Great Stone of Tomorrow

What opportunities does the China-Belarus Industrial Park bring?

Belarus-China cooperation has been developing fruitfully and dynamically across the board for many years. The two countries enjoy an active dialogue and exchange visits at the high and top levels.

The undoubtedly largest bilateral project – the construction of the China-Belarus industrial park Great Stone – was officially launched in June 2014. In essence a modern city focusing on high-technology competitive enterprises of tomorrow is being built near the Belarusian capital city. A self-sufficient territorial and economic entity is being created. The park is a new instrument for raising investments in Belarus. It represents a new model based on public private partnership principles. According to preliminary calculations, investments by the resident companies will vary from $1.4 billion to $3.7 billion in 2016-2020. The project has already been labeled as one of the engines of the national economy.

More Matter With Less Art

The idea to create the China-Belarus Industrial Park was initially voiced in March 2010 during the visit of Xi Jinping, the then Vice President and the current President of China, to Belarus. In September 2011 the governments of Belarus and China signed an agreement on developing the project together. After examining international experience the sides adopted the following progressive...
A territorial unit that the state will only bring the necessary infrastructure to the borders of the park while the private sector will take care of risks, return on investments, and the commercial effectiveness. The chosen strategy is believed to minimize risks for Belarus.

In June 2012 Belarus President Alexander Lukashenko signed decree No. 253 on the China-Belarus Industrial Park. In accordance with the decree the general layout of the site was developed. It passed the sanitary evaluation, the ecological evaluation, and the state evaluation in addition to public hearings. In 2014 the Belarus President signed decree No. 326 on the operation of the China-Belarus Industrial Park. Back then the project was named Great Stone just like the village located inside the area. The foundation stone laying ceremony took place on 19 June 2014. The new park was inspired by the China-Singapore industrial park in Suzhou, which is believed to be an example of most successful interstate cooperation in the creation and development of complex economic zones.

The China-Belarus Industrial Park is a territorial unit that occupies 9,150.1ha. The park is located in Smolevichi District, Minsk Oblast 25km away from Minsk in the immediate proximity to an international airport, the railway network, and the transnational motorway Berlin-Moscow. The park is 500km away from the Klaipeda port on the Baltic Sea coast. The priority business avenues of the park include electronics, pharmaceutics, fine chemistry, biotechnologies, mechanical engineering, and new materials. They will be complemented by R&D projects in these fields as well as the creation and development of logistics enterprises.

The Great Stone’s management structure comprises three tiers. The intergovernmental coordinating council takes care of the general development strategy. The park administration takes care of administrative procedures and oversees the implementation of investment projects. The Belarusian-Chinese joint venture SZAO Industrial Park Development Company takes care of raising investments, building the internal infrastructure, and developing the land plots. The main shareholders in Industrial Park Development Company are the Chinese companies Sinomach (32%), China Merchants Group (20%), CAMCE (14%) as well as the Harbin Investment Group (2%). The Minsk city administration, the Minsk Oblast administration, and the holding company Horizon acting on behalf of the Belarusian state own the other 32% in Industrial Park Development Company. Taking into account the recent addition of China Merchants Group to the composition of the joint company, the company’s charter fund stands at $87.5 million.

There are plans to set up manufacturing and residential zones in the park. The park will also include office premises, trade and entertainment facilities, a financial center and an R&D center. By the way, the area will be developed in accordance with the eco-smart city concept.

Profitable Offer

Any companies regardless of the capital’s country of origin can become residents of the Great Stone park. In view of the tough competition for investors on the global market the Belarus government has enabled a favorable investment climate for investors, which is guaranteed both by Belarusian laws and by special international agreements and commitments. Unprecedented preferences and privileges have been provided. In accordance with Belarus president decree No. 326, the resident companies will be exempted from any corporate taxes for the first ten years. For the ten years after that they will have to pay half of the tax rates that exist in Belarus. The resident companies will not have to pay customs duties and VAT for importing commodities required to implement investment projects. If commodities are to be imported for the sake of processing and exporting beyond the Customs Union borders, the resident companies will not have to pay customs duties, VAT, and excise duties. Resident companies will be exempted from the tax on income from dividends accrued by founders for five years after the year when gross profit becomes available. The tax on royalty income of foreign companies without permanent representation in Belarus is three times lower than the country’s average and stands at 5%.

In turn, personnel employed by Great Stone enterprises will have their own privileges: their income tax rate will be fixed at 9%. Preferences concerning the payment of insurance premiums are also available. A special policy for recruiting foreign workforce has been enforced. If new taxes and duties are introduced in Belarus, the resident companies will not have to pay them.

It is obvious that the preferences are rather substantial. This is why some experts have even criticized the government for the excessively liberal approach.

“Similar industrial parks are being created or have been created in neighboring countries. There are 101 parks in Russia. Of them 45 are operational. Considerable preferences are granted to park residents in Kazakhstan and other countries, therefore, such
preferences are vital for maximizing the appeal of the Great Stone for potential investors. Today we literally compete with each other in lawmaking during the development of the system of privileges,” explained representatives of the China-Belarus Industrial Park administration.

Seven companies have been registered as residents of the China-Belarus Industrial Park. The first one is Bel Huawei Technologies created by the Chinese corporation Huawei. The company intends to implement an investment project to create a Huawei R&D center. Established by the Chinese corporation ZTE, the second resident company – Telecommunication Equipment Factory – was registered in October 2014. The company plans to start making modern telecommunication equipment for mobile carriers and fixed telephony providers, transport system components, electric transport, and combined power supply sources. In late April 2015 the enterprise Zoomlion Bel-Rus became the third resident company. It intends to make construction machines, concrete mixer trucks, automobile cranes, and municipal vehicles. Another four companies were added to the total number of residents in May. Chengdu Hsinchu Silk Road Development Company intends to implement an international-level project to make supercapacitors as well as equipment and materials for railway transport. OOO NanoPektin will build a factory in the park to make pectin using a new technology. The company YTO Technology BLR will set up an Eastern Europe research center of the Chinese company YTO. China Merchants CHN-BLR Commerce and Logistics Company will build a logistics hub as large as 1km².

There is no doubt that this is just the beginning. For now there is no infrastructure in the park. Potential investors are evaluating the possibilities available in the park due to the relevant legislation.

“Certainly, there is interest. But due to the situation on the main targeted markets, primarily Russia, investment activities are on decline. Taking into account the cycle-based development of economy the situation will change by the time the main engineering and transport infrastructure in the park is created and after the first residents have started building their facilities. By that time the industrial park administration would have polished the one-stop interaction principle. The complex work performed by one agency to fulfill various administrative procedures and minimize the interaction of investors with various government agencies is a vital and important condition for the park’s investment appeal,” believes Kirill Koroteyev, First Deputy Director General of SZAO Industrial Park Development Company.

Several Chinese companies are interested in establishing joint ventures in the China-Belarus Industrial Park.

“The possibility of establishing a joint venture between Citic Construction Company and a Belarusian company that makes new kinds of materials is being discussed. The company FiberHome Telecommunication Technologies is working on the establishment of a joint venture together with Belarusian Energocomplekt to make optic fibers, optic cables, and other cable products,” said representatives of the China-Belarus Industrial Park administration.

By the way, Chinese investors can use the permanently available consulting services via an office in Beijing. Apart from that, the presence of Chinese specialists in Belarus and the Chinese government’s support for the project play their role in investment decision making. Apart from that, the establishment of subparks in the Great Stone will play an important part in bringing more residents to the park. Such arrangements have been made and are being considered with the governments of the city of Harbin, the provinces Sichuan, Guangdong, and Zhejiang, and the UAE company CPC International.

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Laying Down the Foundation

Now work is in progress in the China-Belarus Industrial Park to build the internal and external infrastructure. In 2014 the work to
correct the detailed layout for the initial territory development (354ha) was completed. In April 2014 China CAMC Engineering Company signed the general contract for the turn-key construction of the engineering and transport infrastructure in the starting zone. The contract provides for building roads by 31 October 2016 in addition to engineering networks for street lights, water supply, household sewerage and storm water sewerage, electricity supply, gas supply, and communications. By that time contractors are supposed to build the first upwelling (sites for six water wells), a pump station of the second upwelling, purification installations, pumping stations for sewerage and storm water, distribution substations. These facilities will be beautified, with trees and shrubs planted. Apart from that, there are plans to commission an administrative building with the total area of 10,000m² and manufacturing premises with the total area of 8,000m² in late 2016 – early 2017 for the sake of letting the buildings to potential investors. Representatives of the industrial park administration noted that the construction of roads and engineering networks is supposed to be finished in 2015. The construction projects are financed by Industrial Park Development Company. Loans of the Export-Import Bank of China are also used. There are plans to invest about $250 million initially, including about $120 million by the end of 2016.

“A number of external infrastructure facilities (natural gas and communications up to the park’s border, the reconstruction of the road between Sokol and the National Airport Minsk, the reconstruction of the Usha River bed) will be financed at the expense of the state budget. The Chinese government has already allocated ¥150 million or about $24 million as technical aid for building a 110kV transformer substation and connecting power lines,” said Kirill Koroteyev.

The joint venture pours its own resources into the construction of the infrastructure. For the sake of recouping the costs it lets and sells land plots in the park. Land plots can be leased by residents and
investors, who are non-state legal persons in Belarus, for a period of up to 99 years.

“The company is interested in attracting investors. Respectively it is driven by a different level of motivation in comparison with government agencies and organizations. Besides, with our own example we demonstrate the advisability of working in Belarus. The fact that organizations from China and Belarus own shares in the management company does not mean that the project targets only Chinese investors. The Chinese side takes part in the creation and management of the park’s development,” pointed out Kirill Koroteyev.

By the end of the first stage of the park’s development about 22,000 people may be employed in the production sector, transport, communications, science, and logistics. Another 3,000 people may be employed in healthcare, education, culture, utilities industry, finance, and management. The calculations rely on the experience of creating technoparks in Russia and the experience of creating free economic zones in Belarus. Once the entire park is built, the number of jobs in the industrial territories is supposed to be close to 115,000 people, with about 15,000 people employed in the social sphere.

More precise data will be available once the real investors and residents of the park are known. The number of employees per unit of manufacturing area can greatly vary from one branch of the production sector to another.

New Horizons

Belarus and China signed a joint declaration during the visit of China President Xi Jinping to Belarus in May 2015. The declaration envisages further development and enhancement of the comprehensive strategic partnership. With the signed document the sides confirm that during the establishment of the Silk Road Economic Belt Belarus will be an important transport, logistics, information, and communication link while the China-Belarus Industrial Park will be one of the prominent projects of the Belt in the Eurasian region. Agreement has been reached to promote the creation of the Silk Road Economic Belt together on the basis of mutual profits and common benefits. It is worth noting that Belarus was one of the first countries to embrace the project. The matter was discussed at various levels, including during visits of Fu Ying, Chairwoman of the Foreign Affairs Commission of the China parliament, and Zhang Gaoli, member of the Political Bureau of the Communist Party of China Central Committee, First Vice Premier of the State Council, to Belarus. Zhang Gaoli is a member of China Central Committee, First Bureau of the Communist Party of China, a member of the Political Bureau of the Communist Party of China, and Zhang Gaoli, member of the Political Affairs Commission of the Chinese parliament, and Zhang Gaoli, member of the Political Affairs Commission of the Chinese parliament.

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Belarus to actually be an important part of the project in addition to being on record as part of the Silk Road.

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The China-Belarus industrial park Great Stone will help unveil Belarus’ potential as a link between the West and the East. The park will be a boon for saving raw materials in conventional branches of the production sector through the assimilation of the technologies the park will develop. Then again the park will be able to tap into the international experience of doing business, management, and business administration. The Great Stone park will also undoubtedly enhance Belarus’ image and investment potential since China recognizes Belarus as a profitable and reliable place to invest in. For now the project is at the beginning of the journey. A lot of work has yet to be done. No pains no gains.

Irina KONTSAVENKO