is the risk of doing business in Belarus.

Dr. Ji Chao

Dr. Ji Chao introduced the incremental development of Djibouti's economy since the BRI. For the economy of Djibouti, First, Djibouti has made remarkable economic achievements in recent years. Djibouti has been one of the least developed countries in the world for a long time. But, Since the BRI, its GDP per capita has increased to 3426 USD in 2020 from 1159 USD in 2012. Its global ranking is improved to 137 in 2020 from 162 in 2012. This fact is encouraging for all other African countries.

Second, the economic cooperation between China and Djibouti has moved beyond the traditional foreign aid. For a long time, the foreign aid of developed countries was often based on national strategy implementation or security considerations, which did not change the poverty situation of African countries. The economic cooperation between China and Djibouti prioritizes promoting the economic development.

Third, the economic cooperation between China and Djibouti was also different from the previous resource-based economic cooperation. Most economic activities between developed countries and African countries have failed to fully promote the independent development of the local economy. Chinese companies invest in Djibouti with their own development models.

As an urban economy, Djibouti has been the least developed countries in the world for a long time. Poor natural conditions and resource endowments lead to higher costs. Djibouti is in a tropical desert with an extremely hot and rainless climate throughout the year. Djibouti has a weak economic foundation and simple industrial structure. The proportion of industrial added value in GDP was only 15%, and agricultural value-added accounted for 2%. Port industry (shipping, port trade and port services, etc.) supported more than 80% of the employment

and economy output. More than 90% of construction funds have to rely on foreign aid, and more than 95% of necessary agricultural and industrial products are imported. In addition, there is a shortage of human capital, and the illiteracy rate exceeds 50%.

The BRI benefits a lot to the economic development of Djibouti. From 2014 to 2019, Djibouti's GDP growth rate has reached 7.06%, 7.70%, 6.65%, 5.40%, 8.41% and 7.77% respectively, and the per capita GDP growth rates were 5.23%, 5.89%, 4.92%, 3.73%, 6.73% and 6.15% respectively. According to some interviews conducted by Dr. Ji Chao, local people in Djibouti acknowledged the efforts of Chinese companies such as CMG have made for Djibouti.

Dr. Ji Chao summarized the success of development in Djibouti as “incremental development”. As always, the unique geographical location gives Djibouti great development potential, and the key or breakthrough point of Djibouti's economic development still lies in the port.

However, in the way of developing and utilizing the port, China has provided new solutions. In 2012, China began to invest in Djibouti port, which brought new opportunities to Djibouti and launched incremental development practice, and this practice was mainly reflected in the exploration of Port-Park-City (PPC Model).

For the project location, CMG chooses a new site to develop the project for a myriad number of reasons. First of all, the old port of Djibouti is located in the urban center, with mixed urban activities, and there is no strict functional zoning. The upgrading work of the old port will involve a series of work such as land preparation and house demolition, which refers to the interest of many different groups. Secondly, the function of the new port is different and highly complementary to the old one. Moreover, with further commercial development of old port, the land price of this area will be increased significantly. Third, the investment, trade, foreign exchange, labor and other policies in the Djibouti free trade zone were very preferential, and they were only accessible inside the free trade zone, which will not influence the existing economic and social order of Djibouti. Thus it is reasonable to develop a new port for Djibouti.

In the process of cooperation between China and Djibouti, the Djibouti government began to consider how to better manage and operate the port to promote asset appreciation, and built a completed industrial development system based on the port. The economic development gradually became the first priority of Djibouti government.

A flexible and pragmatic government-enterprise cooperation relationship has been established for the project. The establishment of Djibouti Port Co., Ltd. (PDSA) marked the transformation of Djibouti port and free trade zone, and changed the previous situation of them as the government dominated national assets. Then, the Djibouti port and Free Trade Zone Administration (DPFZA) was set up as the only authority of port and free trade zone, which ensured the government's involvement. Thirdly, different companies are launched for the operation and assets management of the free trade zone. This arrangement not only guarantees the ownership of land by the Djibouti government, but also satisfies the needs of CMG in operation of the company.

The cooperation between China and Djibouti was a constant exploration and a gradually deepening process. For example, the cooperation between Djibouti and CMG was limited to port service in the beginning. With the initial achievements of bilateral cooperation, the idea of building a free trade zone was proposed. The construction of the free trade zone was also gradually completed. Although the total planned area of the free trade zone is 48.2 square kilometers, the start-up area is only 2.4 square kilometers. It can be seen that the cooperation was a gradual expansion process, and finally realized the sustainable development among port, industrial park and city.

Ge Yin

Ge Yin shared thoughts and experience about the construction and development of Overseas Economic and Trade Cooperation Zones (ETCZs) from the perspective of Belt and Road, taking China-Belarus Industrial Park as an example.

The first part is about historical background and development stages of overseas ETCZs of China. The construction of these industrial parks and zones are important experience of China's reform and opening up, and major economic development model of China. The whole process of ETCZs development could be divided into three periods. The first is the exploration period (1990-2004). At this stage, some trade companies invested in commercial or entertainment projects such as China Town in Paris. These companies expanded business by themselves with the characteristics of small quantity, low efficiency, and decentralized development trend, but could be good references for future development of zones. The second period started from 2005 to 2012. Zones received promotion from the government, and the public platform is established in this stage. The number of parks fluctuated but the total number of zones did not change too much because of the global financial crisis. The third period is marked by the accelerated development of zones. It is guided by the BRI and the zone is promoted in quantity, efficiency and scale. As of September 2018, China's overseas parks have grown to 113, distributed in 46 countries and regions. The 45 overseas ETCZs are distributed in 23 countries and regions along the "Belt and Road". There are 20 national-level OETCZ, distributed in Belarus, Russia, Thailand, Zambia and other places in Eastern Europe, Southeast Asia and Africa, mainly in developing countries.

The overseas ETCZs could be divided into 5 types, the manufacturing zone, the resource-based zone, agricultural zone, commercial logistics zone, researching and technical zone, and multiple comprehensive zone. The China-Belarus Industrial Park could be the manufacturing zone.

By comparing the parks in some EU countries and other Eurasian Economic Union countries, Ge Yin found that the policies of China-Belarus Industrial Park are the most preferential. The profit tax, personal income tax and land tax of EU countries are generally high, and due to the implementation of the provisions of the unified legislation of the free economic zone in the EU, each park cannot formulate highly differentiated preferential policies, while China-Belarus industrial park can formulate preferential policies independently. She showed specific tax

rates of China-Belarus Industrial Park and those zones in the neighboring countries.

Also, Belarus has other advantages like the level of higher education, which is 85%. And the R&D development indicators are also positive, especially the number of scientific researchers per 1000 economically employed persons. China-Belarus Industrial Park is also mentioned in national strategies, including the Made in China 2025, and Going Global Strategy of China, and the Digital Neighborhood Belt in Belarus. Both sides all make efforts to promote cooperative development based on the B&R.

After the pandemic in 2019, overseas ETCZs has also become the platform of China and other foreign countries to jointly fight the pandemic. Belarus was the first to donate medical material to China through the platform of the industrial park and China also provided lots of doses of vaccines to Belarus in early 2021.

Linda Li:

Could you share more about the cross-cultural situation, or the cooperation between public and private sectors in Belarus?

Ge Yin

Because of my own experience, I think people are the same if you are active in communication. The social system is similar. For example, Belarus also uses 5-year plan to develop the economy of the country. People in Belarus are actually open, and they are willing to communicate.

Question to Dr. Ji Chao:

Could you elaborate more about how the development of Djibouti is related with BRI? How many ports that Djibouti has and how many are operated by Chinese enterprises?

Dr. Ji Chao:

The economy of Djibouti largely relies on the development of ports. The port-based free trade zones also contributed a lot to the economic development in Djibouti. Thus, a whole industry chain could be established based on the port after the CMG started to invest in the country.

Alexander Bezberdy, NorthStar Corporate Finance

NorthStar Corporate Finance is an independent, partner-owned investment banking advisory firm, mainly based in Prague, Stuttgart, and Moscow. The company was established in 1998 as Apax Partners CIS Moscow Representative Office. Northstar is an independent member of Geneva Capital Group (GCG), the premier global partnership of M&A, Corporate Finance and Strategy firms.

Then Mr. Bezberdy introduced the M&A for the B&R investment. Firstly, he mentioned that Belarusian people are kind and hard-working, and ready to offer help. As to M&A, there are more M&A in Belarus that are related to IT industry. Talking about challenges for investors, the absence of consolidated information system could be a problem. There are no local consolidated data system while the international Data & Analytical Systems (such as S&P

Capital IQ, Pitchbook, etc.) cannot provide local information or can provide very limited information. Investors have to be prepared if they come to Belarus by accessing different sources and consulting different people.

As to the financial aspects for corporations in Belarus. Firstly, the banking system is not bad, but all state banks are under sanctions. The positive factors include quick transactions, the e-banking system, experienced personnel of the front office, the e-payment system, and the support from the state sectors. There are also some negative aspects of banking system, such as limited resources, expensive financing, difficulties in getting a credit, and some limitations in e-payment system.

Finally, he highlighted some new realities in Belarus. Because of the pandemic, more difficulties present in logistics process. The focus now is how to deliver goods to Europe and the railway delivery becomes the first priority. At the same time, some advantages will also benefit to enterprises in Belarus, such as the strategic geographical location, highly skilled workforce, easy access to the CIS market, and good relationship with China. Some projects have the potential to be correlated with B&R, including the export/import oriented cross-border projects, PPP infrastructure projects, and agricultural projects.

Discussion:

Jerry Zhang (Managing Director, China Orient Asset Management (International))

Dr. Zhang mainly introduced the potential opportunities for Hong Kong firms at the B&R industrial parks. There are more than 5000 special zones and industrial parks in the world and over 100 of them are operated by Chinese companies. China-Belarus Industrial Park was awarded the “Belt and Road Initiative” Bespoke Award in 2020. In 2019, the Djibouti International Free Trade Zone was ranked as the top 10 Global Free Zone of the Year.

Dr. Zhang proposed some thoughts about how to access and utilize the B&R related facilities and opportunities. The first is to relocate facilities or suppliers for lower manufacturing costs, the reduction of trade barriers, and the protection of existing customers. Secondly, investors could also try to start new business in the industrial park based on local advantages. For example, in Belarus, investors could easily access to the EU market and in Djibouti, the Africa market is accessible. Dr. Zhang took Dr. Frank Leung as an example, introducing his story of moving business from China to Ethiopia and treated Djibouti as an important gateway. He has achieved a huge success in Ethiopia by relocating his business and embracing the local market.

Dr. Zhang encouraged Hong Kong enterprises to join the competition and bid for management contracts. For example, the Hong Kong MTR operates 260 kilometers of railway lines in Hong Kong but also operates over 2000 kilometers lines outside Hong Kong, including the subway of Beijing No. 4, Shenzhen No. 4, and subway lines in Sydney and Europe. Hong Kong’s services can be exported to these potential markets.

Wang Qiyu, vice president of China Telecom Global

CMG runs industrial parks in both Belarus and Djibouti. The industrial park is a very good

solution for foreign investors to expand their business, especially for Chinese enterprises. For example, in Djibouti, the CTG tried their best to provide telecommunication services. Chinese enterprises could access to the global market as groups and go out together.

As the western countries may have different views for Chinese investors, how could Chinese companies, local government and local partners build trust among each other?

Alexander

It is a perfect timing for many companies to access wide market based on BRI. I suggest these companies to keep promises in order to establish trust. There are some political issues now but I think China could use it in a positive way.

Gao Rui

Since China Merchants Group is not only the developer but also long-term operator in port and industrial park industry, the cooperation will usually last for a long period (for ports, usually 25 years to 50 years. for industrial parks/free trade zone like Belarus and Djibouti, there is an agreement of 99 years land use right). So, the local government and companies are confident in the very beginning that CMG is heavily committed to stay long, profit slowly, localize in operation, and achieve benefit only when the host country/region's economy greatly improves. And our history in Shekou Industrial Zone also proves that China Merchants is a patient and dedicated company.

Moreover, it is actually CMG's side that has to do deep research before committing into such a long-term project. So, we have a very carefully and detailed investment decision process for all global projects.

A good comparing example is construction project. The project only last for 1-2 years. As long as the construction is completed, all profits are achieved, and the construction company can simply leave without much risk to bear.

The most difficult issue is to understand each other. There can be cultural differences, language barrier, different legal systems, different management styles. But we see the negotiation as a high-investment-high-reward work. As long as we always remind each other that both parties' ultimate goals are the same (to achieve and share long-term economic development), seeing each other as teammates rather than counterparties, misunderstandings can be easier to solve. And once such trust is carefully built and kept, the connection is stronger than arm-length business partners.

Linda Li

What is the best way to invest in Belarus even with risks and challenges?

Alexander

There exists a political tension between the west and east. But from the other side, this is the time to grasp the opportunity, especially for China. For example, Belarus gets a lot of western

investments right now, and China can just use these opportunities to conduct investments, such as the projects in logistics, containers and so on. There are a few projects that are ready to be shared with possible investors, which will help increasing the trade volume between China and Europe.

Questions:

Are these parks catering for Chinese enterprises and Chinese investors? How about their internationalization? How could they attract international investors?

Gao Rui

Data shows that most of the companies in these two parks are not Chinese companies. In Belarus, the Chinese companies account for less than a half, and in Djibouti, among 180 enterprises, only 30 are from China. Djibouti government encouraged us to attract more Chinese enterprises to the industrial zone.

Alexander

Many companies from Russia would like to participate to the park. I think more advertisement is necessary because some companies do not know about this park and have no idea about the many preferential policies.

Question

How could Hong Kong talents tap into the project in Belarus?

Louis

Many Belarusian companies and start-ups are also looking for opportunities in Asia and the Greater China region. This is the opportunity for Hong Kong companies, such as financial, business, consulting companies. I encourage Hong Kong companies, scholars and students to pay more attention to the whole international supply chain, especially in this pandemic situation with logistics bottleneck.

Phyllis

Is that common for local companies to establish a joint venture?

Alexander

There are a lot of M&A in Belarus, but it is not common that these M&A is connected with B&R. There are good consulting companies in Belarus if you need consultation to find a partner.

Appendix

**Research Centre for Sustainable Hong Kong (CSHK),
City University of Hong Kong
“Professional Services Advancement Support Scheme” (PASS)**

**Advancing Professional Development
on Economic and Trade Cooperation Zones
Along Belt and Road**

Project Brief

The Research Centre for Sustainable Hong Kong (CSHK) of City University of Hong Kong is funded by the ‘Professional Services Advancement Support Scheme’ (PASS) of the Commerce and Economic Development Bureau, HKSAR Government to conduct a Project entitled ‘Advancing Professional Development on Economic and Trade Cooperation Zones Along Belt and Road’, with the objectives to enhance the understanding of Hong Kong professional services on Economic and Trade Cooperation Zones (ETCZs) along the Belt and Road countries, deepen the understanding of key stakeholders of ETCZs on the competitive edges of Hong Kong professional services and business sectors; and explore potential development opportunities via exchange of ideas and sharing of analyses.

From January 2021 to March 2022, the Project will organize 6 professional workshops and 2 symposia (opening and closing), inviting zone operators, local enterprises, professional service leaders, expert scholars and government officials as speakers to conduct comprehensive and in-depth sharing on opportunities, challenges and experiences of overseas development in 7 countries (Cambodia, Sri Lanka, Vietnam, Malaysia, Djibouti, Belarus and Myanmar) and their respective ETCZs. A tentative schedule is as follows:

Date	Programme
7 January 2021	Opening Symposium
8 February 2021	Professional Training Workshop 1 – Cambodia
27 April 2021	Professional Training Workshop 2 – Sri Lanka
11 June 2021	Professional Training Workshop 3 – Vietnam
19 August 2021	Professional Training Workshop 4 – Malaysia
26 October 2021	Professional Training Workshop 5 – Belarus & Djibouti
16 December 2021	Professional Training Workshop 6 – Myanmar
March 2022	Closing Forum

Activities are all free-of-charge, and they will mainly be conducted in English⁵ to project a global orientation and facilitate participation of overseas stakeholders. Each participant will

get a training pack containing country information and analysis for each professional training workshop. Investment / enterprises representatives, representatives from professional service sector, scholars and students who are interested in understanding more about ETCZs are welcome to participate and interact to discover more opportunities for collaboration.

The Project is supported and collaborated by a number of professional bodies and business chambers in Hong Kong, including Certified Management Accountants, Australia (Hong Kong Branch), Hong Kong Chinese General Chamber of Commerce (CGCC), Hong Kong General Chamber of Commerce (HKGCC), Hong Kong Institute of Certified Public Accountants (HKICPA), Law Society of Hong Kong and The Society of Chinese Accountants and Auditors (SCAA) (names listed in alphabetical order). We thank Golden Resources Group and Red Circle Company Limited for sponsoring the Project generously. Our Supporting Organizations include Association of Women Accountants Hong Kong, Hong Kong Electronic Industries Association, Hong Kong Financial Services Development Council, Hong Kong PolyU MBA Alumni Association, Hong Kong Trade and Development Council, and JCI Jayceettes. Our Supporting Units from City University of Hong Kong, including CityU Eminence Society, College of Business, CityU-TsinghuaU EMBA+MPA Programme, College of Engineering, College of Liberal Arts and Social Sciences, College of Science and School of Law.

Prof Linda Chelan Li, Professor at Department of Public Policy and Director of CSHK, is Project Co-ordinator and Prof Phyllis Lai Lan Mo, Professor at Department of Accountancy, is Deputy Project Co-ordinator. Project team members include Dr Linda Yin-nor Tjia, Assistant Professor at Department of Asian and International Studies and Dr Wilson Chan, Adjunct Professor at College of Business.

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