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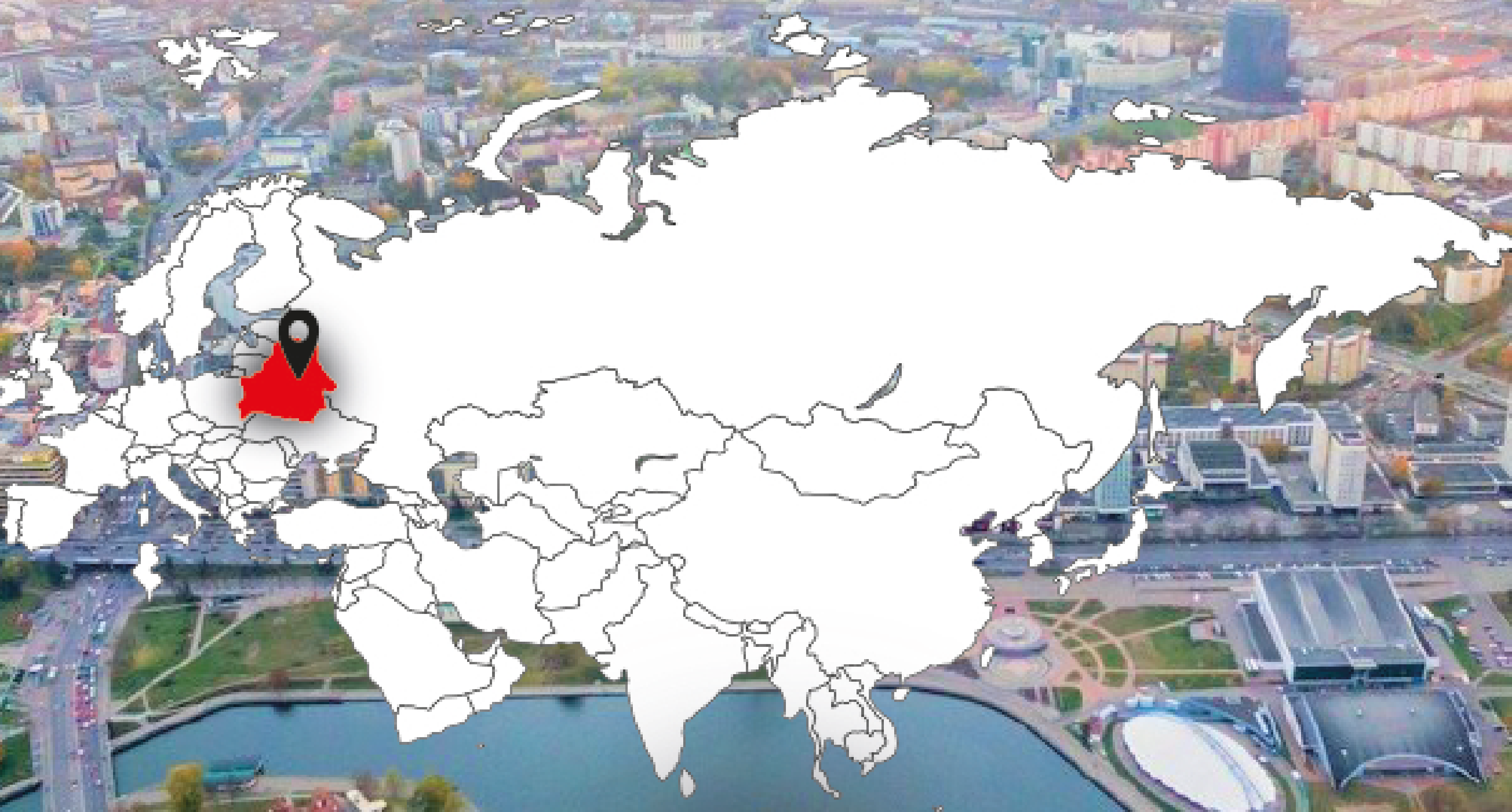

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BELARUS

Belarus brings itself to the fore

BELARUS MAY BE UNFAMILIAR TO MANY WESTERNERS BUT THE EASTERN EUROPEAN COUNTRY PLANS TO BOOST ITS PROFILE BY LEVERAGING ITS LOCATION AND EASE OF DOING BUSINESS CREDENTIALS TO RAMP UP INVESTMENT FROM BOTH EAST AND WEST. **WENDY ATKINS** REPORTS

Belarus frequently confounds investors' expectations. While relics of the Soviet era can be seen in the Stalinist architecture and statues of the capital, Minsk, the country is embracing the future by building relationships with its EU neighbours to the west, its Commonwealth of Independent States (CIS) allies to the east and friends such as China further afield.

Belarusians often say few outsiders know where Belarus is or have heard of it. For the uninitiated, it is a land-locked country in eastern Europe bordered by Poland, Lithuania, Latvia, Russia and Ukraine. Crossed by two trans-European transportation corridors (west-east and north-south), every year more than 100 million tonnes of European cargo travel through Belarusian territory, 90% of it between Russia and the EU.

Driving into Minsk from the airport and along the wide Soviet-style boulevards, visitors are often struck by how little traffic there is for a capital city. But it is not just these roads that are clean and congestion free; according to Belarus's investment authorities, the country's transport corridors run at 25% to 40% of maximum capacity.

At the crossroads

Belarus hopes to leverage its location at the crossroads of east and west to become a location of choice for firms looking to expand their footprint in eastern Europe. It is also seen as a key part of the Chinese Belt and Road Initiative, both as a transport gateway linking China with the EU and CIS countries, as well as an investment destination for firms in the manufacturing and hi-tech sectors.

According to the World Bank 2019 Ease of Doing Business index, Belarus ranks 37th, just 13 places behind economic powerhouse Germany and ahead of China (46th), Italy (51st) and Hungary (53rd). Investors report that investment in infrastructure, the establishment of free economic zones, support for business and a stable economy have helped create a favourable climate.

"The Belarus of today is quite different to that of five years ago," says Alexander Pivovarsky, head of Belarus at the EBRD. "There's a growing private sector and, every year, on average about 1% of GDP shifts from the public sector to the private sector. There are low corruption levels for the region, and you virtually never hear our clients talking about corruption as a reason that they cannot operate."

Stable currency

EBRD statistics reveal that there has been macro-economic stabilisation in Belarus with inflation at a historic low: the Consumer Price Index level is down from 18% in 2014 to 5% in 2018. The exchange rate has been stable since the switch to a flexible exchange rate in 2015, and the Belarusian ruble rate has changed little against the US dollar between 2016 and 2019.

Structural transformations have led to private sector growth, and there has also been a shift to a service-based economy, particularly through ICT. There is also a lower reliance on exports. Additionally, regulatory reforms –

EVERY YEAR, ON AVERAGE ABOUT 1% OF [BELARUS'S] GDP SHIFTS FROM THE PUBLIC SECTOR TO THE PRIVATE SECTOR

Stable economy: the Belarusian ruble rate changed little against the US dollar between 2016 and 2019

such as financial liberalisation, pro-entrepreneurship policies and reviews of utility tariffs – are also having an impact.

"Government foreign economy policy is recognised as open and of a multi-vector nature," says Nikolai Snopkov, deputy head of the Belarus Presidential Administration. "Exports are one of the key priorities in the development of the economy, making up more than a half of country's GDP."

Investors from neighbouring countries and further afield tend to be impressed by the high-quality workforce, the low cost of labour and the improving environment for sectors such as IT, pharmaceuticals, woodwork, agriculture and food, transport and logistics, mechanical engineering, banking and finance, chemicals and petrochemicals, tourism and textiles.

They can turn to the National Agency of Investment and Privatization (NAIP) for assistance when contemplating a move into the country. Its services include providing information about investment opportunities, preferential treatment and benefits, and industries and legislation. The agency also selects and presents land and premises options; searches for and negotiates with potential partners; organises visits and helps with obtaining visas; represents investors in negotiations with government agencies; and offers post-investment support.

A tech hotbed

When asked to name tech powerhouses few would come up with Belarus, but according to the NAIP the country performs well against its competitors, ranking 32nd in the 2017 ICT Development Index by the UN's International Telecommunication Union (the US came 16th, Lithuania 41st, Russia 45th and India 134th). Furthermore, the agency says 61 of the world's 200 largest Fortune companies, such as Apple, Intel, IBM, Exxon Mobile and Facebook, use the services of Belarusian companies.

The NAIP adds that the pharmaceutical sector is being driven by the large capacity of the five Eurasian Economic Union (EAEU) countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia), highly skilled personnel and tax incentives for investors. Additionally, Belarus has harmonised its medicinal products laws with those of the EU.

Belarus's vast forests and woodlands ▶

GETTING BELARUS'S INFRASTRUCTURE RIGHT

Many businesses in Belarus cite the country's good infrastructure as a contributing factor to its attractiveness to investors.

Sitting between two major economic centres – Russia and the EU – Belarus is dependent on its infrastructure to make the most of its geographical location. "Belarus is an important artery in the Eurasian region," says Nikolai Snopkov, deputy head of Belarus Presidential Administration. "More than 100 million tonnes of European freight comes through the territory annually. Our country fully ensures efficiency and safety of this transit. New opportunities will follow within the [Belt and Road Initiative]."

The EBRD has been involved in a number of infrastructure projects in the country, including making a €42.45m sovereign loan to the Ministry of Transport for the reconstruction of a 15-kilometre section of Minsk's outer ring road. The EBRD says the project is important for Belarus because it will improve road links within the country, including to key industrial areas as well as providing better access to recreational areas in the Minsk region.

Travellers on Belarusian railways and the country's urban, regional, inter-regional and international rail network report that it is clean, safe and reliable, and air travel is taking off, with an increasing number of international travellers. The main public airport, Minsk International Airport, has seen passenger numbers into Belarus grow, most recently encouraged by changes to the county's visa rules. According to Airports Council International, in 2018, passenger numbers grew by almost 10% on 2017, and aircraft operations expanded by 6.5%.

The 2019 unveiling of a 3.7-kilometre-long, 60-metre-wide second runway in Minsk International Airport is also opening up opportunities for bigger aircraft. The national ▶

have traditionally made woodwork one of the most important sectors in its economy. More recently, the sector has capitalised on new opportunities in the manufacture of semi-finished products as a supplier of raw materials for hi-tech foreign production, such as product lines for Swedish furniture giant IKEA.

The agricultural sector attracts both foreign and national investors and benefits from the large EAEU market. According to the NAIP, it is characterised by strong price regulation for agricultural raw materials, which increases the profitability of the food industry. The country is a major trader in dairy products.

Sectoral strengths

Belarus's mechanical engineering sector is a priority for foreign investment. Belarusian companies are interested in establishing joint products to preserve export positions, gain new experience, introduce innovations and expand product lines.

Foreign investors have been attracted to the automotive industry through the creation of joint ventures, the privatisation of certain state organisations and the creation of international alliances in auto components production, agricultural machinery manufacturing and truck assembly. There are also opportunities to export to foreign markets such as the CIS.

The banking sector in Belarus is developing rapidly, with the assets and capital of domestic banks increasing at a rate significantly higher than the growth in GDP and investment in fixed assets. Interest in the sector has been growing, attracting capital from Germany, Russia, Austria, Ukraine, the UK, the Netherlands, Switzerland, Luxembourg, Kazakhstan, Latvia, Ireland, the US and the Czech Republic.

The NAIP reports that the country's prospects are good both in terms of increasing resources and introducing new banking products. It adds: "Considering the forthcoming privatisation of state-owned banks, one can expect an increase in the flow of FDI into the banking system of Belarus, which will increase the competitiveness and capitalisation of Belarusian banks."

The chemical and petrochemical industry accounts for 12% of Belarus GDP and is an important source of foreign exchange, generating almost 20% of the country's exports. It is heavily dominated by state-owned producers, but the government is seeking foreign partners and investors to improve productivity and profitability.

Also important to the Belarusian economy, the textile industry includes the manufacture of knitwear, hosiery and other products. About 170 companies are involved in the sewing industry, producing many different kinds of garments. The largest clothing factories have a portfolio of brands that are exported to CIS countries as well as to the UK, Denmark, Poland, the US, the Netherlands and the Czech Republic.

Tourism is also starting to expand and visitor numbers are growing as Belarus builds a reputation as an intriguing destination in Europe, thanks to its reputation of being a friendly country with a lively café and arts scene. The opening of a second runway at Minsk Airport earlier in 2019 will help to increase passenger traffic, and moves to lift visa restrictions for many international travellers will also make it easier for people to visit the country for short trips.

"Changes to visa regulations have two benefits: they make it easier for tourists to visit and clients and potential clients can now come to our premises and see what we are doing so they can be confident in their decision to work with us," says one investor.

International ties

An estimated 60 countries have already invested in Belarus, and at the beginning of 2019 there were about 7000 companies with foreign investments in the country. Mr Snopkov at the Belarus Presidential Administration reports that for the past few years Russia and the EU have invested the most. Due to traditional language and geographical ties, Russia has been the main FDI donor, although Belarus is continuing an FDI diversification policy, he says. "Due to the high level of strategic co-operation with China, we see a steady growth of FDI inflows from China and have a substantial potential to increase it much more," adds Mr Snopkov.

Investors say they have chosen Belarus because of its strategic location. It provides direct access to the EAEU countries of Russia, Kazakhstan, Armenia and Kyrgyzstan, which have a common customs territory and single customs tariff; free movement of goods, services, capital and workforce; equal business conditions, including the costs of principal energy resources; and common technical, sanitation, veterinary and phytosanitary regulations. It is on the doorstep of the EU, and although Belarusian-based businesses selling into EU markets face more hurdles when trading with the bloc than if they were located in a member state, they report that Belarus remains a competitive location for them.

Doing business in Belarus is not without its challenges, however. Investors report that although certain requirements do not block their work, they do make it more expensive to operate in the country. For example, there are requirements for additional people to deal with administration, and there are still currency control issues, which firms say are getting better but have dragged on. Furthermore, time and resources can often be wasted on acquiring additional permits, statistical reporting and bureaucratic accounting procedures.

Privatisation and PPP

With assistance from the World Bank, the NAIP is rolling out a pilot project to support

Picture perfect: Belarus is finding that its tourism industry is taking off

privatisation. Its goal is to create an institutional framework for an individually targeted and transparent approach to privatisation that meets international standards while serving the interests of the Belarusian state. The agency aims to attract strategic investors that can ensure the further development of the company whose shares are offered for sale.

Public-private partnerships (PPPs) are another possible route for investors into Belarus. The PPP Centre was established in 2014 and since 2016 has been part of the NAIP. The list of projects considered for PPP includes the reconstruction of the M-10 highway from the border of Russia to the cities of Gomel and Kobrin; the building of kindergartens in the Minsk region; and the construction of a bypass in Gomel.

The talent treadmill

Belarus is proud of its high-quality workforce. Although there are concerns among some business leaders that there has been a brain drain, the general feeling is that there is still plenty of talent generated by the country's considerable universities system, enabling firms to scale up when they make a new investment.

"The national education system is developing, which is proven by the growth of the share of highly qualified personnel in the total number of workforce from 25.4% in 2010 up to 33% in 2018," says Mr Snopkov.

Most investment in the country uses local workers. International workers report that there is not much of an expat scene, although this is not necessarily a bad thing since they find it easy to integrate with locals, access local services and also enjoy free time outside of work. Some firms report that although it is quite easy to bring foreign workers in, it can be difficult to attract international workers to move to Belarus, mainly because they know so little about the country.

Philipp Brunner, CEO of rail company Stadler Minsk, says when his company was locating to Minsk, people had safety concerns and questions about living standards. Having moved to the capital himself, he has since embarked on a Belarus promotional tour inside the Stadler company to spread the word about his positive experiences and why the country is a good place to be based.

Young people in Minsk also say they enjoy the capital's lifestyle, a key factor helping to encourage local talent to stay. "I've worked in Moscow, but it's much better here," says one local, who adds: "It's super-clean, safe, and we're proud of our city. It's easy to get about locally by bike, tram, metro and car, and it's also easy to travel further afield to other parts of the country as well as over the border to neighbouring countries such as Lithuania, Ukraine and Russia. There's a good music scene with plenty of local and international artists performing here. It's also young and vibrant with hipster bars and pop-up venues for evening and weekend entertainment." ■

carrier, Belavia Belarusian Airlines, has been expanding its fleet and broadening its route network, adding Munich International Airport to its list of destinations in July 2019. "The growth of the airport and airport-related services shows how popular Minsk is becoming," says one frequent traveller between London and Minsk. "It's becoming harder to find a seat on a last-minute direct flight between the two cities in July now."

Some young people in Minsk say that travelling directly from the capital by air can still be very expensive; instead they travel cheaply and quickly via the rail and bus network to Vilnius in Lithuania to pick up a low-cost flight to onward destinations.

The EBRD says that historically the transport infrastructure in Belarus has been funded by the state and run by the public sector. This, it says, is likely to change, explaining that: "Increased private participation will result in financial savings for the government and bring advanced engineering and organisational know-how to the road sector." It is already assisting the government of Belarus, working with it to implement a legislative framework for public-private partnerships in the road sector to facilitate the implementation of the National Infrastructure Plan.

Belarus is well served by telecoms and internet connections. According to the 2017 Measuring Information Society Report from the International Telecommunication Union, it expects the successful implementation of the government's state programme on "the development of the digital economy and information society" to enable the country to improve and maintain its position in the 2017 ICT Development Index rankings via a further rollout of long-term evolution networks, and development of fibre-optic networks, satellite communications, digital television and cloud technologies.

Q&A: PAVEL KALLAUR

Belarus's balancing act

WENDY ATKINS TALKS TO PAVEL KALLAUR, CHAIRMAN OF THE BOARD OF THE NATIONAL BANK OF THE REPUBLIC OF BELARUS, ABOUT PRESERVING FINANCIAL STABILITY, DIVERSIFYING THE COUNTRY'S EXPORT SPLIT, AND HOW IT CAN CATCH UP WITH NEIGHBOURS SUCH AS POLAND

CURRICULUM VITAE

PAVEL KALLAUR

2014

National Bank of the Republic of Belarus
Chairman of the board

Previously
Bank BelVEB, chairman of the board

Q How would you describe the current state of the Belarus economy?

A Our current situation can be described as balanced, sustainable and inclusive economic growth. Our actual economic growth corresponds with our potential economic growth. We have financial and budgetary stability. We estimate economic growth will be about 2.9% in 2019, and the projection for 2020 is 2.5%. When it comes to inflation, our target for the current year and next year is 5%. After that, we're planning an inflation target of 4%.

These objectives are similar to those of our neighbours in Russia, Ukraine and Kazakhstan. It is a common consensus among politicians and academics that 4% inflation is a reasonable target in developing countries because there is a need to align certain prices and work towards eliminating certain benefits, for example, housing and utility tariffs.

When talking about growth, it is important for Belarus to ensure that it catches up with countries such as Poland, and this can be achieved through structural changes. We are working with international organisations such as the World Bank to achieve these goals. We have a clear understanding of the need to attain precisely balanced sustainable growth. In addition, we're co-operating closely with the UN to ensure that our economic growth means inclusive growth and that we adhere to its 17 sustainable goals.

Q How are you supporting World Trade Organization [WTO] accession plans?

A We are actively participating in negotiations, and I don't see any problems in terms of the issues that fall within the National Bank's competence and which could be the cause of stumbling blocks.

We've been involved in bilateral negotiations with the European Community and the US, and I would anticipate that, based on progress so far, WTO membership could be achieved by 2020 or 2021. This is important to us because it is not simply about the development of exports but export diversification as well, which is key for Belarus.

It is a well-known fact that we as a country are very dependent on our neighbours for exports, so the task for export promotion is to achieve a reasonably even three-way split of about 33% of exports to each of Russia, Europe and places further afield.

Q What is your message to potential investors?

A Belarus has been doing a lot to improve the investment climate for a number of years. You can see from our World Bank Doing Business ranking and our [work on the UN's] Sustainable Development Goals that we are continuing to improve the investment climate.

Our economic potential has been slightly underestimated. It is clear that in the past, certain events such as high inflation and devaluation contributed to this image. Investors assess risks, but we want to demonstrate that the macro-economic stability that we've achieved is a long-term [matter].

It is worth remembering that in 2014, when we were going through an extremely difficult period due to financial crisis, [currency] devaluation and sanctions with Russia, the National Bank and government worked together to implement policies aimed at achieving price stability of 5% to improve the investment climate. At the time, people called us dreamers for aiming for this target, but we achieved what many thought was impossible. That's why I would encourage investors to believe in the ongoing improvement in Belarus's business environment. ■

> IT IS IMPORTANT FOR BELARUS TO CATCH UP WITH COUNTRIES SUCH AS POLAND. THIS CAN BE ACHIEVED THROUGH STRUCTURAL CHANGES

BRI cornerstone: Great Stone Industrial Park is 25 kilometres from Minsk and has been in development since 2010

What the BRI brings to Belarus

BELARUS'S GREAT STONE INDUSTRIAL PARK IS ANOTHER AMBITIOUS BELT AND ROAD INITIATIVE VENTURE, DESIGNED TO EVOLVE INTO A SMART CITY AND INDUSTRIAL HUB. BUT WHAT ARE THE BENEFITS FOR BELARUS OR CHINA? **JACOPO DETTONI** AND **WENDY ATKINS** REPORT

Dozens of Chinese and Belarusian manufacturers filled a brand new exhibition centre located at the heart of the Great Stone Industrial Park in July 2019 to attend the first Belt and Road Forum for Regional Co-operation and Development. After listening to authorities from both countries outlining the opportunities for co-operation between the two countries, they signed dozens of agreements to fill up the numerous industrial plots that cover a total area of 91.5 square kilometres around the exhibition centre.

First envisioned back in 2010, Great Stone Industrial Park, located 25 kilometres outside capital city Minsk, is shaping up as a key European link in China's Belt and Road Initiative (BRI). Set up under a special economic zone (SEZ) regime, Belarus's industrial parks offer Chinese companies viable business environments to find partners and set up operations locally.

A few dozen companies are already active at Great Stone Industrial Park, featuring, among others, global Chinese names such as telecommunications companies Huawei and ZTE, holding company China Merchants and diesel producer Weichai, which has teamed up with one of the most well-known Belarusian brands, heavy-duty vehicle manufacturer MAZ, to produce diesel engines and gearboxes inside the Great Stone Industrial Park.

Phase one

"Great Stone Industrial Park is an ambitious project," says Kirill Koroteev, first deputy general director at the park, as he looks out from his office to a hotel and other new buildings in the immediate foreground.

"We're in phase one at the moment, but when the whole park is completed in the 2060s, according to the masterplan, the territory of the park [will cover] 112.4 square kilometres. Since we started the project in 2012, we've been positioning ourselves as the city of the future. In addition to the traditional business and industrial areas, residential and recreational areas are in the pipeline. In fact, the first residents will be moving into apartments in phase one later in 2019."

Mr Koroteev explains that Great Stone's model is different from the traditional free economic zones in Belarus. "We've used a public-private partnership model, and our shareholders are major Chinese partners and one German partner, reflecting our position on the Belt and Road linking China with Germany," he says.

"We've spent a lot of money on infrastructure already – the roads, water, sewerage and electricity are all here – so it's easy for investors to come in and connect. Development of the park [has driven] the development of Minsk airport, including upgrading the runway so it is capable of handling bigger aircraft, which in turn is cutting the time it takes to fly from Minsk to China.

"We now have 56 companies resident in the park and their investment totals $1.1bn," adds Mr Koroteev. "Our focus is on export-oriented companies that are attracted to us because of our location at the ▶


Historic meeting: Chinese president Xi Jinping and president of Belarus Alexander Lukashenko at the launching of the Great Stone project in 2015

junction of the EU and the Eurasian Economic Union [EAEU]. Goods made in the industrial park can be freely imported into any of the EAEU countries – a market of 183 million customers – without any customs duties, customs borders and other barriers. Additionally, a visa-free regime is applied to park visitors.

"We have a one-stop shop to help with the process of setting up a business here, covering everything from company registration, permits and maintenance agreements to lease or purchase agreements and other administrative services. Additionally, any legal entity can be created within one day."

Mr Koroteev says companies can buy or lease any plot connected to the necessary infrastructure as well as standard manufacturing plant, buildings and offices. "We find that companies from the West tend to prefer to purchase the plot but those from the East tend to prefer to lease," he says.

Links in the BRI chain

Such projects have sprung up across BRI corridors in the past few years, widening its scope and eventually enabling more Chinese FDI into the host countries, as opposed to an initial phase characterised by much-needed, but often debt-loaded, infrastructure developments that have raised concerns over financial sustainability. "These industrial zones are an extension of more typical BRI infrastructure projects," says Richard Bolwijn, head of investment research at Unctad.

"First, Chinese companies come in and develop the infrastructure of the industrial zones. Once the industrial park is ready [and the SEZ regime and incentives are in place], host countries hope to gain access to Chinese manufacturers and thus get hooked to global value chains. These zones have a lower debt burden than more traditional infrastructure projects and put the host countries in a position to attract more equity investment."

According to figures from China's Ministry of Commerce republished by the World Bank in a recent report on the economics of the BRI, Chinese companies had developed some 75 industrial parks under an SEZ regime in 24 BRI countries as of October 2017, about four years after Chinese president Xi Jinping first referenced his vision of a new Silk Road in a speech in Kazakhstan.

"Many countries are looking at these SEZs as the next stage of the BRI," says Henry Tillman, founder and CEO of China Investment Research, a firm that tracks Chinese outbound investment. "There were only 13 of these projects in 2015. Now there are dozens, and some of them are enormous."

Mixed results

Chinese-sponsored SEZs in BRI corridors often bring with them great ambitions in terms of industrial development and Chinese direct investment, giving authorities in host countries political capital to spend to sell these projects to their citizens. However, evidence regarding their performance is rare and mostly anecdotal (as is often the case with SEZs in general).

According to the World Bank, there are some are good performers,

WE NOW HAVE 56 COMPANIES RESIDENT IN THE PARK AND THEIR INVESTMENT TOTALS $1.1BN

which include Long Jiang Industrial Park (in Vietnam), Sino-Thai Rayong Industrial Park (Thailand), Karawang Industrial New City (Indonesia), China–Egypt TEDA Suez Economic and Trade Co-operation Zone (Egypt), and the Central European Trade and Logistics Co-operation Zone (Hungary).

"A common factor [of success] is the sound infrastructure and strong connectivity in the zones and surrounding areas. Other key factors include a stable and conducive macro environment, proper planning and industrial positioning based on local comparative advantages, the availability of skills, and a market-based sustainable business model," says the World Bank report.

On the other hand, "lagging zones face challenges regarding poor infrastructure or connectivity, risky macro-economic and business environments, a lack of commitment and support from the host governments, a shortage of skills, difficulty in raising capital, and lack of operational experience and a sustainable business model", the report adds. These are all factors that one way or another have hampered the development of other SEZs such as the China-Lao Mohan-Boten Economic Co-operation Zone, or the Sino-Kazakhstan Khorgos International Border Co-operation Centre.

Great Stone Industrial Park is only now taking its first steps towards the 130,000-people smart city and industrial cluster that policymakers are envisioning it will become. The total number of resident companies climbed to 56 in July, and its brand new exhibition centre, alongside an equally new business centre occupied by China Merchants just across the road, are a testament to the park's rapid progress.

So far, companies have invested some $60m in Great Stone, according to figures reported by Chinese state news agency Xinhua, and there is still a lot of room for new investment. Back in 2013, the Chinese embassy in Belarus estimated that total Chinese FDI into the park would be between $2bn and $5bn in a best-case scenario – in addition to the $2bn needed to bring the park infrastructure to full capacity.

The politics of FDI

While Great Stone's progress may appear to be a little slower than some had envisaged, the political element behind it should guarantee its long-term success. "The Great Stone Industrial Park possesses symbolic value as a project supported by the Chinese president, and it is unlikely that Beijing would ever let Great Stone flounder," Jacob Mardell, a researcher at Berlin-based think tank Mercator Institute for China Studies, wrote in April. "The park has been slow to prove itself, but Great Stone's journey has just begun and it has a powerful guarantor on the road ahead."

However, the nature of investment from China is being viewed differently by some. "We think it's time to evolve our co-operation," Belarus finance minister Maksim Yermolovich told **fDi** Magazine in January.

"In the previous stage we had a co-operation where China was acting as a creditor of the country, providing credit lines to our companies and the budget to finance special projects through the Export-Import Bank of China and China Development Bank. Now we want to change the scheme of such investments, which should now come in the form of FDI. The main idea is that Chinese investors will be bearing some of the risks of these investments. This is a significant change in paradigm."

The aims of China and host countries appear to be aligned, particularly when it comes to the success of industrial parks scattered along BRI corridors. But for a real shift from debt to FDI, BRI industrial parks must also be fertile grounds for Chinese companies to develop successful business operations. Political support may mitigate the risks, but long-term success will eventually hinge on the parks' ability to compete within the global market. ■

Q&A: VLADIMIR MAKEI

Looking both ways

THE MINISTER OF FOREIGN AFFAIRS FOR BELARUS TELLS **WENDY ATKINS** WHY THE COUNTRY IS KEEN TO JOIN THE WORLD TRADE ORGANIZATION AND STRENGTHEN ECONOMIC RELATIONS WITH THE COMMONWEALTH OF INDEPENDENT STATES

CURRICULUM VITAE

VLADIMIR MAKEI

2012
Belarus
Minister of foreign affairs

Previously
Belarusian embassy in France, counsellor; secretary of several government departments

Q How deeply is Belarus integrated into the international trading system?

A Belarus has an open economy. We export 65% to 70% of our GDP. We maintain trade and economic relations with 210 countries [and nations], and Belarusian products are exported to 185 countries.

We have established the most advanced trade and economic relations with partners within the Eurasian Economic Union [EAEU]. In 2014, Belarus, Kazakhstan and Russia signed the Treaty on the Eurasian Economic Union, and we were later joined by Armenia and Kyrgyzstan. The EAEU's goal is the formation of a genuine economic union without exemptions and restrictions, and with common industrial, agricultural, transport, energy and other policies.

At the same time, we are deepening trade and economic relations with Commonwealth of Independent States [CIS] countries. In 2011, the CIS Free Trade Agreement [FTA] was signed by Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine. Today, work is under way on an agreement on free trade for services and investment. Once it comes into force, this will complete the establishment of the CIS's economic area covering the free movement of goods, services and capital.

We take an interest in the markets of different countries. Therefore, an EAEU delegation is working on concluding FTAs between EAEU members and third states. In 2016, such an agreement with Vietnam came into force – the EAEU's first preferential trade agreement with a third country. In 2018, the EAEU Economic Co-operation Agreement with China and an interim agreement aimed at creating a free-trade zone between the EAEU and Iran were signed. These agreements are close to coming into force. FTAs with Serbia and Singapore are in the final stages of preparation. Work is under way to conclude agreements with Egypt, Israel and India.

> ACCESSION TO THE WTO IS CRUCIAL FOR BELARUS. THE PROCESS BEGAN IN THE 1990s

Q Tell us about Belarus's plans to join the World Trade Organization [WTO].

A Accession to the WTO is crucial for Belarus. The process began in the 1990s. Over the past three years we have managed to get to the final stage. Since 2017, five official meetings of the working party have been held in Geneva. By the end of this year we plan to hold one more meeting in Geneva. Bilateral negotiations are advancing. There have been several dozens of rounds of negotiations on market access for goods and services in Geneva, Brussels, Washington and Kiev, which have resulted in the signing of protocols with 10 WTO members.

Our legislation has been closely audited by key WTO members. Being a member of the EAEU, Belarus already follows most of the WTO's rules and regulations. However, certain laws still need revision. We understand that the negotiation process is an opportunity for us to revise existing regulations. Improving individual elements of national trade policy will favourably affect the development of individual economic sectors and will have a positive effect on the development of the economy in general.

Q What is the value for Belarus of joining WTO?

A Membership of the WTO is associated with the strengthening of our economic security. The government aims to complete the negotiations by the 12th WTO Ministerial Conference in June 2020. So far we are on schedule. However, not everything will depend on us. The willingness of our negotiation partners to hear us and seek mutually acceptable solutions is also important. Belarus's membership of the WTO will help to strengthen the entire multilateral trading system, build trade and economic ties between Belarus and WTO members, and between the EAEU and WTO members. ■


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Favourable climate: residents of Hi-Tech Park Belarus can take advantage of tax benefits until 2049

Belarus looks to hit tech target

BELARUS IS CLIMBING UP THE INNOVATION LEAGUE TABLE THANKS TO AN OFFICIAL DECREE TO ESTABLISH A FAVOURABLE ENVIRONMENT FOR START-UPS. INITIATIVES SUCH AS TECH PARKS AND TAX-FRIENDLY CONDITIONS ARE ATTRACTING FOREIGN COMPANIES AND REVERSING THE COUNTRY'S BRAIN DRAIN, AS **WENDY ATKINS** REPORTS

The roll call of locations that aim to be a tech hub grows on a yearly basis, and one of the latest is Belarus. Taking advantage of a high skill base and favourable investment conditions, the country is rising up the rankings as a place for innovation and entrepreneurship, and is building its credentials as the Silicon Valley of eastern Europe and the Commonwealth of Independent States.

Innovation is in evidence throughout capital city Minsk, from ordering a taxi from the airport via the Yandex app, to sharing apps based on QR codes when hiring the bikes and e-scooters located throughout the city.

Belarus is a global player when it comes to software production, and its export figures per capita for software and computer services are also world-leading. Indeed, according to UN trade body Unctad, in 2018 Belarus exported $168 per capita in software and computer services compared with the US's $73, India's $41, Russia's $28 and Japan's $24.

A HTP success story

The creation of Hi-Tech Park (HTP) Belarus – which provides a special legal and preferential tax regime for IT and hi-tech companies – has been an important factor in the growth of the country's tech sector. Until 2049, residents of the HTP can take advantage of select tax benefits such as 0% VAT, profit tax, offshore duty and customs duties; 0% income tax in equity carve outs; 0% tax in the sales of shares in an HTP resident company and 0% tax on revenues of foreign companies; 9% income tax; and 7% average deductions for social security. There are also incentives for cryptocurrencies until 2023, including 0% VAT and no profit tax on mining, buying/selling and exchanging cryptocurrencies and other transactions with tokens.

The HTP also acts as an intermediary between government and IT firms. "The HTP links directly to the president of Belarus," says Kirill Zalessky, director of global co-operation office at HTP Belarus. "This means there is a very low level of bureaucracy, which is essential because the tech world is moving very fast."

Unlike more traditional business parks, HTP residents are not confined to a physical geographic location, but can be located anywhere in the country. Residents of the HTP include EPAM Systems, Wargaming.net and Rakuten Viber as well as other names from the worlds of arti-

WE'VE HAD A LOT OF SUPPORT IN TERMS OF PREMISES AND EXHIBITION ORGANISING

ficial intelligence, games development, R&D, software and hardware.

Mr Zalessky says there has been a tremendous growth in exports of software and computer services by HTP residents in recent years. In 2013 there was $447m. By 2016, this had risen to $821m, by 2017 it was $1.03bn and by 2018 it was $1.41bn. "At the same time, there has been an explosive growth in companies and start-ups in the HTP, and by June 2019 we had 563 member companies," adds Mr Zalessky.

Technopark's happy customers

Minsk City Technopark is another initiative catering to innovative firms. Located on the site of a former meat-processing plant, it provides favourable conditions for new companies operating in the hi-tech sector, including offering firms preferential rates on leases.

"Residents of Technopark pay a 10% tax on profits and are exempt from land and real estate tax. We also provide ongoing support for resident firms, including information support and access to resources," says Vladimir Davidovich, director at Minsk City Technopark.

Contact engineering company KG Impex, which is based in the Technopark, is happy with the special taxation regime and the government support for innovative business that it provides, says a spokesperson. Nina Sergeeva, CEO at fire protection solutions company ODO Pranas, also resident at the Technopark, says: "We've had a lot of support in terms of premises and exhibition organising, as well as with contacts with leading innovators. We would never have dared to start our project without this support."

Belarus scores highly with innovators who have developed home-grown businesses in Minsk before expanding globally, including domestic entrepreneurs who moved overseas to study and have been drawn home by the opportunities and lifestyle on offer, as well as with international companies that appreciate Belarus's advantages as a business location.

Minsk meets Princeton

Enterprise software firm EPAM Systems grew out of an idea that two classmates came up with, and was started simultaneously in Minsk and Princeton in the US in 1993. Today, the company is fully export oriented with main markets in Europe and the US, and employs more than 30,000 people worldwide. It floated on the New York Stock Exchange in 2012.

Andrei Shubaderov, director of people operations at EPAM Belarus, says it has hundreds of Fortune 500 and Fortune 1000 companies among its clients and it has achieved 20% year-on-year growth since 2010. "Investors in our global company include many international names and that's testament to their confidence in our biggest delivery centre in Belarus," he adds.

Tech start-up Kino-mo Technologies, which trades as HyperVSN, was set up in London in 2011 and focuses on 3D holographic technology. The company employs 160 people in Minsk and 20 others around the world. "What we offer today is a combination of hardware and software products that allow the projection of 3D visuals floating in mid-air anywhere on the planet, and you don't need glasses for it," says Kiryl Chykeyuk, founder of HyperVSN.

"We decided to set up our R&D in Belarus because the engineering talent you can get here is [better than] what you can get in the UK for the same money. I am from Belarus and I did my Bachelor's degree here. I did my PhD at Oxford, and when you look at prices here in Belarus compared with in the UK, you can get a lot more here for the same amount."

Mr Chykeyuk stresses he is not the only Belarusian to be attracted back home. "A lot of tech is coming to Minsk at the moment because the talent is here, and having access to the HTP with its tax incentives is also important," he adds. ▶

Pivotal decree

The December 2017 presidential decree – The Decree on the Development of Digital Economy – is seen by many as pivotal in Belarus's tech sector's continuing development. "Three points were crucial for me as a company owner," says Slava Mazai, founder of precision farming data platform OneSoil. "First, the ability for companies that do not yet make money to join the Belarus HTP. Second, the ease of paperwork between Belarus and foreign countries that was impossible to imagine before. That has made it much easier for specialist workers to relocate. Third, better tax conditions."

Tech firms are generally satisfied with the quality of talent in Belarus. According to the HTP, 50-plus universities, more than 300,000 students and over 15,000 science, technology, engineering and mathematics graduates a year provide the basis for the development of the hi-tech industry in Belarus. Additionally, HTP resident companies have access to visa-free entry and exemption from all kinds of special procedures when it comes to the employment of foreigners.

"I would say that we have quite a good level of education for IT engineers, thanks to the university system that we inherited from the Soviet era," says Mr Mazai. "But a lot of IT specialists are leaving for Europe and the US. For instance, none of my university friends live in Belarus anymore. The brain drain is a real issue. I have to deal with it when looking for people for the OneSoil team. We have already had to relocate some specialists from Russia and Ukraine and I anticipate that we will have to do it even more often in the future."

"Last year, EPAM employed 200 foreigners here in Belarus," says Mr Shubaderov. "They were mainly from Russia, Kazakhstan and Ukraine. Conditions created by both the HTP and EPAM are favourable for employing skilled foreign workers. We also have skills development programmes for our employees. They can progress from being designers to being analysts, so they can change their profession but not leave the company. We know that the world is open and people look for better conditions, so we try to create an environment where people can develop professionally and will want to stay with us."

Lighter burden: residents of Minsk City Technopark are exempt from land and real estate tax

Collaboration and challenges

Tech firms report that there are many opportunities in Belarus for collaboration between businesses, universities and other stakeholders. "We have our own laboratories in about 18 Belarusian universities, and our engineers teach there," says Mr Shubaderov at EPAM. "We also run an eKids programme to train children on the basics of programming. Additionally, we've run hackathons, where government representatives have presented their most acute challenges and our engineers have had 24 hours to find a solution."

Although innovators say Belarus has taken big steps towards providing firm foundations for tech firms to establish themselves and grow, they report that bureaucracy can still be an issue. "Among the disadvantages is the complexity of all the importing and exporting processes," says Mr Mazai. "At OneSoil, we produce weather sensors, and it is quite difficult to get all the details we need from abroad. It is the same with licensing; it takes a lot of time and effort."

Mr Chykeyuk at Kino-mo agrees: "Sometimes things take longer than you'd expect in other markets, and shipments can cost more. When we're prototyping, engineers need hardware quickly. It can take a while to get these things, but we've received a lot of help from the HTP in this regard."

Tech firms should be confident in Belarus, says Mr Shubaderov. "Investors vote with their money and our international investors have voted for a company that maintains its biggest delivery centre in Belarus. The environment for the development of digital technologies is unique here," he says. "The situation is interesting, because some of the sectors are only at the beginning of digitalisation, so they can apply unique solutions that are made locally and these can deliver good results." ■

WE KNOW THAT THE WORLD IS OPEN, SO WE TRY TO CREATE AN ENVIRONMENT WHERE PEOPLE CAN DEVELOP PROFESSIONALLY

Well trained: rail manufacturer Stadler has a facility at FEZ Minsk

Free and easy

BESIDES PERKS SUCH AS TAX BREAKS, BELARUS'S SIX FREE ECONOMIC ZONES OFFER INVESTORS CONVENIENT LOGISTICS AND, FOR COMPANIES FROM NEIGHBOURING UKRAINE AND RUSSIA, A GEOPOLITICAL SAFE PLACE TO DO BUSINESS. **WENDY ATKINS** REPORTS

Many investors in Belarus choose to set up business in a free economic zone (FEZ) to take advantage of the tax savings and business support these areas offer.

According to the Belarus Ministry of Economy, six FEZs have been established in the country: FEZ Brest (in 1996), FEZ Vitebsk (1999), FEZ Gomel-Raton (1998), FEZ Grodnoinvest (2002), FEZ Minsk (1998) and FEZ Mogilev (2002). It estimates that more than 280 resident companies operate in the zones, employing over 61,000 people.

FEZ resident companies enjoy a special legal regime for the first few years of registration, including tax-free profits on all goods and services; no land tax; no real estate tax; and no customs duties and taxes on imported equipment and goods to be used in the FEZ. Manufactured goods can be freely exported.

An array of goods

FEZ Minsk comprises sites in the Minsk region and provides opportunities for investment in sectors including machinery manufacture and metal working; automotive; woodwork; building materials production; electronics; polygraphy; and packing.

"We now have 115 enterprises, including 65 companies from 21 countries with foreign investments," says Dmitry Rudchenko, head of administration at FEZ Minsk. "Exports from FEZ Minsk total more than $10bn. Our residents use advanced technologies and modern equipment, making them competitive in global markets. In fact, products manufactured by our companies are successfully exported to 89 countries globally."

Alexander Kornev is deputy head of FEZ Gomel-Raton administration, located in south-east Belarus.

"We sit on 4000 hectares of land and have 70 companies from more than 16 countries here. Being close to the Ukraine and Russian borders, we are attractive to businesses focused on these markets," he says. "Residents in our FEZ are export-orientated and they are engaged in production. In particular, we have producers of chemicals, metalwork, glass, furniture, machinery and wiring. We also have companies that produce products from precious metals and diamonds.

Mr Kornev says that the FEZ, located as it is so close to a geopolitical hotspot, acts as a buffer zone for some of the problems in the region. "Ukrainian equipment can come here, and Russian companies can locate here and make sales with no limitation. Companies that come to our FEZ win: they can be safe and develop their business irrespective of any political issue," he says.

Well located

Maksim Touz, first deputy head of the administration of FEZ Mogilev, says that the zone contains 18 land plots with a total area of 3340 hectares. The plots are located in Mogilev itself – the administrative centre of Mogilev Region in eastern Belarus – as well as in towns around the region.

"According to the statistics for 2018, the residents of FEZ Mogilev have made a significant contribution to regional economic performance," says Mr Touz. "They account for 62.8% of attracted FDI, 48.7% of exports and 35.8% of industrial output of the region. In large measure this has been possible because of the decision that was made in 2010 to make about $30m-worth of budget investments in one of FEZ Mogilev land plot's infrastructure development. This has already helped us attract $900m of foreign investment in project finance since then.

"Due to our advantageous geographical location, the convenience of our logistics, extensive infrastructure and the availability of forests, we have a lot of companies that have located here and are successfully carrying out their activity in the wood processing sector."

Mr Touz highlights how success breeds success. "We find that if we have a large investor, it will attract other companies that are able to make related products. For example, one company that is located here supplies companies that make products for IKEA with cardboard packaging. Using this as an effective mechanism for attracting investors, we have started to host conferences in the FEZ as well." ■

Highly specialised: Adani manufactures hi-tech products such as X-ray systems and analytical instruments for security, healthcare and science

Making it big in Belarus — and beyond

WITH ITS KEEN WORKFORCE AND GENEROUS FREE ZONES, BELARUS IS ATTRACTING PLENTY OF MANUFACTURING INVESTMENT. MOREOVER, IT IS BULLISH ABOUT ITS PROSPECTS, AS LOCAL COMPANIES EXPAND INTO EUROPE AND FURTHER AFIELD. **WENDY ATKINS** REPORTS

Belarus is building on its reputation for manufacturing innovation among both home-grown entrepreneurs and international firms.

Manufacturing represents a significant part of the country's economy, as befits its heritage as the former engineering powerhouse of the Soviet Union. Today, manufacturing and innovation firms are setting up in greenfield and brownfield sites throughout the country.

Built on wood

"The manufacturing sector remains important to the economy," says Alexander Pivovarsky, head of Belarus at the EBRD. "In 2018, it accounted for 22% of GDP and 20% of employment."

Recent major FDI projects in Belarus's manufacturing sector include Lithuanian firm Vakaru Medienos Grupe (VMG) Industry's investment in a wood processing factory in the Mogilev Free Economic Zone; Stadler's investment in a railway rolling stock factory in Minsk; and Kronospan's investment in wood-processing facilities throughout the country.

"Kronospan Smorgon and Kronospan Mogilev are owned by Kronospan Group, one of the world's leading manufacturers of wood-based panels," says Mr Pivovarsky. "The EBRD provided €140m in loans to Kronospan Smorgon between 2011 and 2014, and €100m to Kronospan Mogilev in 2013 for the construction and subsequent expansion of a particle board/MDF plant in Smorgon and an oriented strand board plant in Mogilev. These projects are among the largest greenfield FDI projects ever implemented in Belarus."

The rail deal

Stadler Minsk, a wholly owned subsidiary of Stadler Rail Group, is based in the Minsk Free Economic Zone. It received a €26m senior loan with a 10-year tenor from the EBRD for the construction of a greenfield rolling stock plant in Fanipol in the Minsk region.

"We received our first order from Belarussian Railways in 2009, and by 2012 we could see the potential for delivering additional volume to the firm, but this required local input," says Philipp Brunner, CEO of Stadler Minsk. "At the time, we analysed different opportunities in the former Soviet world, especially the Eurasian Customs Union [EACU], and because of our good relationship with our client and the great conditions of the free economic zone, we decided to take the next step and invest in the country."

The deal began life as an investment in certain parts of a local state-owned company. "The state invested assets as an in-kind contribution in our company and took ownership of 40% of the firm. Since then, we've bought back the shares and we are now 100% the owner of Stadler Minsk," says Mr Brunner. Today, the company serves the world from its Minsk premises and has an order book with clients from as far afield as Latin America, the Commonwealth of Independent States (CIS) and Norway.

Stadler Minsk is in direct competition with the company's factories

TODAY ABOUT 70% OF OUR PRODUCTION GOES TO EUROPE AND OTHER WESTERN COUNTRIES

in Poland, the Czech Republic and Hungary. "For a long time during our ramp-up phase we couldn't keep up with the competition," says Mr Brunner. "But we now have a better cost structure, we are more competitive and we offer the same quality as elsewhere in the Stadler world. And these competitive advantages overcome the additional admin and logistics costs associated with being in Belarus.

"Back in 2012-13, our plan was to access the EACU from [Belarus], but we lost a lot of volume from those countries in 2015-16 because orders were either delayed or disappeared completely. We used the period to consolidate, but very soon we found we were getting lots of orders from Europe. In fact, today about 70% of our production goes to Europe and other Western countries."

With so much of the firm's business directed into the EU market, is Belarus still a good location for Stadler? Mr Brunner says it is. "Although the cost of labour in Poland is not a lot higher than here, we have all the benefits of the free economic zone. We also have access to the EACU, which enables us to enter into agreements with other countries. Due to tax reasons, it's beneficial to make a profit in Belarus."

Another Belarusian FDI success story is VMG Industry, a wholly owned subsidiary of Vakaru Medienos Grupe (Lithuania), and one of the largest wood-processing companies in the Baltic region. It received a €26.5m long-term loan in 2011 and a €50m long-term loan in 2018 from the EBRD to build and then expand a greenfield integrated wood-processing complex in the Mogilev Free Economic Zone. "This project was the first greenfield FDI of its scale in the Belarusian wood-processing sector, highlighting the potential of Belarus as an attractive investment destination," says the EBRD's Mr Pivovarsky.

Adani's home comforts

Adani demonstrates how a domestic company can thrive both at home and overseas. "We were formed in 1991 when the Soviet Union collapsed, and there was an opportunity to do something new," says Elena Lineva, executive director at Adani.

The company, which was established by nuclear physics professor and inventor Vladimir Linev, specialises in hi-tech products such as X-ray systems and benchtop analytical instruments for the security, healthcare and scientific industries.

"We started out with 26 employees, and our first big project was an automated radionuclide food monitor to detect radiation in food and water supplies for food safety controls in Belarus, Ukraine and Russia after the Chernobyl disaster," says Ms Lineva. "By 1996, we had launched scanning equipment for medical and security applications, and we now have clients all over the world for this technology."

The company maintains its headquarters in Belarus but also has facilities in China, Russia, the US and the UK. "We now have 650 employees globally and have plans to continue expanding, including opening ourselves up to investors in international markets through an initial public offering," says Ms Lineva.

Adani continues to see advantages in maintaining its Belarus headquarters. "We have several premises throughout the country," says Ms Lineva. "At the moment we are in the process of getting approval to build another facility in the Minsk Free Economic Zone. It makes sense to continue most of our functions from here because we have very good opportunities in terms of tax savings on profits, plus we don't pay customs duties when we receive components from abroad for Adani products for export,

Made of metal: Alutech has more than 3000 employees and in 2018 welcomed substantial investment from Hörmann

and labour costs are lower here than in the US.

"Because of these lower costs and because we have a full cycle from R&D to manufacture, Adani can be more competitive. For example, we recently won a tender where we were significantly cheaper than our competitors, and could therefore save our client €2.5m."

Alutech's outward view

Alutech Group has been operating in the CIS market for more than 20 years and is the dominant provider of door and shutter systems to clients in the Belarus, Ukraine and Russian markets. Over the years, it has also gained a foothold in Europe and further afield.

Today, the group has more than 3000 employees and has nine subsidiaries and business units in locations such as Russia, Ukraine and the Czech Republic. In 2018, Hörmann acquired a 75% stake in the company. Alutech's strong position in its Eastern and European markets were key factors that contributed to Hörmann's decision to invest.

WE WERE ABLE TO PROVE THAT WE WERE AS GOOD AS OUR COMPETITORS, SO WE HAVE PROVED THIS IS A GOOD PLACE TO BE BASED

"[Belarus] continues to be a good location for our company," says Stanislav Kuzmitsky, deputy director of marketing at Alutech. "Workers are highly motivated, the government has a good focus on business, and you can make a return on capital. Being a European firm, we have European values, making it easier for our clients to enter into dialogue with us than if they were partnering with an Asian company."

Alutech export manager Yury Grishin reports that breaking into the western European market was not easy. "Initially we faced challenges in our European markets because people had an expectation that because we are from Belarus we would have lower standards. But because our clients visited our production facilities – and because we used benchmarking tools to compare ourselves with our competitors – we were able to prove that we were as good, or better, than our competitors, so we have proved this is a good place to be based."

Manufacturing talent

Business leaders in Belarus have mixed views about the availability of talent for their firms. For Ms Lineva at Adani, recruiting qualified specialists is difficult. "A lot of young people left the country when they had the opportunity. Also, fewer people want to become engineers today – most young people want to go into IT," she says. "However, we have a very loyal team of staff, and many people who come to work with us are still here many years later."

Mr Kuzmitsky at Alutech agrees, saying: "It's getting harder to find good younger people who are interested in innovations other than their smartphone. But we're creating good links with local universities to offer internships for some of the brightest students.

Meanwhile, Mr Brunner at Stadler says working morale is very high. "Our labour force at Stadler Minsk is one of the best that we have worldwide. We have lots of competences, ranging from low-skilled assembly workers to highly skilled engineers, and in all these areas we have a solid, competent and disciplined workforce," he adds.

"There's a good labour market and employer-friendly labour laws. In 2018-19, we hired 500 people in six months. This is a growth spurt that [should be] impossible in the Stadler world, but we've found competent people who are educated to the right level and we have managed to integrate them into our workforce within a short timeframe." ■

By the numbers: key FDI trends for Belarus

Between January 2003 and May 2019 a total of 294 greenfield FDI projects were recorded in Belarus. These projects represent a total estimated capital investment of $12.92bn, which is an average investment of $43.9m per project. During the period, an estimated 4883 jobs were created.

Data service **fDi** Markets tracked 244 companies as having invested in Belarus between January 2003 and May 2019.

Communications comes top

Out of a total of 33 sectors, communications accounted for 13.6% of projects. Project volume in this sector peaked during 2003, with seven projects tracked. Capital investment in this sector was estimated at $1.78bn.

Communications also has the highest total investment among sectors, while automotive OEM has the highest average investment at $131.2m per project.

Manufacturing rises

Manufacturing is the top business activity, accounting for one-third of projects tracked. Project volume in this business activity peaked during 2018, with 16 projects tracked.

Manufacturing also generated the greatest investment volume, with a total of $5.61bn in investment. Electricity and manufacturing have the largest project size on average in terms of investment and jobs creation, respectively.

Chinese sources

With an average project size of $53.6m, projects originating in China are approximately 1.2 times larger than the average across all source countries. Ranked second in overall projects recorded with 28 in total, China created $1.5bn capital investment.

Nevertheless, Russia is the top source country accounting, for more than one-fifth of projects tracked. Project volume in this source country peaked during 2010, with 13 projects tracked.

Russia has provided the highest total investment total by volume, while China has the highest average investment at $53.6m per project. ▶

HEADLINE FIGURES

2003-19

Number of FDI projects
294

Total jobs created
44,573

Average project size (jobs)
151

Total capital investment
$12,917.91m

Average project size
$43.9m

Note: jobs and capex figures include estimates.

Source: **fDi** Markets

fDi Markets is an online database tracking crossborder greenfield investment. It follows and profiles companies investing overseas, providing real-time monitoring of investment projects and job creation. For further information e-mail fdi@ft.com.

RECENT INVESTMENTS IN BELARUS

Recom
France-based solar technology producer Recom has announced plans to build a photovoltaic module manufacturing facility in Minsk. It will produce 300 megawatts of high-efficiency modules annually. The plant is scheduled for completion in October 2019.

Cipla
India-based pharmaceutical company Cipla has invested $1m in a new facility in Minsk. It will be dedicated to the production of solid medicines. The project will be completed in collaboration with the National Academy of Sciences of Belarus. Full-cycle production is expected by the end of 2020.

Gabi-Bel
Gabi-Bel, a subsidiary of Poland-based furniture maker Gabi Group, is set to build a factory in the Grodno Special Economic Zone. The 20,000-square-metre facility will include a woodworking area and a pellet production workshop. The new facility will create 170 jobs, and is to serve markets in EU and Commonwealth of Independent States countries.

KazakhExport
Kazakhstan-based KazakhExport, an export insurance company, has announced plans to open a new office in Belarus. It forms part of an expansion plan to open seven offices in Russia, China, Tajikistan, Kyrgyzstan and Belarus by the end of 2019.

Wiseasy
China-based intelligent business hardware provider Wiseasy has founded a subsidiary and branch office in Minsk. The new entity, Wiseasy International (Belarus), is located in the Great Stone Industrial Park to the east of Minsk, and will serve Belarus and other Eurasian Economic Community countries. The opening forms part of the company's international expansion plan.

Petosevic
Serbia-based Petosevic, a provider of intellectual property services, has established a new office in Minsk. It has created three new jobs, and the move follows an increasing demand for the company's services. ■

FDI TRENDS BY SECTOR

SECTOR	NUMBER OF PROJECTS	CAPITAL INVESTMENT TOTAL ($M)	CAPITAL INVESTMENT AVERAGE ($M)
Communications	40	1,781.80	44.50
Financial services	36	1,105.40	30.70
Software and IT services	23	255.10	11.10
Transportation	22	1,197.20	54.40
Food and tobacco	20	749.40	37.50
Business services	16	86.00	5.40
Metals	12	191.10	15.90
Wood products	12	918.20	76.50
Chemicals	11	511.60	46.50
Automotive OEM	10	1,311.80	131.20
Other sectors	92	4,810.30	52.30
Total	294	12,917.90	43.90

Source: fDi Markets

FDI TRENDS BY SOURCE COUNTRY

SECTOR	NUMBER OF PROJECTS	CAPITAL INVESTMENT TOTAL ($M)	CAPITAL INVESTMENT AVERAGE ($M)
Russia	66	3,135.70	47.50
China	28	1,499.50	53.60
Germany	21	1,030.00	49.00
US	17	544.90	32.10
Poland	16	328.80	20.60
Lithuania	14	507.50	36.30
Austria	12	390.20	32.50
Czech Republic	12	427.90	35.70
Ukraine	12	169.40	14.10
UK	9	103.20	11.50
Other countries	87	4,780.70	55.00
Total	294	12,917.90	43.90

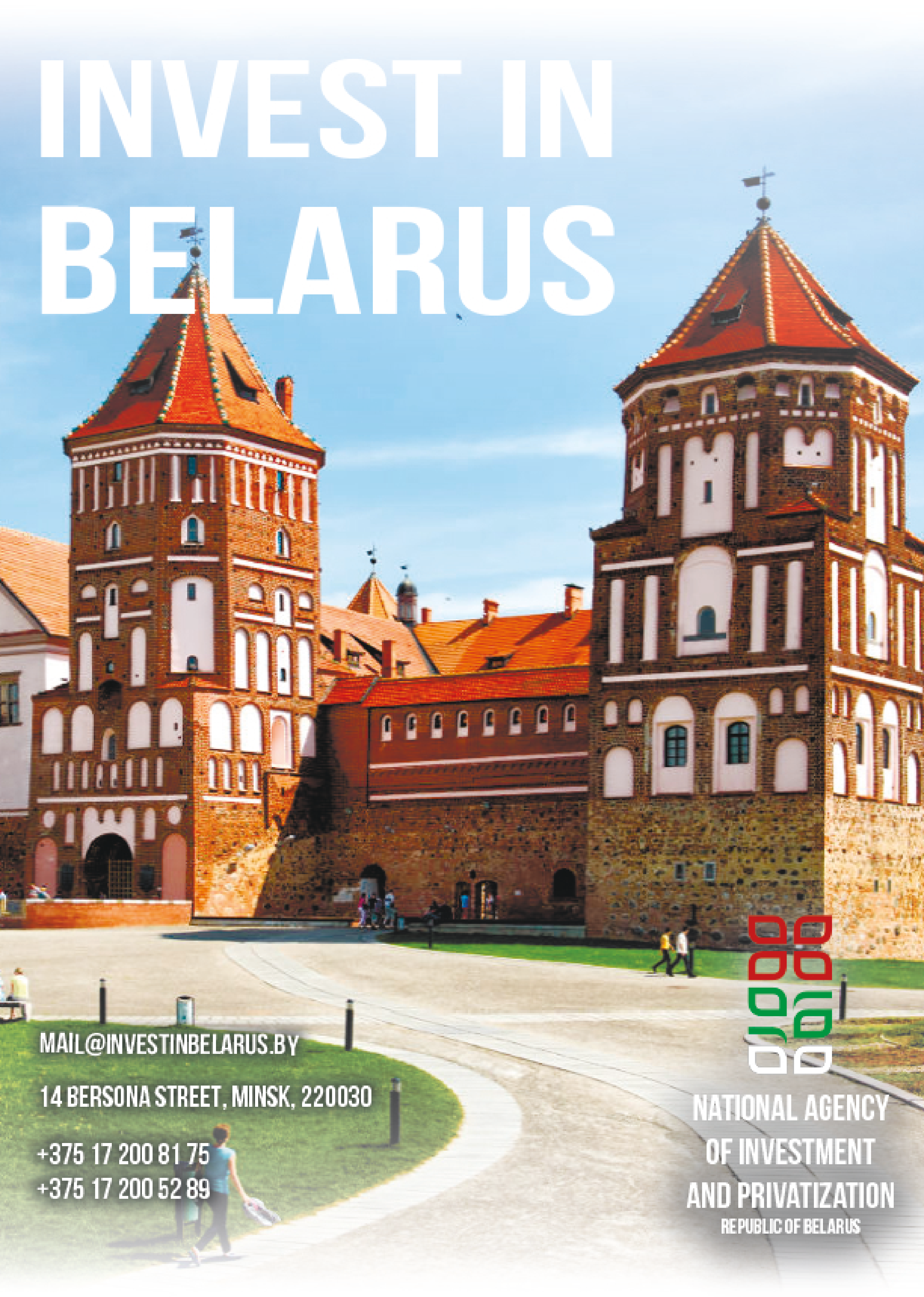
Source: fDi Markets

INVESTOR MOTIVES

MOTIVE	% OF PROJECTS
Domestic market growth	44%
Skilled workforce availability	36%
Regulatory environment	24%
Proximity to markets or customers	20%
Lower costs	8%
Transport infrastructure	4%
Government support	4%

Source: fDi Markets

INVEST IN BELARUS



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