



Research Centre for
Sustainable Hong Kong

香港城市大學
City University of Hong Kong

Research Centre for Sustainable Hong Kong
City University of Hong Kong

TRAINING PACK BELARUS AND DJIBOUTI

Cultural Diversity and Risk Management: Hong Kong
Professional Services, Overseas Investment and Industrial
Park Development in Belarus and Djibouti

多元文化與投資風險管理：
香港專業服務、白羅斯與吉布提的外商投資及工業園區發展



Professional Services Advancement Support Scheme

Economic and Trade Cooperation Zones Along Belt
and Road Workshop Series

一帶一路海外工業園區工作坊

October 2021

ABOUT THIS TRAINING PACK

This comprehensive training pack is provided to registered participants prior to workshops in attempt to equip them with sufficient institutional background knowledge so is to enhance the quality of their interaction with speakers and other participants when the workshops. The pack includes the background materials (the essential information such as various political systems, religious inclinations, legal institutions, foreign investment laws, accounting regulations and tax systems) and information of Special Economic Zones (SEZs) based on consolidation of relevant research findings from secondary resources.

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This material/event is funded by the Professional Services Advancement Support Scheme of the Government of the Hong Kong Special Administrative Region.

Any opinions, findings, conclusions or recommendations expressed in this material/any event organised under this project do not reflect the views of the Government of the Hong Kong Special Administrative Region or the Vetting Committee of the Professional Services Advancement Support Scheme.

ACKNOWLEDGEMENTS

The content of this training pack draws from the research findings of CSHK research meetings with senior government officials, business representatives, management of Special Economic Zones (SEZs) and university. The CSHK research team also had a four-day research trip to Belarus in June 2018 during which the team conducted in-depth interviews, seminar participation and on-site visits.

Our heartfelt gratitude goes to the CSHK research team and other City University scholars and researchers participating in the Belarus and Djibouti research and discussions, and all the parties for providing invaluable insights, advice and assistance, including but not exclusively the following (in alphabetical order): China-Belarus Industrial Park tenant enterprises, China Merchants Group (CMG), China Telecom Global (CTG), the Council of Ministers of the Republic of Belarus (the Government Agency 'Administration of China-Belarus Industrial Park' "Great Stone"), the National Academy of Sciences of Belarus (Institute of Economics) and other participants engaged in our research.

We would like to thank the Policy Innovation and Coordination Office (PICO) for funding our research work with its Strategic Public Policy Research (SPPR) grant (project number S2016.A1.009) from 2017-2020, and the Research Grants Council, Hong Kong, for funding support to related research through the Humanities and Social Sciences Prestigious Fellowship Scheme (HSSPFS) 2018/19. Last but not least, we would like to thank the Professional Services Advancement Support Scheme (PASS) of the Hong Kong Special Administrative Region Government for funding and supporting CityU CSHK PASS Workshop series.

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CHAPTER 1

BUSINESS ENVIRONMENT IN BELARUS

Belarus is a landlocked Eastern European country bordering Lithuania and Latvia to the northwest, Russia to the north and east, Ukraine to the south, and Poland to the west (Figure 1.1). The fact that Belarus is one of the claimants of the 'Geographical Midpoint of Europe'¹ does not only suggest that Belarus is, geographically at least, a regional transportations and logistics hub for Europe, but also that the culture and economy of Belarus are deeply connected with its surrounding Slavonic countries, as reflected in the modern history of Belarus (Appendix 1).

FIGURE 1.1 Maps of Belarus

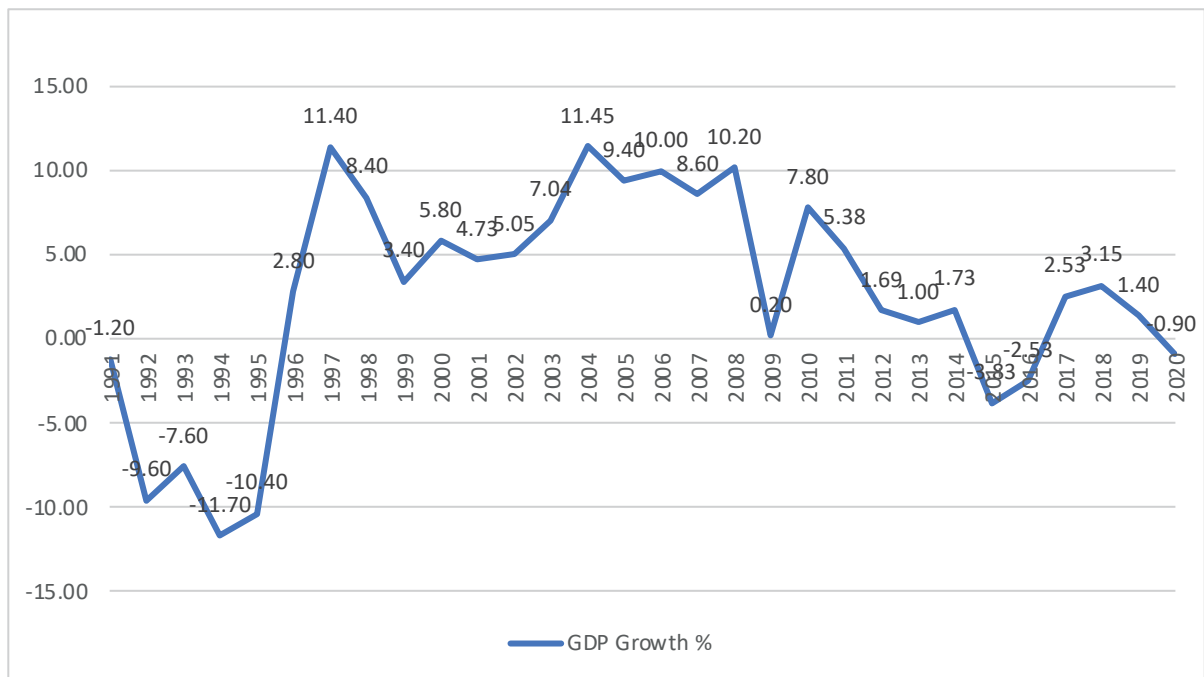


Source: Encyclopaedia Britannica, 2010.²

Overall, Belarus has achieved remarkable economic growth in the last two decades, as its GDP growth averaged at 4.53% from 2000 to 2019 (Figure 1.2). However, sustainable development of the economy remains challenging: inefficient state-owned enterprises still dominate the economy; level of dollarization is high; and geo-political tensions between the two adjacent great powers – Russia and the European Union – persist.

1 https://en.wikipedia.org/wiki/Geographical_midpoint_of_Europe

2 <https://www.britannica.com/place/Belarus>



Source: World Bank³

1.1 Government policies and priorities

The Belarusian government encourages foreign investment to strengthen Belarus's development of innovative technologies, support employment and provide strong currency. To attract investment, the government highlights a wide range of strengths and advantages of Belarus, such as its strategically advantageous location, direct access to the market of Eurasian Economic Union (EAEU, or more commonly known as EEU)⁴, developed transportation and logistics infrastructure, and a highly qualified workforce.⁵ Preferential tax benefits and special investor incentives are also available in Belarus's six export-oriented and regionally located free economic zones, the IT sector-centric High-Tech Park (HTP), and the joint Belarus-China Great Stone Industrial Park.⁶

The National Strategy for Sustainable Social and Economic Development outlines the economic development strategies based on development forecasts for short-term and mid-term perspectives as well as the global development trends, external challenges and risks in the long term.⁷ It is elaborated once in five years for the 15-year period,

³ <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=BY>

⁴ Founded by the Treaty on the Eurasian Economic Union, the Eurasian Economic Union is an international organization for regional economic integration aiming at ensuring the freedom of movement of goods, services, capital and labor, as well as the implementation of a coordinated economic policy. Members include Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. 'EAEU' is the acronym used in the organisation's official website (<http://www.eaeunion.org/>) while the acronym 'EEU' is often used in the press and media.

⁵ <https://www.investinbelarus.by/en/why-belarus/>

⁶ <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

⁷ https://www.belarus.by/en/press-center/speeches-and-interviews/krutoi-belarus-sustainable-development-strategy-till-2035-should-be-practical_i_0000086667.html

2.5 years prior to the start of the projected period.⁸ The 'National Strategy for Sustainable Development of the Republic of Belarus for the period up to 2035' (NSDS-2035)⁹ is currently in place. It is implemented in two stages: (a) first stage – 2021-2025; and (b) second stage – 2026-2035. Separate chapters are devoted to human development, effective employment, digital transformation of the economy, sustainable infrastructure, development of the business environment and ensuring environmental safety through the development of a green economy.¹⁰ In particular, the green economy will focus on technological innovations of 'energy and resource conservation, reduction of carbon emissions, environmentally friendly production and transport, alternative energy sources, organic production, eco-development - construction with minimal impact on the environment'¹¹. Other main drivers of economic growth include 'digital transformation of all spheres of the economy', 'accelerated development of private initiative', 'transition to a circular economy' and 'inclusive development'¹². Therefore, future economic growth is expected to rely more on the expansion of the services sector and small and medium-sized business and on embracing the Sustainable Development Goals, rather than on the large scale industrial, mostly state-owned, enterprises.¹³

The National Agency of Investment and Privatization (NAIP) assists foreign investors to explore investment and business opportunities in Belarus and acts as a free 'one-stop shop'. Their major services, among many others, include providing information on business-related issues (such as investment projects, preferential treatment and benefits, legislation, land and premises etc.), assisting in lining up potential foreign investors with local business partners, and providing a platform for business and investment negotiations.¹⁴

1.2 Regulatory framework

In Belarus, investment activity is regulated by rules of the national and international legislation.

National Legislation

National legislation concerning investment in Belarus is regulated by the 'Investment Act', which establishes legal foundations, basic principles of investment implementation in the territory of Belarus and regulations aimed at attracting investment in the economy of Belarus, assurance of guarantees, rights and legitimate interests of investors, and also their equal protection. Belarus actively implements the state policy of supporting investments that are provided in the form of:

- government guarantees to creditors in cases of attracting foreign credits or loans of banks of Belarus for implementation of investment projects;
- centralized investment resources.

8 https://www.belarus.by/en/press-center/speeches-and-interviews/krutoi-belarus-sustainable-development-strategy-till-2035-should-be-practical_i_0000086667.html

9 <http://www.economy.gov.by/uploads/files/ObsugdaemNPA/NSUR-2035-1.pdf>

10 https://sdgs.by/news_events/news/b6476ff0af7a380.html

11 <http://www.fao.org/faolex/results/details/en/c/LEX-FAOC189944/>

12 <http://www.fao.org/faolex/results/details/en/c/LEX-FAOC189944/>

13 https://www.belarus.by/en/press-center/speeches-and-interviews/krutoi-belarus-sustainable-development-strategy-till-2035-should-be-practical_i_0000086667.html

14 <https://www.investinbelarus.by/en/our-services/>

Investment activity in respect of mineral resources, water bodies, forests, lands and objects that are only owned by the state or activities for which the exclusive right of the state extends can be carried out on the basis of a concession. In relation to subsoil, investment activities can also be carried out on the basis of the investment agreement.

Concession agreements are concluded based on a tender or auction. Conclusion of concession contracts without holding a tender or auction is allowed:

- with the investor, who will in due course carry out the geological study of a subsoil area at his own expense;
- by decision of the President of the Republic of Belarus.

Special legal regimes with additional granting of benefits to the investor are introduced when implementing investment projects in free economic zones, the High Technology Park, Augustow Canal (a special tourist and recreational park), the China-Belarus Industrial Park, medium and small urban settlements, rural areas, as well as small and medium-sized businesses.¹⁵

The latest developments in the laws, rules, procedures and reporting requirements for foreign investors are regularly updated in the following official websites:

<http://www.investinbelarus.by/en/>

<http://www.economy.gov.by/>

http://president.gov.by/en/official_documents_en/

International Legislation

Belarus is a member of the Eurasian Economic Union (EAEU). Where there is a conflict, EAEU regulations and decisions supersede the national rules.

Belarus is not a WTO member but, since 2016, has stepped up efforts to join. Together with the WTO Secretariat, the government has drafted an indicative roadmap to complete Belarus's WTO accession.

Correspondence to international standards of conditions for insurance of risks of foreign investors is ensured by the full membership of Belarus in the Multilateral Investment Guarantee Agency (MIGA), which, being an institution of the World Bank Group, allows investors to insure their implemented projects against political and non-commercial risks. For the moment, agreements between the Government of Belarus and MIGA have been concluded on the legal protection of guaranteed foreign investments and the use of local currency.

¹⁵ <https://investinbelarus.by/en/legal-framework/>

To create favorable conditions and protect investments made by foreign investors, Belarus has signed 67 bilateral investment agreements (BITs) on the mutual protection and promotion of investments. In particular, the above agreements provide the following guarantees:

- National treatment;
- most-favored-nation treatment;
- expropriation and compensation;
- other guarantees.

Most BITs concluded by Belarus include a provision on international investment arbitration as a mechanism for settling investor-state disputes and recognize the binding force of the awards issued by tribunals. Under Belarusian law, if an international treaty signed by Belarus establishes rules other than those established by local law, the rules of the international treaty prevail.

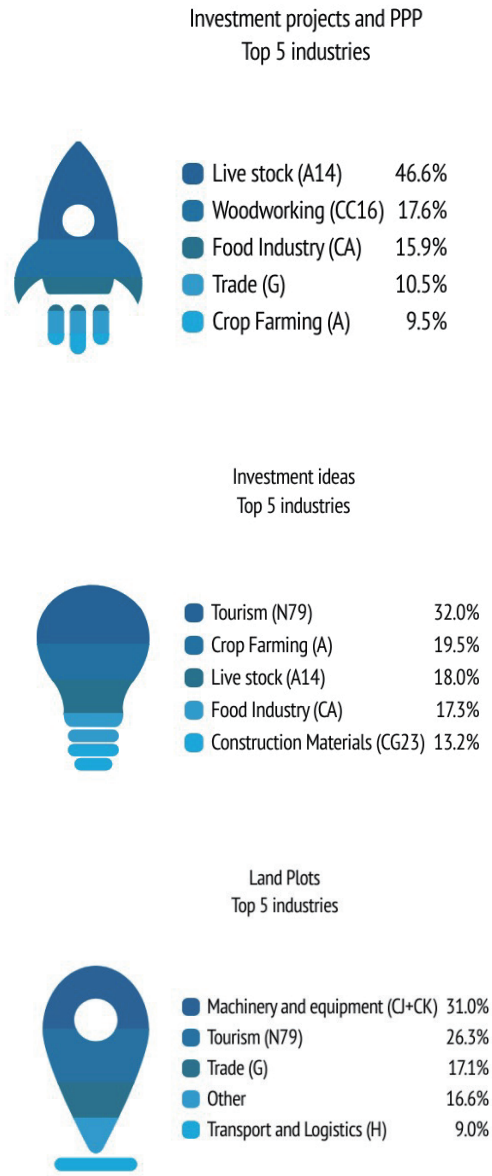
Belarus is a party to both the International Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards, meaning that local courts recognize and enforce foreign arbitral awards in compliance with the above conventions, national laws, and regulations.

For international commercial arbitration and foreign courts, judgments of foreign courts are accepted and enforced if there is a relevant international agreement signed by Belarus. Courts recognize and enforce foreign arbitral awards. The Belarusian Chamber of Commerce and Industry has an International Arbitration Court. The 2013 "Law on Mediation," as well as codes of civil and economic procedures, established various alternative ways of addressing investment disputes.¹⁶

¹⁶ <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

1.3 Key industries and investment opportunities

FIGURE 1.3 Investment offers of Belarus



Source: NAIP¹⁷

Belarus has a well-developed industrial sector, which accounts for 26% of national GDP in 2019. Some of its main industries are:

- tractors and agricultural equipment (Belarusian tractors are well regarded in the Eurasia region)
- automotive industry (including dump trucks and earth movers)
- electrical equipment and household appliances
- radio electronics
- chemicals
- textiles
- timber¹⁸

Belarus actively seeks foreign investment in strategic export-oriented sectors such as pharmaceuticals, nanotechnologies and manufacturing of electrical equipment, ICT technologies, home appliances and vehicles.¹⁹ The logistics sector is another attraction as the country boasts inexpensive utilities, particularly fuel and electricity.²⁰

Inward FDI stocks have boosted in Belarus from 10% of GDP in 2007 to 23% in 2019. However, there are room for improvement as FDI stocks in Belarus remain below the EU's average (OECD, 2020).²¹

1.4 Procedures of investment

All domestic residents and foreign entities are provided with equal rights and opportunities to run a business. The most common forms of business entities in Belarus are:

1. sole proprietorship (it can be established only by one individual or legal entity);
2. limited liability company (OOO) (from 1 to 50 shareholders);
3. additional liability company (ODO) (from 1 to 50 shareholders);
4. open joint stock company (OAO) (any person can acquire the company's shares);
5. closed joint stock company (ZAO) (the shares are held only by the entity's shareholders whose number should not exceed 50).

17 <http://map.investinbelarus.by/en/>

18 <https://www.belarus.by/en/business/business-environment>

19 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

20 <https://research.hktdc.com/en/data-and-profiles/market-profiles/belarus>

21 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

22 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

23 <https://research.hktdc.com/en/data-and-profiles/market-profiles/belarus>

24 https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2020/by.pdf

FIGURE 1.4 Procedures of establishing a legal entity in Belarus



Source: REVERA, *Doing Business 2020*, 8th Edition, p.20

An official guide on the establishment of a legal entity in Belarus detailing the types of documents needed and registration procedures can be found here: <https://www.belarus.by/en/business/legal-requirements>

1.5 Banking and finance²⁵

Capital Markets and Portfolio Investment

The Belarusian government welcomes portfolio investment and has taken steps to safeguard such investment and ensure a free flow of financial instruments. The Belarusian Currency and Stock Exchange is open to foreign investors. However, it is still largely undeveloped because the government only allows companies to trade stocks if they meet certain but often burdensome criteria. Private companies must be profitable and have net assets of at least EUR 1 million. In addition, any income from resulting operations is taxed at 24 percent. Finally, the state owns more than 70 percent of all stocks in the country, and the government appears hesitant and unwilling to trade in them freely. Bonds are the predominant financial instrument on Belarus' corporate securities market.

In 2001, Belarus joined Article VIII of the IMF's Articles of Agreement, undertaking to refrain from restrictions on payments and transfers under current international transactions. Loans are allocated on market terms, and foreign investors can get them. However, the discount rate of 8.75 percent (as of February 2020) makes credit too expensive for many private businesses, which, unlike many SOEs, do not receive subsidized or reduced-interest loans.

Since 2016, businesses have bought and sold foreign exchange at the Belarusian Currency and Stock Exchange through their banks. Belarus required companies to sell 10-20 percent of foreign currency revenues through the Belarusian Currency and Stock Exchange. However, in late 2018, the National Bank abolished the mandatory sale rule.

Money and Banking System

Belarus has a central banking system. The country's main bank, the National Bank of the Republic of Belarus, represents the interest of the state and is the main regulator of the country's banking system. The President of Belarus appoints the Chair and Members of the Board of the National Bank, designates auditing organizations to examine its activities, and approves its annual report.

As of January 2020, the banking system of Belarus included 24 commercial banks and three non-banking credit and finance organizations. According to the National Bank, the share of non-performing loans in the banking sector was 4.2 percent in 2019. The country's five largest commercial banks, all of which have some government share, accounted for 67 percent of the approximately USD 36 billion in total assets in the banking sector. There are five representative offices of foreign banks in Belarus, with China's Development Bank opening the most recently in 2018.

²⁵ This section draws heavily from the Department of State, United States, '2020 Investment Climate Statements: Belarus' <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

Foreign Exchange

According to the Government of Belarus, its foreign exchange regulations do not include any restrictions or limitations regarding converting, transferring, or repatriating funds associated with investment. Foreign exchange transactions related to FDI, portfolio investments, real estate purchasing, and opening bank accounts are carried out without any restrictions. Foreign exchange is freely traded in the domestic foreign exchange market. Foreign investors can purchase foreign exchange from their Belarusian accounts in Belarusian banks for repaying investments and transferring them outside Belarus without any restrictions.

Since 2015, the Belarusian Currency and Stock Exchange has traded the U.S. dollar, the euro, and the Russian ruble in a continuous double auction regime. Local banks submit their bids for buying and selling foreign currency into the trading system during the entire period of the trading session. During the trades, the bids are honoured if and when the specified exchange rates are met. The average weighted exchange rate of the U.S. dollar, the euro, and the Russian ruble set during the trading session is used by the National Bank as the official exchange rate of the Belarusian ruble versus the above-mentioned currencies from the day on which the trades are made. The cross rates versus other foreign currencies are calculated based on the data provided by other countries' central banks or information from Reuters and Bloomberg. The stated quotation becomes effective on the next calendar day and is valid till the new official exchange rate of the Belarusian ruble versus these foreign currencies comes into force. The IMF has listed Belarus' exchange rate regime in the floating exchange rate category.

1.6 Major costs

TABLE 1.1 Expenses on registration of commercial entities and representative offices

| Registration of a commercial entity | | Registration of a representative office | |
|--|--|--|--|
| Action | Cost | Action | Cost |
| Legalization, translation of extract from a foreign Commercial Register into Russian and notarization of translator's signature (where incorporator is non-resident) | 1 page translation into Russian costs 6 to 27 Euros depending on the language. Notarization of translator's signature – 6 Euros (if translated document is less than 10 pages), or 7 Euros (if translated document is more than 10 pages) | Notarization of the signature on the Representative Office Regulation | Notarization of the signature on one copy of Regulation – 6 Euros (if translated document is less than 10 pages), or 7 Euros (if translated document is more than 10 pages) |
| Translation of personal identification document(s) into Russian and notarization of translator's signature | 1 page translation into Russian costs 6 to 27 Euros depending on the language. Notarization of translator's signature costs 6 Euros. | Legalization, translation of extract from a foreign Commercial Register into Russian and notarization of translator's signature (2 copies) | 1 page of translation into Russian costs 6 to 27 Euros depending on the language. Notarization of translator's signature costs 6 Euros (if translated document is less than 10 pages), or 7 Euros (if translated document is more than 10 pages) |
| Legalization, translation of power of attorney into Russian and notarization of translator's signature (in case of transfer of powers) | 1 page of translation into Russian costs 6 to 27 Euros depending on the language. Notarization of translator's signature costs about 6 Euros. | Legalization, translation of extract from the foreign Commercial Register into Russian and notarization of translator's signature (2 copies) | 1 page of translation into Russian costs 6 to 27 Euros depending on the language. Notarization of translator's signature costs about 6 Euros (if translated document is less than 10 pages), or 7 Euros (if translated document is more than 10 pages). |

| | | | |
|---|--|---|--|
| Formation of business entity's statutory fund | A minimum statutory fund is not prescribed. Exceptions: For a CJSC – ca. 1,150 Euros; For a PJSC – ca. 4,605 Euros. | State duty for the permission to open a Representative Office (for 3 years) | About 2,245 Euros. |
| State duty for the state registration | About 11 Euros | Legalization, translation of Representative Office manager's power of attorney into Russian, notarization of translator's signature (2 copies) Producing the official seal | 1 page of translation into Russian costs 6 to 27 Euros depending on the language. 17-20 Euros |

Source: REVERA, *Doing Business 2020*, 8th Edition, pp. 21-22

1.7 Tax system

The Tax Code (comprising the Primary Part and the Special Part) is the principal legal act that regulates the system of taxes and duties levied to the national and local budgets, the main principles of taxation in the Republic of Belarus, regulates official relations that pertain to the introduction, alteration and termination of taxes and duties, and relations arising in the course of discharge of tax liabilities, administration of tax control, appealing against orders of tax authorities, actions/inaction of tax officers, as well as establishes rights and obligations of taxpayers, tax authorities and other participants of tax relations. The Primary Part specifies the notions of tax obligation, taxpayer, and the object of taxation. It also contains regulations on tax accounting and control and describes the procedure of appealing decisions made by tax authorities. The Special Part of the Tax Code regulates specific taxes and duties, specifies various categories of taxpayers, objects of taxation, rates, privileges, procedures of tax calculation and payments of respective taxes and duties. All tax payments applicable in the Republic of Belarus are subdivided into national taxes/duties and local taxes/duties.²⁶

Taxation – 2021

- Value Added Tax: 20%
- Corporate Income Tax: 18%

TABLE 1.2 Type of tax, tax rate and base in Belarus

| Type of Tax | Tax Rate and Base |
|----------------------------|---|
| Corporate Income Tax (CIT) | <ul style="list-style-type: none">• 18% on operating profits• A rate of 10% applies to companies engaged in the approved production of high-tech products, and a rate of 25% applies to banks, insurance companies and specific microfinance lenders. |
| VAT | <ul style="list-style-type: none">• Standard rate of 20%• A higher rate of 25% applies to telecommunications companies, and a preferential rate of 10% applies to local supplies of crop products, livestock and locally produced fisheries, as well as to local supplies or imports of certain foodstuffs and goods for children.• Supplying goods for export and related services are zero-rated. |
| Land Tax | Ranges from 0.025% to 3% depending on the value determined by survey means (cadastral services) |

²⁶ https://investinbelarus.by/upload/medialibrary/774/db_2020_eng.pdf

| | |
|---|---|
| Real Estate Taxes | <ul style="list-style-type: none"> ▪ Immovable property is taxed at an annual rate of 1% on the residual value of the property. ▪ As of January 1, 2019, progressive rates for new capital contractions were introduced. In effect, the real estate tax on a building being constructed will start at 0.2% in its first year and increase by 0.2% over the five years until it reaches the normal level of 1%. |
| Social security contributions (health insurance, pension) | <ul style="list-style-type: none"> ▪ Belarus applies a social insurance contribution tax of 35%-34% of which is paid by employers. Out of the 34% paid out by employers, 28% contribute to pension funds, whereas the remaining 6% goes towards general social insurance. 1% of the overall 35% rate of contributions is withheld from employees' salaries for payment to the social insurance contribution. ▪ Businesses are also responsible to pay for insurance involving potential workplace accidents. The rate applicable is a 0.6% flat tax. More danger-prone industries have different coefficients applied to the flat rate. |
| Withholding Taxes (applicable only to non-residents) | <ul style="list-style-type: none"> ▪ Dividends: 12% on net earnings ▪ Interest: 10% on net income ▪ Royalties: 15% on net earnings ▪ Technical Service Fees: 15% on net earnings |

Sources: HKTDC, Tax and Duties Ministry of the Republic of Belarus, National Agency of Investment and Privatization, Fitch Solutions

1.8 Risks

Economic Risks

Foreign exchange stability has a substantial impact on the state-dominated economy in Belarus. The vast majority (about 90% in 2018) of Belarus's public debt is denominated in foreign currencies, making it particularly vulnerable to exchange rate fluctuations and external shocks. According to the IMF, external observers have advised caution about Belarus's rising public debt, which is high (52% of GDP) and expected to rise (55% by 2022).²⁷ The state-dominated economy is the primary driver of employment and economic output, making Belarus dependent on external support to provide much-needed foreign exchange reserves.²⁸

Belarus is heavily reliant on Russia for trade, investment, economic assistance, concessional loans and hydrocarbon exports.²⁹ For instance, in 2020, Russia invested USD 4.2 billion in Belarus, accounting for 29.9% of the country's FDI (Table 1.3). A large share of Cyprus's 20.9% likely derives from offshore Russian concerns (Balas et al., 2018)³⁰. Other foreign investors are much smaller in scale.

TABLE 1.3 Belarus's FDI inflows – Top 10 countries of origin, 2020

| Countries / Regions | FDI Inflow (in US\$ Million) | Percentage Share |
|---------------------|------------------------------|------------------|
| Russia | 4,225.8 | 29.9% |
| Cyprus | 2,953.7 | 20.9% |
| Netherlands | 607.9 | 4.3% |
| Turkey | 560.4 | 4.0% |
| Austria | 537.2 | 3.8% |
| Germany | 443.2 | 3.1% |
| China | 427.0 | 3.0% |
| United Kingdom | 293.5 | 2.1% |
| Lithuania | 241.9 | 1.7% |
| Iran | 210.8 | 1.5% |
| Others | 3608.9 | 25.6% |
| World | 14110.3 | 100% |

Source: National Bank of the Republic of Belarus, "Foreign direct investments in the reporting economy for 2011-2020".³¹

27 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

28 <https://research.hktdc.com/en/data-and-profiles/market-profiles/belarus>

29 <https://research.hktdc.com/en/data-and-profiles/market-profiles/belarus>

30 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

31 <https://www.nbrb.by/eng/statistics/foreigndirectinvestments>

State-owned enterprises (SOEs) play an outsized role in the Belarusian economy, and are dominant in most industrial sectors.³² FDI inflows have thus also mostly benefited the sectors dominated by SOEs (US Department of State, 2020). According to the National Statistical Office (Belstat), the state sector accounts for just under one-third of value; however, the official definition of the state sector excludes all joint-stock companies, even when the state is the only shareholder.³³ About half of the foreign capital that Belarus receives is funnelled into joint ventures with SOEs (Balas et al., 2018).³⁴ The build-up of debt in the SOEs and the continued misallocation of resources as a result of policy-driven lending practices suggest that growth prospect is bleak.³⁵ The IMF has encouraged reforms to the macroeconomic policies and the large state-owned sector (IMF 2018).³⁶

The economy contracted in 2020, following the Covid-19 outbreak and headwinds from increased political tensions. The recession is expected to deepen in 2021 against weakened private consumption and investment as well as weak revenues and tight external financing conditions, which will cap public consumption. Long-standing structural challenges related to the dominance of low-productivity SOEs, the high degree of dollarisation and external vulnerabilities are expected to weigh on the recovery thereafter. The lack of meaningful structural reform, essential for long-term growth, also poses a near-term risk to economic stability.³⁷

Operational Risks

According to the OECD FDI Restrictiveness Index, which measures barriers to foreign direct investment such as foreign equity limitations and operational restrictions, Belarus has the second most restrictive FDI rules in the Eastern Partnership after Ukraine. In 2019, on a scale from 0 (open) to 1 (closed), Belarus scored 0.086, more restrictive than the regional average for the Eastern Partnership (0.064) and slightly more closed than OECD countries (0.085). Restrictions in Belarus, like in Azerbaijan, apply primarily to the media sector as well as business and financial services.³⁸

32 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

33 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

34 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

35 <https://research.hktdc.com/en/data-and-profiles/market-profiles/belarus>

36 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

37 <https://research.hktdc.com/en/data-and-profiles/market-profiles/belarus>

38 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

According to the World Bank's *Doing Business 2020* report, Belarus's business environment ranked 49th among the 190 global economies. Comparing to other EEU members in 2020, Belarus ranked the fourth after Kazakhstan (25th), Russia (28th) and Armenia (47th). In the past decade, ease of doing business in Belarus has been steadily improving (despite minor setbacks in rankings in 2014 and 2018, and a major setback in 2020, see Table 1.4 below). For instance, while it took 80 days and 17 procedures on average to open a business in 2004, Belarus had streamlined the process to four procedures taking 8.5 days by 2020. Belarus's tax system is particularly onerous and remains burdensome despite improvements. In 2006, businesses spent 987 hours annually on their taxes, which were collected in 125 payments per year. By 2020, the tax regime required only seven payments amounting to about 170 hours per year (World Bank, 2020).³⁹

TABLE 1.4 Rankings on the ease of doing business in Belarus

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Place / Out of | 91st / 183 | 69th / 183 | 58th / 185 | 63rd / 189 | 57th / 189 | 44th / 190 | 37th / 190 | 38th / 190 | 37th / 190 | 49th / 190 |

Sources: Reports of *Doing Business*, World Bank, 2011 – 2020

The concern of reduced protection of minority investors in Belarus has been highlighted by the World Bank, as Belarus initiated a reform in 2018/19 to allow more time for joint-stock companies to inform the public and the regulator of related-party transactions. While such reform would 'make it easier for firms to comply with regulation', it also promotes 'information asymmetry' that would harm minority investors. (World Bank 2020, pp.13-4 and 92).

The judiciary is not considered as fully independent as it remains under the influence of the President.⁴⁰ Also, foreign companies active in Belarus report that selective law enforcement and informal practices continue despite legislation establishing equal treatment for domestic and foreign investors.⁴¹

Corruption is a major concern. Problems are especially acute in SOE procurements (OECD 2020), although the situation has been, apparently, somewhat improved than before. According to Transparency International's Corruption Perceptions Index, Belarus ranked 63rd out of 180 countries in 2020, a large jump from 123rd out of 176 in 2012.⁴²

39 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

40 <https://research.hktdc.com/en/data-and-profiles/market-profiles/belarus>

41 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

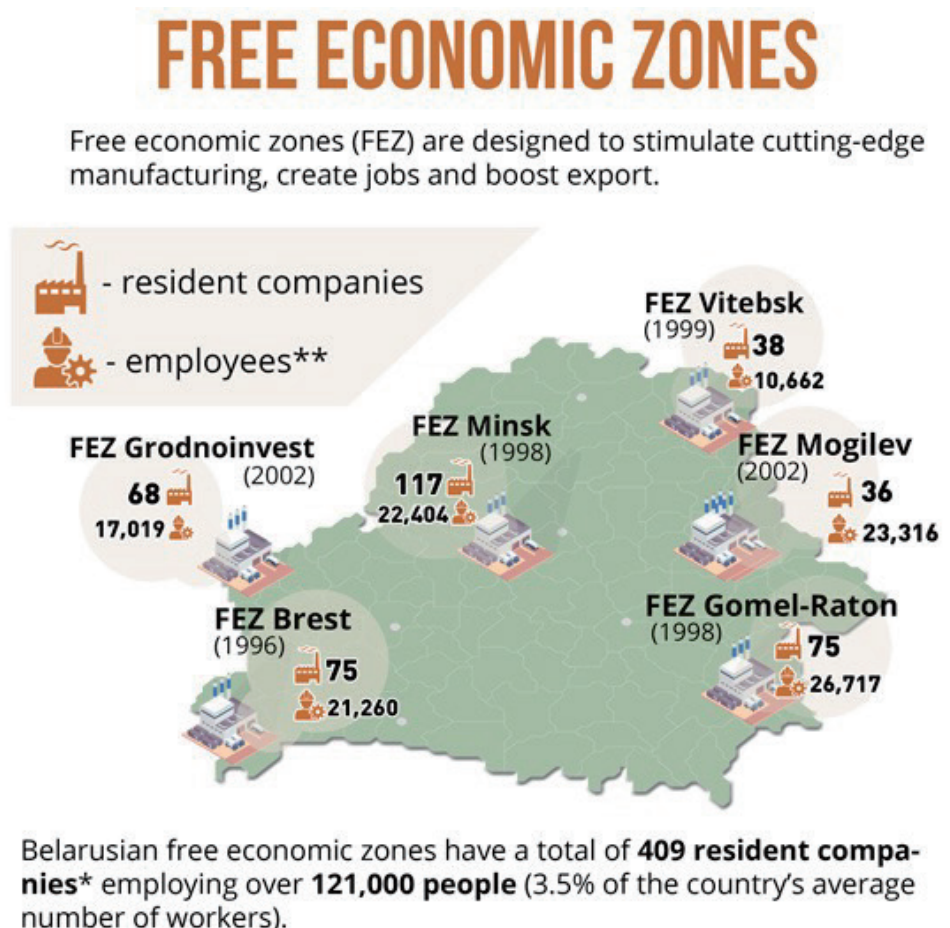
42 <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

CHAPTER 2 ETCZS IN BELARUS

2.1. Overview of SEZ/ETCZ development and incentive policies in Belarus

Each region of Belarus has a free economic zone.

FIGURE 2.1 Free economic zones in Belarus



MAJOR AREAS OF BUSINESS OF FEZ RESIDENT COMPANIES



Processing industry



Transportation



Trade



Science and technology



Real estate operations

SHARE OF FEZ RESIDENT COMPANIES IN BELARUS' MAJOR MACROECONOMIC INDICATORS IN JANUARY-MARCH 2018



OF INDUSTRIAL OUTPUT



OF CAPITAL INVESTMENT



OF COMMODITY EXPORT

*As of 1 April 2018

Source: National Statistics Committee of Belarus⁴³

43 <https://eng.belta.by/infographica/view/free-economic-zones-3797/>

TABLE 2.1 Free Trade Zones and Investment Incentives

| Free Trade Zone/Incentive Program | Main Incentives Available |
|---|--|
| <p>FEZs: Brest, Gomel, Grodno, Minsk, Mogilev and Vitebsk</p> | <ul style="list-style-type: none"> ▪ The FEZ resident is exempt from profits tax for five years, beginning on the date when profits are declared for the first time. After the end of the five-year period, the FEZ resident pays corporate profits tax at 50% of the standard rate, but the tax rate may not exceed 12%. ▪ The FEZ resident is exempt from profits tax for five years, beginning on the date when profits are declared for the first time. After the end of the five-year period, the FEZ resident pays corporate profits tax at 50% of the standard rate, but the tax rate may not exceed 12%. <ul style="list-style-type: none"> » Profits received from goods (works and services) manufactured by an FEZ resident and sold to other FEZ residents, foreign legal entities or foreign individuals. » Profits from goods manufactured by a resident of an FEZ and realized in Belarus if the goods are defined as substitutes for imported goods on the list specified by the government and approved by the President of Belarus. ▪ 50% discount on VAT on import substitution goods manufactured within an FEZ; ▪ No taxes on real estate owned or leased in the area; ▪ Exempt from payments to National Agriculture Support Fund; ▪ No tax on purchasing vehicles; ▪ No customs duty on raw materials and equipment imported from outside Belarus; ▪ A guarantee that legislation governing firms will not change for seven years; ▪ Each FEZ has its administrative officers to help members. Members benefit from incentives such as streamlined bureaucratic procedures, as well as a 40% reduction in their tax burden compared with non-members. |
| <p>HTP</p> | <ul style="list-style-type: none"> ▪ Resident companies are exempt from income tax, property tax, VAT on goods produced in Belarus, customs duties and land tax for the construction period. ▪ Employees at the companies located there in the HTP benefit from a reduced income tax rate. |

Sources: HKTDC, National source, National Agency of Investment and Privatization, Fitch Solutions

2.2 Case study: the China-Belarus Industrial Park (Great Stone)



A photo taken by the author at the entrance of the China-Belarus Industrial Park (Great Stone) in June 2018

Objectives and priorities

The China-Belarus Industrial Park (Great Stone) is a special economic zone of approximately 112.5 square kilometres developed within the framework of the China-Belarus intergovernmental cooperation agreement signed in 2011.⁴⁴ Subsequently, in June 2012, the Decree of the President of the Republic of Belarus No. 253 "On the establishment of the Chinese-Belarusian Industrial Park "Great Stone" was signed.⁴⁵ The main goal of the Great Stone is to develop high-tech export-oriented industries, the transfer of innovations and the production of products that will be in demand on world markets.⁴⁶ It is also claimed as a key part of the Belt and Road Initiative.⁴⁷ Priority industries include electronics and telecommunications, mechanical engineering, fine chemistry and pharmaceuticals, biotechnology, new materials, research and development, e-commerce, storage and processing of large amounts of data, and social and cultural events.⁴⁸

⁴⁴ <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

⁴⁵ https://investinbelarus.by/upload/medialibrary/0c4/guidebook_2021_eng_compressed.pdf

⁴⁶ <https://investinbelarus.by/preferencial-regimes/industrial-park-great-stone/>

⁴⁷ <https://en.industrialpark.by/o-parke/obshhaya-informaciya/>

⁴⁸ <https://en.industrialpark.by/o-parke/prioritetnye-napravleniya/>

Location and facilities

The Great Stone is located in the Smolevichi district of the Minsk region, 25 km from Minsk (the capital of Belarus), and adjacent to the Minsk National Airport, railways, and the Belarusian highway M1 (a part of the Berlin-Moscow transnational highway). The Klaipeda port on the Baltic Sea coast is only at a distance of 500 km away.⁴⁹ Such location implies the potential of Belarus as a connecting link among the countries of Europe, Russia and Asia, and provides free access to the market of the Eurasian Economic Union (Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan) with a total capacity of 184 million people.⁵⁰



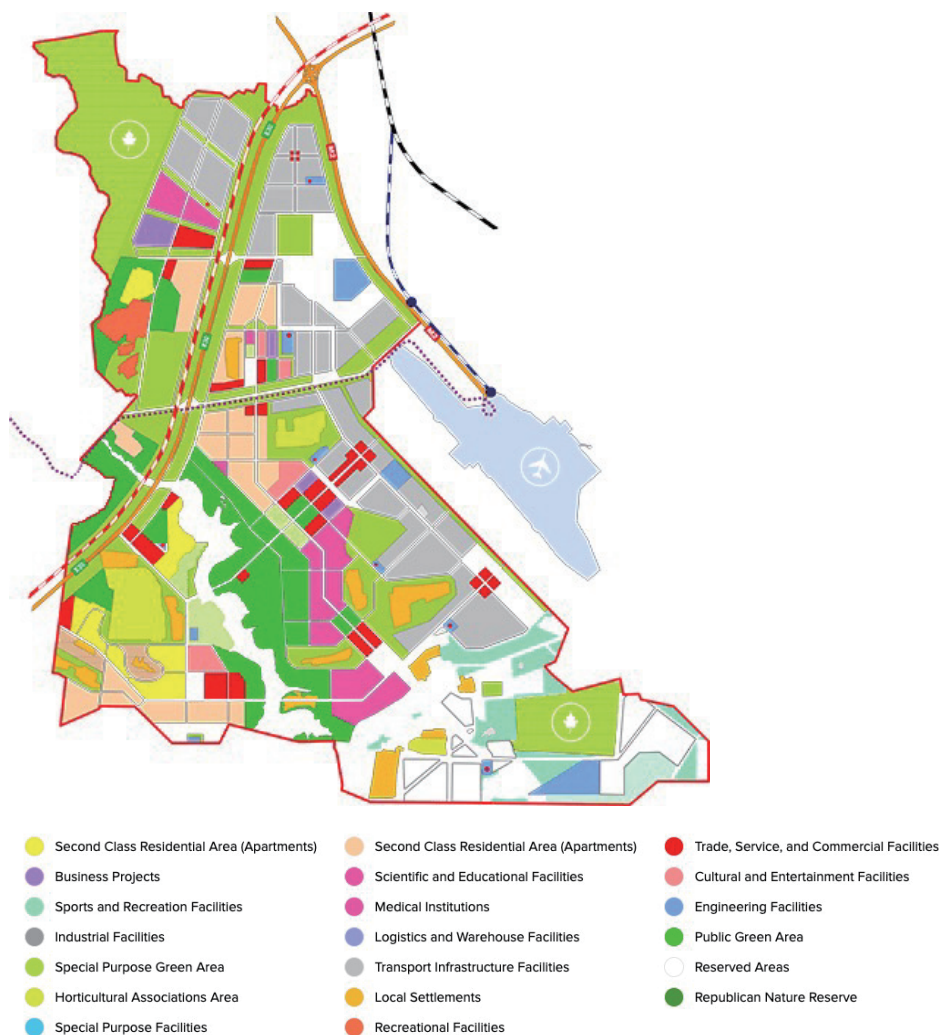
A photo of a map illustrating the Great Stone's proximity to important logistic facilities in the region taken by the author at the Great Stone in June 2018

49 <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

50 https://investinbelarus.by/upload/medialibrary/0c4/guidebook_2021_eng_compressed.pdf

As a large-scale manufacturing hub, the Great Stone contains industrial and logistics zones, residential and office buildings, financial and R&D centres.⁵¹ There are four main functional zones in the park: residential buildings, public buildings, industrial buildings, landscaping and recreational zone. The construction of the Park is being carried out in five stages. The first stage is a territory of 850 hectares, where all communications infrastructure has been completed. The territory includes industrial and transport facilities, residential areas and social facilities, offices, shopping and entertainment complexes, financial and research centres. As part of the development of the second stage, it is planned to create a multimodal railway terminal, which will become one of Europe's largest logistics hubs of this type. By 2060, the project will complete the last stage of development. As outlined in the general plan, more than 130 thousand people will live here in the future.⁵²

FIGURE 2.2 General floor plan of the Great Stone



Source: Great Stone⁵³

51 <https://www.belarus.by/en/business/business-environment>

52 <https://en.industrialpark.by/o-parke/generalnyj-plan/>

53 <https://en.industrialpark.by/o-parke/generalnyj-plan/>

Management structure

The Park has a three-tier management structure:

- Intergovernmental Coordination Council (the superior body, exercising strategic management and solving the issues that require the participation of both Belarusian and Chinese sides);
- Industrial Park Administration (state institution, established by the Council of Ministers of the Republic of Belarus, servicing residents and investors based on the "one-stop shop" principle).
- Industrial Park Development Company, CJSC (established by Belarusian and Chinese founders, responsible for attracting investors, design and construction of the Park infrastructure).

FIGURE 2.3 Three-tier management model



Source: *The Great Stone*⁵⁴

Residents

The Great Stone is primarily a Belarus-China joint venture, but any company – regardless of its country of origin – can apply to join the industrial park. Interested companies must submit either a business project worth at least USD 500,000, to be invested within three years from the moment of the business' registration; or submit a business project worth at least USD 5 million without any time limit for investment; or submit a business project worth at least USD 500,000 tied to research and development.⁵⁵ According to the Great Stone's official website⁵⁶, 75 residents from 14 countries of the world (including Belarus) are registered in the park as of late September 2021.

⁵⁴ <https://en.industrialpark.by/o-parke/struktura-upravleniya/>

⁵⁵ <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

⁵⁶ <https://en.industrialpark.by/>

The declared volume of investments by the residents in the implementation of the investment project must be at least 5 million US dollars, or not less than 500 thousand US dollars, provided that investments are made in the specified amount within three years from the date of the conclusion of an agreement with the Park Administration on the conditions of activity in the industrial park, in the implementation of an investment project for the implementation of R&D - at least 500 thousand US dollars, or at least 500 thousand US dollars in the implementation of an investment project for the implementation of R&D.⁵⁷ By the beginning of 2021, the volume of direct investments received from foreign investors amounted to 44.3 million US dollars.⁵⁸

Incentives

In accordance with the presidential decree, resident companies benefit from a variety of incentives, privileges and preferences, including:

- exemption from income tax for ten years. Subsequently, income tax is paid at a rate that is two times lower than that in force in Belarus (until 2062);
- exemption from real estate tax (until 2062);
- exemption from land tax (until 2062);
- exemption from income tax for foreign organizations that do not operate in the Republic of Belarus through a permanent establishment;
- service of residents on the "one station" principle;
- reduced prices for electricity and natural gas;
- functioning of the "territorial" zone⁵⁹;
- the possibility of construction according to foreign norms without adapting the project to Belarusian norms or with adaptation in a simplified manner;
- reduction of the time required for several procedures;
- stabilization clause.
- payments to the Social Security that are 35% of the national average

Land plots in the industrial park can be rented for 99 years or purchased as private property.

⁵⁷ <https://investinbelarus.by/preferential-regimes/industrial-park-great-stone/>

⁵⁸ https://investinbelarus.by/upload/medialibrary/0c4/guidebook_2021_eng_compressed.pdf

⁵⁹ On January 8, 2019, the CBIP attained the status of territorial SEZ under the customs code of the EAEU. This means administrative bodies, as well as commercial companies, can be located in the CBIP. In addition to the simplification of various customs procedures, residents can set up clusters: one customs control zone will allow other residents to operate inside it. Residents can also rely on the principle of extraterritoriality and set up technological chains and establish corporate ties inside and outside the zone. The EAEU customs code then allows foreign products, which have been submitted to the free customs zone procedure, to be moved from the zone into the remaining territory of the EAEU. (HKTDC)

The park administration provides services to park residents and investors on a "one station" basis. At the Comprehensive Service Center for companies, representatives of government agencies and organizations help companies go through all the necessary administrative procedures and get the appropriate services.⁶⁰

Potential opportunities

The Great Stone has great potential in the field of logistics. A project to create a trade and logistics sub-Park is being implemented by the largest resident of the Great Stone, ZAO China Merchants CHN-BLR Commerce and Logistics Company. In April 2018, Duisburger Hafen AG, the managing company of the largest river port globally in Duisburg, became a shareholder of "Industrial Park Development Company". With its participation, the construction of a multi-modal railway terminal will be carried out in the Great Stone.⁶¹

The Great Stone is also developing a centre of science and innovation as 'a comprehensive platform for nurturing startups and business incubation for scientific and technologically innovative enterprises'. An innovation centre, namely 'Innovation Center for the Commercialization of R&D Achievements', is built.⁶²

60 <https://investinbelarus.by/preferencial-regimes/industrial-park-great-stone/>

61 https://investinbelarus.by/upload/medialibrary/0c4/guidebook_2021_eng_compressed.pdf

62 <https://en.industrialpark.by/innovatsionnyy-tsentr/>

APPENDICES

Appendix 1. Country Profile and Major Events

TABLE A1-1.1 Country profile

| | |
|--------------------------------------|---|
| Official name | Republic of Belarus (The name 'Belarus' is a compound of the Belarusian words "bel" (white) and "Rus" (the Old East Slavic ethnic designation) to form the meaning White Russian or White Ruthenian) |
| Capital | Minsk |
| Total area | Total: 207,600 sq km (86th in the world) <ul style="list-style-type: none"> ▪ Land: 202,900 sq km ▪ Water: 4,700 sq km |
| Landscape | Generally flat with much marshland |
| Climate | Cold winters, cool and moist summers; transitional between continental and maritime |
| Population | 9,441,842 (July 2021 est.) (94th in the world) |
| Population - Major urban area | 2.039 million at Minsk (capital) (2021) |
| Population growth rate | -0.29% (2021 est.) |
| Population distribution | A fairly even distribution throughout most of the country, with urban areas attracting larger and denser populations |
| Urbanization | Urban population: 79.9% of total population (2021) Rate of urbanization: 0.28% annual rate of change (2020-25 est.) |
| Median age | Total: 40.9 years (48th in the world) <ul style="list-style-type: none"> ▪ Male: 38 years ▪ Female: 43.9 years (2020 est.) |
| Human Development Index (HDI) | 0.823 (2019) 0.823 (2018) 0.819 (2017) |
| Corruption Perceptions Index | 63 / 180 (2020) 66 / 180 (2019) 70 / 180 (2018) |
| Language | Russian (official) 70.2%, Belarusian (official) 23.4%, other 3.1% (includes small Polish- and Ukrainian-speaking minorities), unspecified 3.3% (2009 est.) |

16 <https://en.wikipedia.org/wiki/Malaysia>

| | |
|---|---|
| Ethnicity | Belarusian 83.7%, Russian 8.3%, Polish 3.1%, Ukrainian 1.7%, other 2.4%, unspecified 0.9% (2009 est.) |
| Religion | Orthodox 48.3%, Catholic 7.1%, other 3.5%, non-believers 41.1% (2011 est.) |
| Government | Presidential republic in name, although a dictatorship |
| Education | <p>Literacy:</p> <ul style="list-style-type: none"> ▪ definition: age 15 and over can read and write ▪ total population: 99.8% ▪ male: 99.8% ▪ female: 99.7% (2018) <p>School life expectancy (primary to tertiary education):</p> <ul style="list-style-type: none"> ▪ total: 15 years ▪ male: 15 years ▪ female: 16 years (2018) <p>Education expenditures: 4.8% of GDP (2017)</p> |
| Health infrastructure | <p>Physicians density: 5.19 physicians/1,000 population (2015)</p> <p>Hospital bed density: 10.8 beds/1,000 population (2014)</p> <p>Maternal mortality rate: 2 deaths/100,000 live births (2017 est.)</p> <p>Current Health Expenditure: 5.6% of GDP (2018)</p> |
| International organization participation | BSEC (observer), CBSS (observer), CEI, CIS, CSTO, EAEC, EAEU, EAPC, EBRD, FAO, GCTU, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFC, IFRC, ILO, IMF, IMSO, Interpol, IOC, IOM, IPU, ISO, ITU, ITUC (NGOs), MIGA, NAM, NSG, OPCW, OSCE, PCA, PFP, SCO (dialogue member), UN, UNCTAD, UNESCO, UNIDO, UNIFIL, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO (observer), ZC |

Sources: CIA World Factbook, as of September 2020⁶³; UNDP Human Development Report⁶⁴; Transparency International⁶⁵

63 <https://www.cia.gov/the-world-factbook/countries/belarus/>

64 <http://hdr.undp.org/sites/default/files/Country-Profiles/BLR.pdf>

65 <https://www.transparency.org/en/countries/belarus>

Major economic/political events of Belarus after independence

TABLE A1-2 Major economic/political events of Belarus after independence

| Timeline | Milestone |
|----------|---|
| 1991 | Belarus declares its independence as the Soviet Union breaks up. |
| 1994 | Alexander Lukashenko wins the first presidential election on a campaign of fighting corruption and re-establishing close ties with Russia. |
| 1995 | Friendship and cooperation pact signed with Russia, and referendums restore Russian as co-official language and boost the President's powers. |
| 1996 | An agreement to create an economic union is signed with Russia. President Lukashenko increase his powers again and extends his term in office. |
| 1997 | Lukashenko opponents agree on a pro-democracy manifesto entitled Charter 97. Belarus's observer status in the Council of Europe is suspended. |
| 1998 | The Belarus rouble sees its value halved. Food rationing is imposed. Belarus signs an accord with Russia, which would see their currencies and tax systems merge, although this ultimately does not come about. |

Tension with West

| | |
|------|---|
| 2001 | In September, President Lukashenko is re-elected to serve the second term. Opposition and Western observers say elections were unfair and undemocratic. |
| 2002 | In August, President Lukashenko rejects Russian proposals for a tighter union under the Russian constitution, with a unified government and parliament. |
| 2004 | In April, the Council of Europe condemns human rights abuses after report accuses authorities of blocking the investigation into the fate of four men with opposition links who disappeared in Minsk in 1999 and 2000. EU imposes travel restrictions on a number of senior officials. In October, referendum backs change allowing President to serve more than the previous limit of two terms. Opposition parties fail to win a single seat in parliamentary elections held at the same time. Western observers say the vote is neither free nor fair. Street protests ensue. Demonstrators clash with police, and dozens are arrested. In November, the EU extends travel restrictions on senior officials. The US imposes sanctions. |

Poll protests

| | |
|------|--|
| 2006 | In March, President Lukashenko is declared the winner by a landslide in elections condemned as unfair by Western observers. Opposition arrests reported as protesters in capital demand fresh vote. In April, the EU imposes a visa ban on President Lukashenko and numerous ministers and officials. |
|------|--|

Gas and oil row

| | |
|------|--|
| 2006 | In December, after tense negotiations during which Moscow threatened to cut supplies, a new gas deal is signed with Russia, which more than doubles the price and phases in further increases over four years. |
|------|--|

2007 In January, Russia cuts the supply along an oil export pipeline to Europe amid a row with Belarus over taxation and allegations of siphoning. The dispute ends after Russia agrees to cut the oil duty it will charge Belarus.

In May, Belarus fails in its bid to win a seat on the UN Human Rights Council, a result hailed by rights groups as lending credibility to the council.

In August, Russia says it will almost halve gas supplies to Belarus over unpaid debt.

Media curbs

2008 In June, an international tender is launched for a nuclear power plant. Parliament passes new media law that independent journalists say will restrict online reporting and private media funding ahead of the autumn parliamentary elections.

In September, government candidates win all 110 seats in parliamentary polls; European observers say the vote fell short of international standards but note improvements since the last election.

In October, the EU lifts its travel ban on President Alexander Lukashenko to encourage democratic reform a month after the US does the same.

Tensions with Russia

2010 In January, Belarus threatens to cut electricity supply to the Russian Baltic enclave of Kaliningrad in a dispute over Russian oil supplies to Belarus.

In June, President Lukashenko orders the shutdown of the transit of Russian gas to Europe after Moscow slashes supplies to Minsk in a debt dispute. Russia's Gazprom state gas company later resumes supplies after Belarus pays the outstanding debt.

In July, Belarus signs up for customs union with Russia and Kazakhstan despite objections to continued Russian duty on oil and gas exports.

In December, in the Presidential elections, President Lukashenko declared the winner. Opposition and western observers allege vote rigging. Mass protests in Minsk are broken up by force, with 600 arrests.

International sanctions

2011 In January, President Lukashenko is inaugurated for a fourth term in office. The EU reinstates a travel ban on him and freezes his assets, while the US imposes stricter financial controls and widens its travel bans on senior officials.

In April, Belarus cuts the official value of its rouble currency against the dollar by 36%, leaving it still less than half of the freely-traded interbank rate. This follows its most serious balance of payments crisis since independence, which drains its hard currency reserves.

Bailouts

- 2011** In June, Belarus asks the IMF for an emergency loan of up to \$8bn over a balance of payments crisis. Russia halves electricity supplies to Belarus over unpaid bills and to persuade the government to privatize lucrative assets. Belarus seeks a Russian-led \$1.2bn bailout, which is conditional on reforms.
- In September, the Belarusian rouble falls sharply after the government allows a limited flotation to ease the financial crisis.
- In November, Russia agrees to sell Belarus gas at 60% below the price charged to other European countries, in return for the Russian gas monopoly Gazprom taking full ownership of the Belarusian gas pipeline firm Beltranshaz.
- 2012** In February, the European Union recalls its ambassadors from Belarus after the government expels the EU envoy and Polish ambassador in protest at further sanctions.
- In September, major opposition parties boycott parliamentary elections, complaining they are rigged. Organization for Security and Co-operation in Europe observers say election not free.

Overtures to West

- 2015** In August, President Lukashenko pardons six jailed opposition leaders in a move widely seen as an attempt to persuade European Union to open up trade.
- In October, President Lukashenko wins the fifth presidential term. No significant opposition candidate was allowed to stand.
- 2016** In September, two opposition candidates win seats in parliamentary elections in what is otherwise a clean sweep for pro-government forces, although activities say the pair's success was engineered by the authorities.
- 2018** In August, after a scandal involving embezzlement of funds from the health service, President Lukashenko dismisses Prime Minister Andrey Kabyakow and several key ministers. Development Bank chief Syarhey Rumas, an advocate of economic liberalization, takes over.
- 2020** In August, mass protests follow allegations of rigging in the presidential election, which had officially given President Lukashenko 80% of the vote.
- 2021** In June, in response to Belarus's May 23 forced landing of a commercial Ryanair flight between 2 EU member states and the politically motivated arrest of journalists, Canada, the UK, USA and the EU introduce coordinated sector-based economic sanctions on Belarus, targeting a broad range of technology and software, dual-use goods and technology, tobacco, petroleum and potash products, and financial services.

Source: BBC⁶⁶; Baker McKenzie⁶⁷; the UK Government⁶⁸

66 <https://www.bbc.com/news/world-europe-17941637>

67 <https://sanctionsnews.bakermckenzie.com/eu-introduces-sector-based-economic-sanctions-on-belarus/>

68 <https://www.gov.uk/government/news/belarus-sanctions-joint-statement-by-canada-the-eu-uk-and-us>

Appendix 2 Economic Overview

TABLE A2-1 Economic Overview

| | |
|---------------------------------------|---|
| Income status | Upper-middle income |
| Currency | Belarusian ruble |
| GDP (in current US\$) | \$59,015 million (2020) |
| GDP per capita (in current US\$) | \$ 6,245 (2020) |
| GDP Growth | -0.90 % (2020) 1.22% (2019 est.) 3.17% (2018 est.) |
| Unemployment rate | 0.8% (2017 est.) 1% (2016 est.) |
| Gini Index Coefficient | 25.3 (2019) 25.2 (2018) 25.4 (2017) |
| Inflation, consumer prices (annual %) | 5.6% (2019 est.) 4.8% (2018 est.) 6% (2017 est.) |
| Industries | metal-cutting machine tools, tractors, trucks, earthmovers, motorcycles, synthetic fibres, fertilizer, textiles, refrigerators, washing machines and other household appliances |
| GDP by sector | Agriculture: 8.1% (2017 est.) Industry: 40.8% (2017 est.) Services: 51.1% (2017 est.) |
| Credit ratings | Fitch rating: B (2018) Moody's rating: B3 (2018) Standard & Poor's rating: B (2017) |
| Internet users | 79.13% of the population: (July 2018 est.) |

Source: CIA World Fact Book⁶⁹; UNCTAD Stat⁷⁰; World Bank Dataset⁷¹

69 <https://www.cia.gov/the-world-factbook/countries/belarus/#economy>

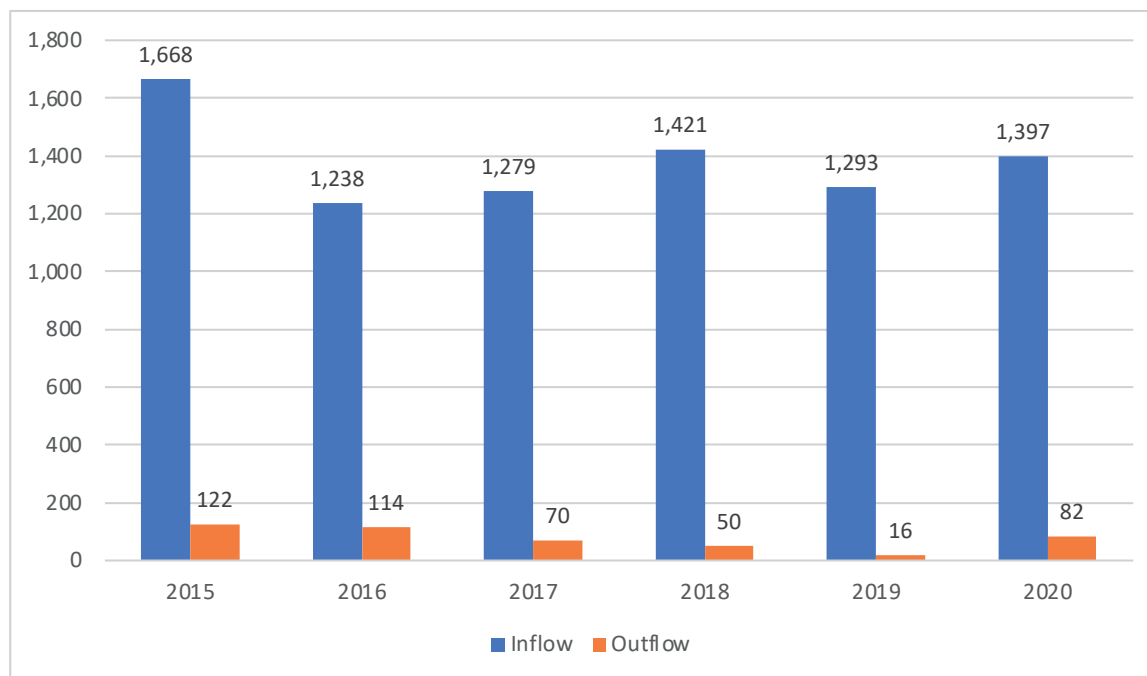
70 <https://unctadstat.unctad.org/countryprofile/generalprofile/en-gb/112/index.html>

71 <https://data.worldbank.org/indicator/SI.POV.GINI?locations=BY>

Appendix 3 Foreign Direct Investment

According to UNCTAD's World Investment Report 2021, FDI inflows to Belarus grew by 8% to USD 1.4 billion, making the country the fifth-largest recipient in 2020. The total stock of FDI was currently estimated at USD 14.5 billion in 2020.⁷²

FIGURE A3-1 Foreign Direct Investment Flow (in US\$ million)

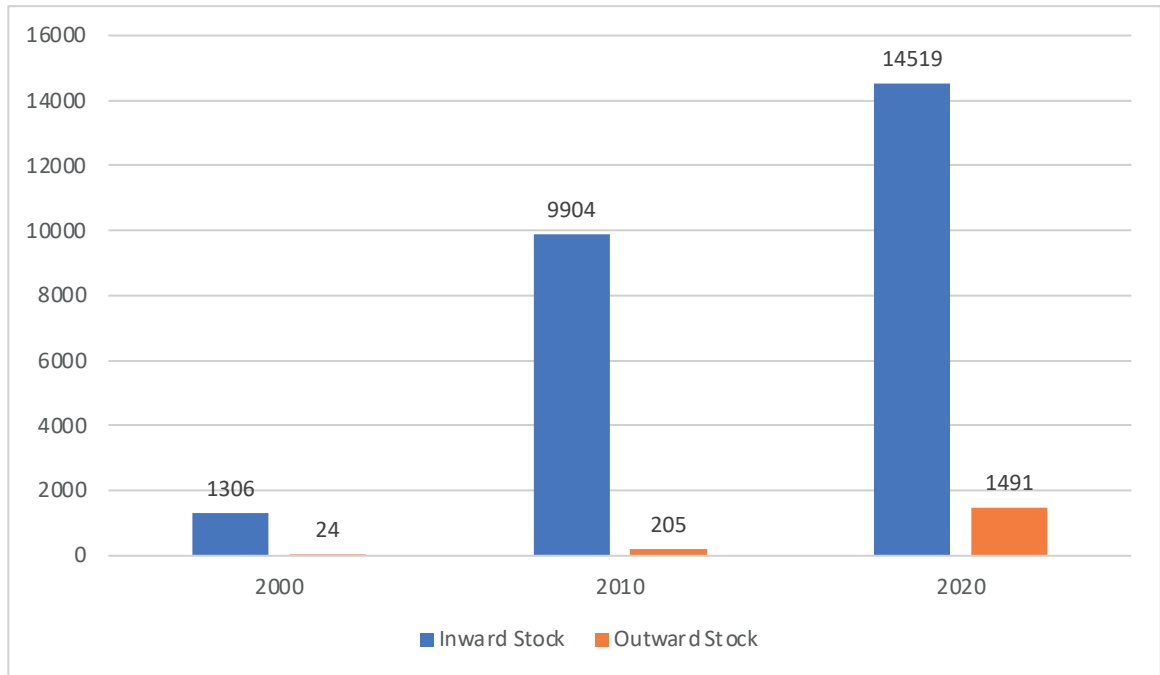


Source: UNCTAD World Investment Report 2021⁷³

⁷² https://international.groupecreditagricole.com/en/international-support/belarus/investing?accepter_cookies=oui

⁷³ https://unctad.org/system/files/official-document/wir2021_en.pdf

FIGURE A3-2 Foreign Direct Investment Stock (in US\$ million)



Source: UNCTAD World Investment Report 2021

Appendix 4 International Trade

Belarus, a founding member of the EAEU, serves not only as a gateway to the EAEU's other signatories but also to the whole regional market. Products made in Belarus can be treated, subject to the country-of-origin rules, as Belarusian-made and are, therefore, exportable tariff-free to other EAEU markets.

Belarus has few mineral resources of its own and is therefore striving to stimulate foreign investment to promote privatization, economic restructuring and innovative development. Priority areas include pharmaceuticals, food, transport and logistics, chemistry and petro-chemistry, mechanical engineering, renewable energy and information technology.

TABLE A4-1 Multinational Trade Agreements of Belarus

| Agreement | Objectives | Member states | Status | Remarks |
|---|---|---|---|---|
| EAEU | Free movement of goods, services, capital and labour, and pursues a coordinated and harmonized single policy in the sectors determined by the treaty and international agreements within the union | Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia | Established in January 2015 | Firms remain removed from the EU and other major trade blocs |
| Commonwealth of Independent States (CIS) Free Trade Area | To reduce all trade fees on several goods between participating countries; for more intense scientific and technical cooperation, and further development in agriculture, transport, science, culture, education, sport and tourism | Russia, Ukraine, Belarus, Uzbekistan, Moldova, Armenia, Kyrgyzstan and Kazakhstan | Established in September 2012 | |
| Agreement on the Establishment of the Union State of Belarus and Russia | To set up a legal basis for integration between the two countries | Belarus and Russia | Signed in 1999 | Collaborations in trade and energy; economic integration, and financial support |
| EAEU-Vietnam | Free trade | EAEU and Vietnam | Established in October 2016 | To provide for significant tariff reduction for Belarusian exports to Vietnam (potash fertilizers, meat and dairy products, tractors, combines, trucks, refrigerators, medicines and food products) |
| Association of Southeast Asian Nations (ASEAN)-EAEU | Free trade | ASEAN and EAEU | Under Negotiation; MoU signed in September 2018 | For firms in the EAEU to boost trade with the more advanced economies in ASEAN |

Sources: HKTDTC, WTO Trade Policy Review, WTO Regional Trade Agreements database, European Commission, Fitch Solutions⁷⁴

74 <https://research.hktdc.com/en/article/MzU3ODE3NjY5>

Appendix 5 Labour Policies

Belarus has a highly skilled and well-educated workforce, due to its advanced system of higher and specialized education. Wages are lower than in Western Europe, the United States, and even Russia.⁷⁵

The Ministry of Labour and Social Protection of the Republic of Belarus is the supreme state authority responsible for the public policy of labour and employment.⁷⁶ The Constitution, the Labor Code, and presidential decrees are the main documents regulating the Labor Market in Belarus. Prior to the 1999 Presidential Decree No. 29, the vast majority of the labour contracts in the country were open-ended work agreements. Decree No. 29 established a new option to employ workers on 1-5 year-long term contracts and to transfer current employees to these new type contracts.⁷⁷ According to the Labour Code, an employment contract shall be concluded in writing.⁷⁸ Some mandatory conditions that must be included in each employment contract are also stipulated by the Labour Code. In 2019, more than 90 percent of employees in Belarus were working on term contracts.⁷⁹

Belarus has been a member of the International Labor Organization (ILO) since 1954 and is a party to almost 50 ILO conventions.⁸⁰

75 <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

76 <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

77 <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

78 https://investinbelarus.by/upload/medialibrary/774/db_2020_eng.pdf

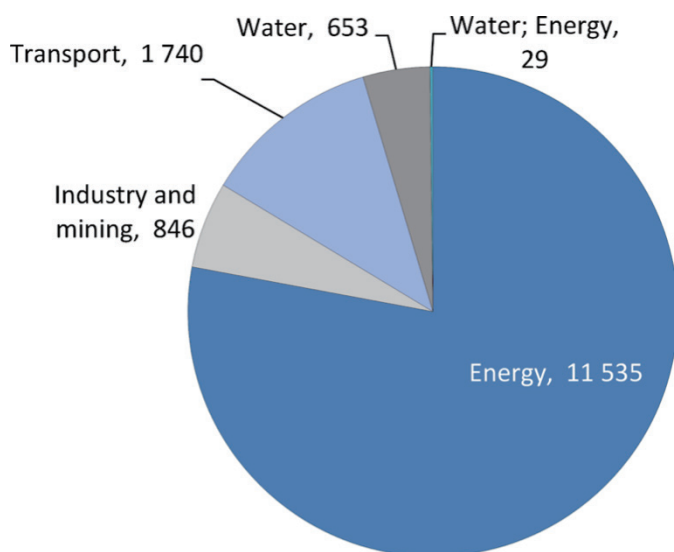
79 <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

80 <https://www.state.gov/reports/2020-investment-climate-statements/belarus/>

Appendix 6 Infrastructure Overview⁸¹

The OECD's database tracks 26 major infrastructure projects planned or under construction in Belarus with a cumulative value of USD 14.8 billion. By value, energy projects account for the bulk of Belarus's infrastructure investments (78%, USD 11.5 billion), with transport (12%, USD 1.7 billion), industry and mining (6%, USD 0.8 billion) and water (4%, USD 0.7 billion) making up the remainder (Figure A6-1).

FIGURE A6-1 Investment projects in Belarus, by sector (Planned and under construction, in USD million)



Source: OECD analysis based on accessed databases as of June 2020.

⁸¹ <https://www.oecd-ilibrary.org/sites/97b2b9dd-en/index.html?itemId=/content/component/97b2b9dd-en#chapter-d1e8865>

Transport

Belarus's transport infrastructure network is extensive, but modernization and increased connectivity could help the country take full advantage of its position between Russia (and other markets further east) and the European Union. While the highway network has grown only modestly, the volumes of freight that it carries have increased sharply over the past two decades.

The National Strategy for Socioeconomic Development for the period to 2035 lays out a vision for the development of Belarus's transport system and increase the country's potential to support export-oriented sectors and the transit of goods, notably through the digitalization of transport and logistics services. A key component of the strategy's vision for Belarus's transport sector is the inclusion of more private sector actors, especially through private-public partnerships, and levelling the playing field by eliminating cross-subsidies for transport.

Energy

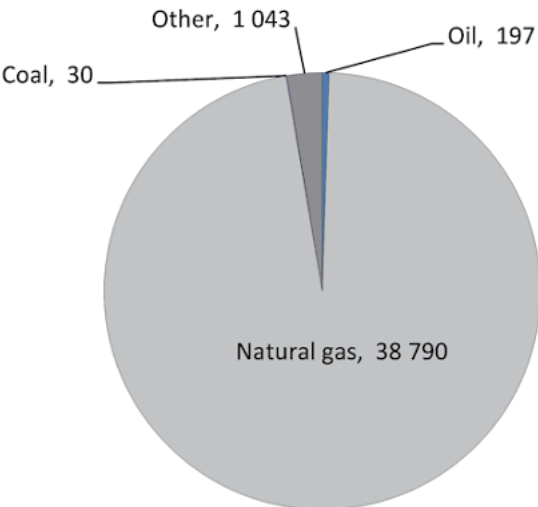
Belarus is one of the least energy self-sufficient countries in the world. Domestic production covers only about 15% of Belarus's energy demand, with imports, primarily from a single supplier, Russia, covering the shortfall (IEA, 2020). Due to increasing concerns about supply disruptions in the case of a dispute with Russia, Belarus has begun seeking to diversify its suppliers (S&P Global Platts, 2020).

Like other former Soviet Union countries, Belarus has achieved universal electricity access. Its electricity supply is quite reliable, with businesses reporting few power outages per year (World Bank, 2020). As a key transit country for Russian natural gas, Belarus has interconnections with the gas networks of Lithuania, Poland, Russia and Ukraine. Although Belarus aims to diversify its gas supply, the contractual arrangements between Russia's Gazprom and Belarus's Gazprom Transgaz Belarus do not permit reversing the flow of Belarus's pipelines to import natural gas from other suppliers like Lithuania and Poland (Energy Community Secretariat, 2018)

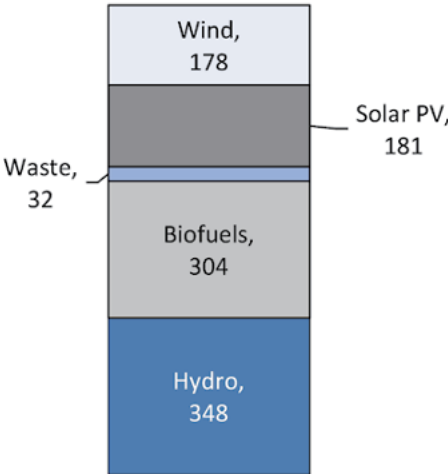
Belarus generates almost all of its electricity (94%) from imported natural gas, with various renewables (3%) accounting for almost all of the remainder (Figure A6-2 (a)). Belarus has begun integrating renewable power generation, particularly from hydroelectric power plants, biomass incineration and solar photovoltaics (Figure A6-2 (b)).

FIGURE A6-2 Electricity generation by source, GWh, 2019

(a) Electricity generation by source



(b) Breakdown of "Other"



Source: IEA (2021)

Appendix 7 Chinese Investment in Belarus

China is one of the most important trade and economic partners of Belarus. In 2019, China was the second largest import partner of Belarus, following Russia, though its share of volume (9.28%) is way much smaller than that of Russia (54.78%). In 2019, China exported \$2.59B to Belarus. The main products that China exported to Belarus are Broadcasting Equipment (\$176M), Vehicle Parts (\$140M), and Cars (\$71.2M). During the last 24 years, the exports of China to Belarus have increased at an annualized rate of 26.1%, from \$10M in 1995 to \$2.59B in 2019. In the same year, Belarus exported \$664M to China. The main products that Belarus exported to China were Potassic Fertilizers (\$353M), Sulfate Chemical Woodpulp (\$49.1M), and Polyamides (\$35.1M). During the last 24 years, the exports of Belarus to China have increased at an annualized rate of 14.9%, from \$23.6M in 1995 to \$664M in 2019.⁸²

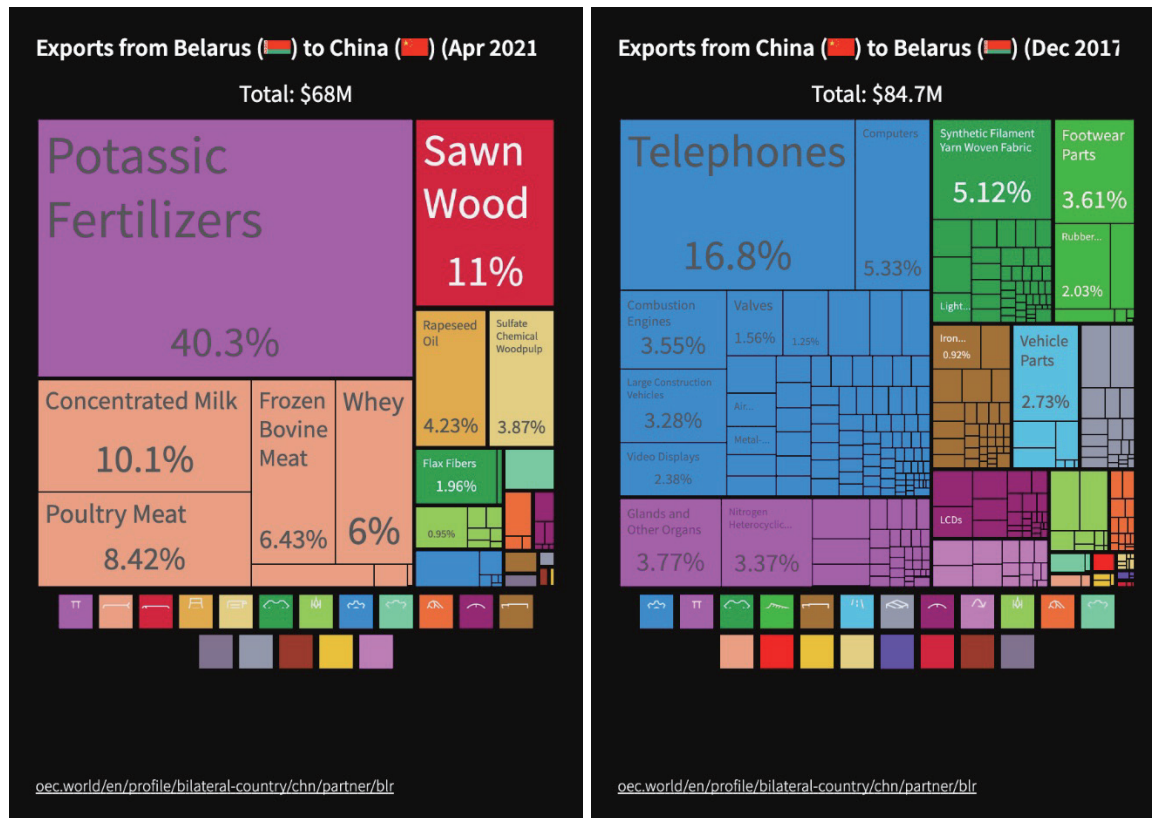
FIGURE A7-1 Bilateral Trade with China (Millions USD)



Source: World Bank, World Integrated Trade Solution⁸³

⁸³ <https://wits.worldbank.org/CountryProfile/en/Country/BLR/Year/LTST/Summary>

FIGURE A7-2 Goods and products traded with China



The structure of exports to China is poorly diversified. In the near term, goods such as high-performance intelligent equipment, vehicles, food and medical equipment will be the most sought-after in terms of China's national interests. Food products made primarily from local raw materials have significant export potential based on demand trends and existing limitations.⁸⁵

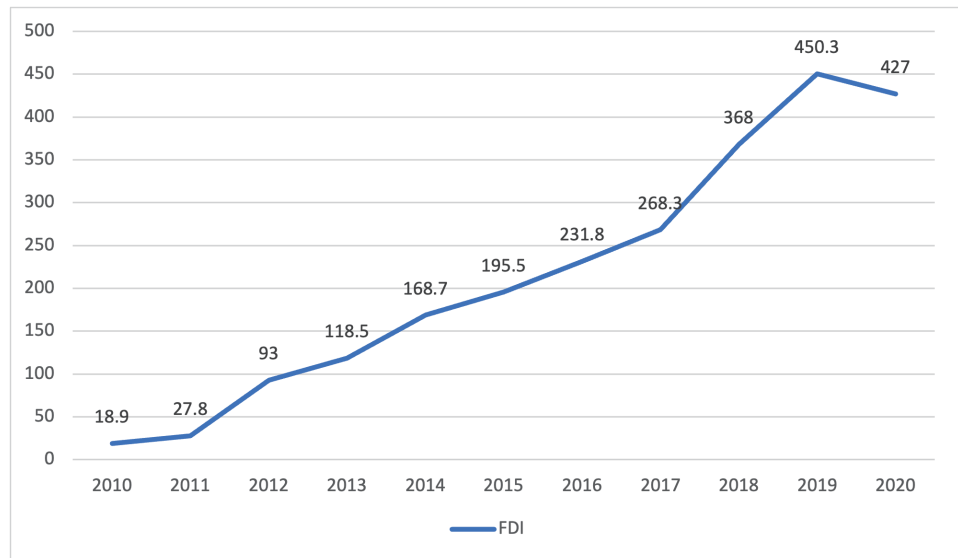
84 <https://oec.world/en/profile/bilateral-country/chn/partner/blr>

85 https://investinbelarus.by/upload/medialibrary/0c4/guidebook_2021_eng_compressed.pdf

China's FDI inflow to Belarus

The steady growth of China's FDI inflow to Belarus has been recorded in the last decade, and the figure peaked in 2019 (USD 450.3 million). The most dramatic increase occurred in 2017, when a 37% increase was observed. In 2020, the volume slightly dropped by 5% to USD 427 million.

FIGURE A7-3 China's FDI inflow to Belarus (in US\$ million), 2011-2020



Source: National Bank of the Republic of Belarus, "Foreign direct investments in the reporting economy for 2011-2020."⁸⁶

⁸⁶ https://investinbelarus.by/upload/medialibrary/0c4/guidebook_2021_eng_compressed.pdf

As of the beginning of 2020, 151 companies with Chinese investments were registered in Belarus: 45 joint ventures and 106 with Chinese capital. For comparison, by the beginning of 2019, 106 companies with Chinese investments were registered in Belarus: 37 joint ventures and 89 with Chinese capital.⁸⁷

A developed contractual legal framework for cooperation has been established between the Republic of Belarus and the People's Republic of China. More than 80 contracts have been signed. The most important ones are the joint declaration of Belarus and China on establishing trustworthy all-round strategic partnership and mutually beneficial cooperation, as well as agreements on trade and economic cooperation, on avoiding double taxation, on encouraging and mutual protection of investments.⁸⁸

Treaties and agreements between Hong Kong, Mainland China and Belarus:

- As an important step in encouraging greater synergy between Hong Kong and Belarus, as of February 13, 2018, Hong Kong citizens have been allowed to visit Belarus visa-free for 14 days, after the Comprehensive Double Taxation Agreement between Hong Kong and Belarus came into force on November 30, 2017.
- Belarus has a BIT with Mainland China that entered into force on January 14, 1995.
- Belarus has had a tax treaty with Mainland China that has been applicable since October 3, 1996.⁸⁹

87 https://investinbelarus.by/upload/medialibrary/0c4/guidebook_2021_eng_compressed.pdf

88 https://investinbelarus.by/upload/medialibrary/0c4/guidebook_2021_eng_compressed.pdf

89 <https://research.hktdc.com/en/data-and-profiles/market-profiles/belarus>

Appendix 8 COVID-19 in Belarus

By Eliza Ying Ching Chan⁹⁰

Key figures

Number of confirmed cases: 561,753

Deaths: 4,319

Vaccine doses: 3,085,256

FIGURE A8-1 COVID-19 trends in Belarus

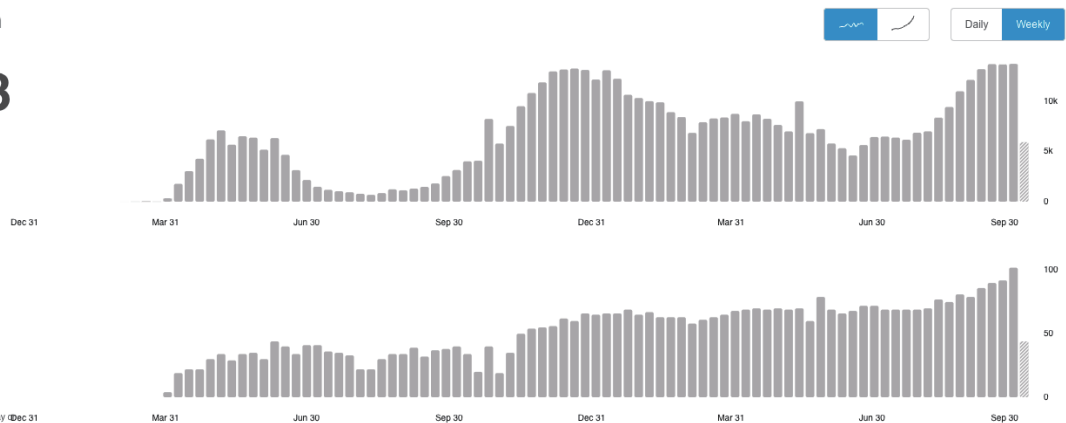
In **Belarus**, from **3 January 2020** to **3:58pm CEST, 13 October 2021**, there have been **561,753 confirmed cases** of COVID-19 with **4,319 deaths**, reported to WHO. As of **2 October 2021**, a total of **3,862,369 vaccine doses** have been administered.

Belarus Situation

561,753
confirmed cases

4,319
deaths

Source: World Health Organization
Data may be incomplete for the current day (Dec 31 week).



Source: World Health Organization

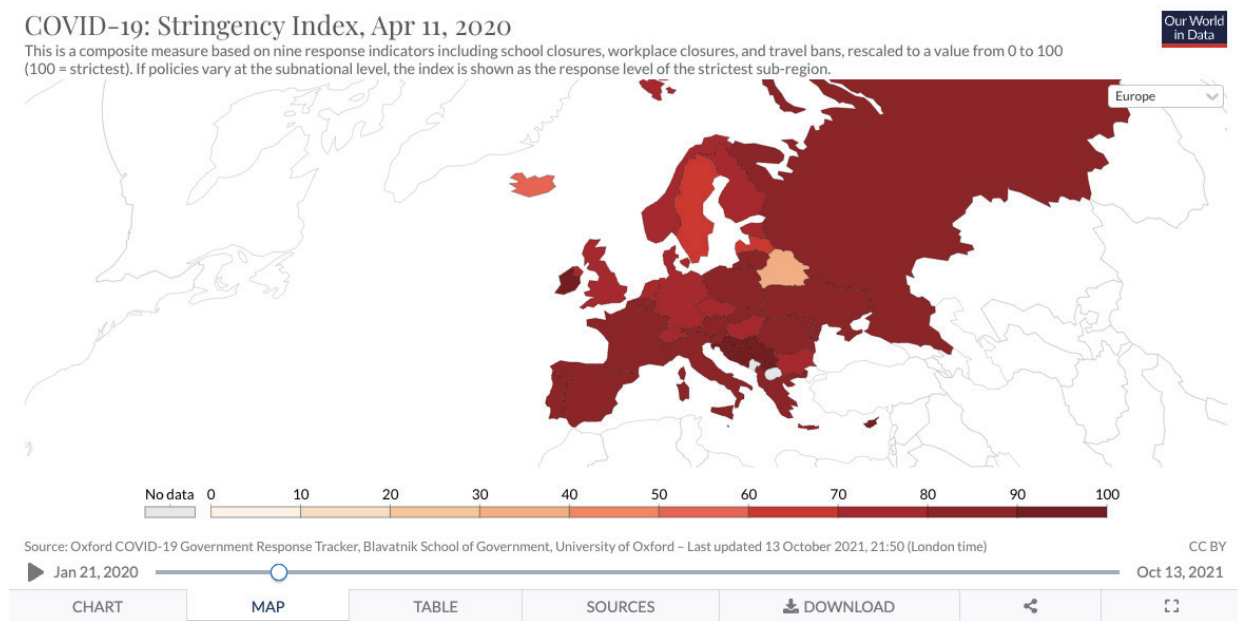
The first wave of COVID-19 of Belarus started from late March 2020 to early July, 2020. This first case of COVID-19 in Belarus was brought by a student from Iran. Later, the wave burst because of the travellers from Western Europe and migrant workers (Åslund 2020). The first death of COVID-19 in Belarus happened on 31/3/2020.⁹¹

⁹⁰ Student Research Intern, CSHK

⁹¹ <https://www.reuters.com/article/us-health-coronavirus-belarus-death-idUSKBN2111F6>

The Belarusian government had limited reaction to the COVID during these periods. As presented by the Blavatnik School of Government, University of Oxford, compared with neighbouring nations, the Belarusian government-imposed less restrictions on citizen's everyday life (see Figure A8-2). In February, the Healthcare Minister Vladimir Karanik mentioned that there was no need for widespread use of facemasks.⁹² Later in mid-March, the government started to implement policies to ensure public health, including banning mass events⁹³, and advising visitors to self-isolate.

FIGURE A8-2 COVID-19 Stringency Index on April 11, 2020



Source: Oxford Covid-19 Government Tracker, Blavatnik School of Government, University of Oxford

The second wave of COVID rose from October 2020 to May 2021. During this period, the government also tried to support the citizens in terms of social and economic security. However, according to a research that involved 80% of companies in Belarus, the support was misdirected and not sufficient.

The third wave of COVID came in late April as the number of confirmed cases rose again.⁹⁴ However, the rise in new cases was not as severe as the previous two waves. It was believed that the third wave began because the warmer weather encouraged people to spend more time outdoors and gathering with others. The government had urged the citizens to follow the safety measures, for instance, wearing face masks, maintaining social distances, and washing hands. Healthcare Minister Dmitry Pinevich emphasized that the Belarusian healthcare system was ready for the third wave. Furthermore, the government also encourages Belarusian to take vaccinations. It is mentioned that the detection of the Delta (Indian) variant of coronavirus in Belarus has heightened the urgency of vaccinations in the country.

92 <https://eng.belta.by/society/view/healthcare-minister-no-need-for-wide-use-of-face-masks-in-belarus-128208-2020/>

93 https://www.belarus.by/en/press-center/press-release/belarus-bans-mass-events-till-6-april_i_109785.html

94 https://www.belarus.by/en/press-center/news/third-covid-19-wave-reaches-belarus_i_128310.html

The Belarusian government started to implement stricter rules after the first wave began, imposing laws including mandatory self-isolation for those who returned from countries with confirmed COVID-19 cases. Still, the government was considered one of the states with the least response towards the pandemic, for instance, there are no lockdown measures throughout the pandemic. In May 2021, the government had considered cancelling the quarantine requirement for vaccinated tourists. The government had said that Belarus has learned to live with the pandemic and to fight the virus using immunization and safety measures.

Vaccination

Belarusian President Lukashenko had mentioned in December 2020, the vaccine would mainly come from Russia, the Russian vaccine produced in Belarus, and Belarus' COVID-19 vaccine.

Belarus had been one of the earliest countries that had received Russia's vaccine, Sputnik V. They are also one of the earliest batches that had gotten the Sputnik Light from Russia. As from China, Sinopharm also arrived in Belarus as one of the legitimate vaccines. On the other hand, Belarus is also trying to develop their vaccines. The executive order of producing Belarus' vaccine was signed in April 2021.⁹⁵ The vaccine will be available for the general public in H1 2023.

The Belarusian government had emphasized that there are abundant vaccines for all Belarusians. Until 24/8/2021, more than 77% of healthcare workers and about 42% of school staff and other education and childcare professionals have received both doses of the COVID-19 vaccine, and a total of 11% of Ministers have been vaccinated against COVID-19. Currently, Belarus welcomes foreigners to take vaccines in Belarus.⁹⁶

⁹⁵ <https://eng.belta.by/president/view/lukashenko-signs-executive-order-on-creating-belarusian-covid-19-vaccine-138714-2021/>

⁹⁶ <https://eng.belta.by/president/view/foreigners-encouraged-to-get-vaccine-shots-in-belarus-141361-2021/>

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CHAPTER 1

BUSINESS ENVIRONMENT

IN DJIBOUTI

On the northeast coast of the Horn of Africa, Djibouti (République de Djibouti) is located on the Bab el Mandeb Strait, which lies to the east and separates the Red Sea from the Gulf of Aden (Schraeder, 2021). Djibouti city (Ville de Djibouti), as the capital, is built on coral reefs that jut into the southern entrance of the gulf; other major towns are Obock, Tadjoura, Ali Sabieh, Arta, and Dikhil (Schraeder, 2021).

FIGURE 1.1 Map of Djibouti



Source: United Nations, 2020.⁹⁷

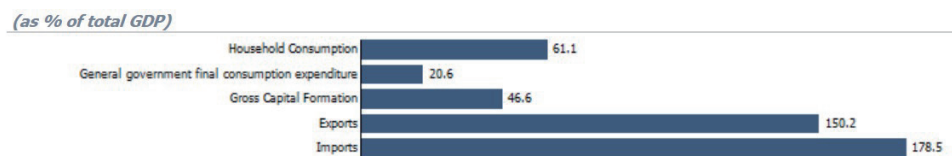
Djibouti is one of the smallest countries in Africa. The whole area of the country is about 23,200 km² and the population is about one million. As the size of the economy is relatively small, the ability of Djibouti to diversify its industrial production is also limited. For example, the arable land of Djibouti only accounts for 0.04% of its total land area, which is less than 1,000 km² (World Bank, 2021). With only 130 millimeters' rainfall every year, the country has to rely on imports to meet the food needs (World Bank, 2021)⁹⁸. Thus, Djibouti is vulnerable to the changes in the global market and has to rely largely on foreign investments (World Bank, 2021).

FIGURE 1.2 Economic indicators

| <i>(millions of US\$ unless otherwise)</i> | 2005 | 2010 | 2015 | 2020 |
|--|---------|---------|---------|---------|
| GDP, current | 709 | 1 244 | 2 445 | 3 225 |
| GDP per capita, current US\$ | 905 | 1 480 | 2 676 | 3 264 |
| Real GDP growth, y-on-y, % | 3.56 | 11.74 | 7.70 | -1.00 |
| Current account balance, % of GDP | 2.84 | 4.06 | 29.21 | .. |
| Exchange rate (/US\$) | 177.721 | 177.721 | 177.720 | 177.720 |

Source: UNCTAD, 2021⁹⁹

FIGURE 1.3 GDP by expenditure in 2019



Source: UNCTAD, 2021

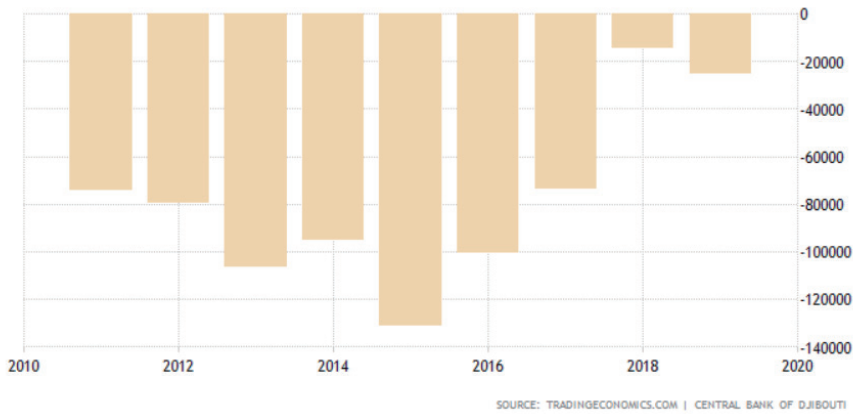
Figure 1.2 and 1.3 show some basic economic information of Djibouti. Djibouti has some natural assets that could be used for tourism, and untapped marine resources that is available for more artisanal fishing, and the undersea telecommunications cables which will support new digital and service industries. In recent several years, Djibouti also actively promotes the development of renewable energy, such as geothermal, solar, and eolian (World Bank, 2021).

The pandemic in 2020 did not affect the economy of Djibouti very seriously. The future economic outlook of Djibouti still remains positive: the economic growth is set to reach 6.2% over 2022 and 2023, as free zone re-exports and economic activities with neighboring countries are recovered (World Bank, 2021).

⁹⁸ <https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-djibouti.html>

⁹⁹ <https://unctadstat.unctad.org/countryprofile/generalprofile/en-gb/262/index.html>

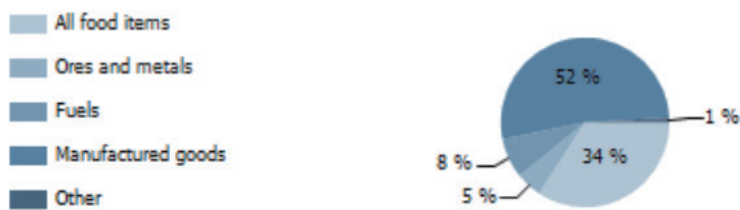
FIGURE 1.4 Situation of Trade Balance (Djibouti Franc Million)



Source: Trading Economics¹⁰⁰

FIGURE 1.5 Export structure by product group in 2020

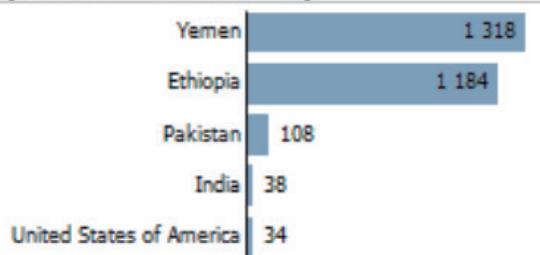
(as % of total exports)



Source: UNCTAD, 2021

FIGURE 1.6 Top 5 partners in export

(exports, millions of US\$)



Source: UNCTAD, 2021

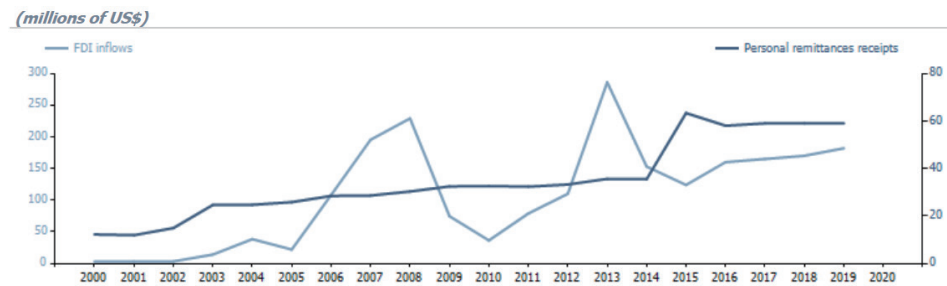
100 <https://tradingeconomics.com/djibouti/balance-of-trade>

FIGURE 1.7 International trade in services

| INTERNATIONAL TRADE IN SERVICES  | | | | |
|---|------|------|------|------|
| Total trade in services² | | | | |
| <i>(millions of US\$)</i> | 2005 | 2010 | 2015 | 2020 |
| Services exports | 248 | 336 | 943 | - |
| Services imports | 84 | 119 | 534 | - |
| Services trade balance | 165 | 217 | 410 | - |
| Services exports by main category² | | | | |
| <i>(as % of total services)</i> | 2005 | 2010 | 2015 | 2020 |
| Transport | 30.2 | 34.2 | 52.7 | - |
| Travel | 2.9 | 5.4 | 4.2 | - |
| Other services | 67.0 | 60.4 | 43.1 | - |

Source: UNCTAD, 2021

FIGURE 1.8 Financial flows trends



Source: UNCTAD, 2021

Djibouti's economy is mainly driven by the "state-of-the-art port complex", which is one of the most sophisticated in the world (World Bank, 2021). Through the port complex, including the port and adjacent integrated free zones, the trade volume is growing rapidly through close cooperation with the trading partners. Thus, despite a fall in GDP growth because of the pandemic, the real data is still positive at 0.5% in 2020, owing to several key domestic market-oriented sectors' development, such as construction, trade and energy, and a strong trade connection with Ethiopia, especially in the imports and exports of transportation, logistics, and telecommunication services (World Bank, 2021).

The inflation rate is maintained at a low level at 1.8% in 2020, down from 3.3% in 2019 (World Bank, 2021). Yet, the percentage of extreme poverty is increased slightly to 14.7% in 2020 (World Bank, 2021). But Djibouti has a series of ongoing infrastructure projects, such as the construction of a ship repair yard, a new oil jetty at the Port of Damerjog and new hospitality infrastructure, which will also promote the economic development and create more jobs. The shipyard's repair and maintenance capabilities are expected to attract more shipping transportation activities to Djibouti, keeping Djibouti competitive over ports in neighboring countries, and to foster its growth into a regional trade and logistics hub (World Bank, 2021).¹⁰¹

1.9 Government policies and priorities

Djibouti, with limited resources, accords high priority in attracting foreign investment. The country's strengths include its strategic geographic location, the free zones, the open trade regime, and a stable currency (US government, 2020). Djibouti has identified a number of priority sectors for investment, including transport and logistics, real estate, energy, and tourism (US government, 2020).

In 2019, according to the United Nations Conference of Trade and Development, FDI stock of Djibouti represented 52.5% of GDP, up slightly from 52.2% in 2018. Real GDP growth has remained between 5% and a little over 8% per year for the preceding five years. In recent years, Djibouti undertook a series of infrastructure loans based on foreign investments to posture themselves as the "Singapore of Africa", including a new gas terminal and pipeline to Ethiopia, a new port, the improved road systems, a railroad connecting Djibouti and Addis Ababa, and a water pipeline from Ethiopia (US government, 2020). In April 2018, the Government presented tax, labor, and financial reforms to improve their investment climate (US government, 2020).¹⁰²

Djibouti 2035 Vision¹⁰³

The 'Djibouti 2035 Vision' was launched by the Ministry of Economy and Finance of the Government of Djibouti at the World Bank event of High-Level Development Exchange held in 2014 (World Bank, 2014). The event aims to establish a platform for more communication, knowledge sharing and policy instrument development, in order to better reduce poverty, create more jobs, and establish a more dynamic private sector in the developing economies (World Bank, 2014)¹⁰⁴.

Djibouti 2035 Vision anticipates the country would become the 'lighthouse' of the Red Sea and the commercial and logistics hub in Africa (Djibouti Embassy, 2018a). The main objective of the vision is to transform the economy into an international and regional economic, commercial, and financial pole that guarantees Djibouti's wellbeing in a peaceful, secured, and clean atmosphere (Djibouti Embassy, 2018b).

This vision proposed five 'pillars' that are expected to trigger economic transformation and set the country on a new development track (Table 1.1).

¹⁰² <https://www.state.gov/reports/2020-investment-climate-statements/djibouti/>

¹⁰³ <https://djiboutiembassykuwait.net/en/p/index/14>

¹⁰⁴ <https://documents1.worldbank.org/curated/fr/870641468246040913/pdf/916950WPODJI00x385342B00300PUBLIC0.pdf>

TABLE 1.1 Five pillars of Djibouti 2035 Vision

| Five pillars | Main objectives |
|---|---|
| National peace and unity | <ul style="list-style-type: none"> Promote social justice, equity, and the State's capacities in addition to the culture of peace Promote national cultural and a national conscious Promote a comprehensive defense policy that guaranties the security of persons and goods |
| Good governance | <ul style="list-style-type: none"> Reinforce Democracy, with good governance as a social norm Invest in the modernization of the judicial system Reinforce the capacities of the administration and E-government Enhance citizens' participation and reinforce the civil society Promote media, instruments of good governance Consolidate the business environment and reinforce private initiative Elaborate mechanisms to prevent and fight corruption |
| Diversified and competitive economy, with the private sector as a main driver | <ul style="list-style-type: none"> Promote a diversified growth and the essential role of the private sector: new model of economic growth Promote a virtuous macroeconomic policy Establish an adequate strategy to finance and preserve financial equilibrium Promote the development of a financial market Ensure the country's supply Promote the attractiveness of the country and of strategic partnerships Establish a wisely planned land: plan of comprehensive and integrated national land planning Establish a global employment policy |
| Consolidation of human capital | <ul style="list-style-type: none"> Ensure Djiboutian men and women's wellbeing, which is the goal of long-term development Reduce poverty (social actions, solidarity...) Elaborate a comprehensive health policy revolving around prevision, prevention, and education-awareness Create a new educational system Promote a food and nutritional security strategy Develop an accommodation policy adapted to national socio-cultural environment Promote the artistic and cultural creation Define and implement a national population policy |
| Regional integration and international cooperation | <ul style="list-style-type: none"> Develop commercial integration and services platform in the sub-region Ensure Djibouti's commercial integration under IGAD and COMESA Transform Djibouti into a regional maritime outlet and services platform Reinforce the national strategy of international and economic cooperation |

Source: *Djibouti 2035 Vision*

Specifically, as to the third pillar, 'diversified and competitive economy, with the private sector as a main driver', the Vision identifies some key sectors for future development (Table 1.2).

TABLE 1.2 Key sectors with government priority

| Sectors | Main objectives/actions |
|--|--|
| Tourism | The establishment of: A capital pole (business and pleasure tourism), seaside pole (seaside and diving pole implanted on primary development sites), and an eco-responsible pole (discovery tourism in archeological and prehistoric sites). |
| Fishing | Three-axis development model: The first axis consists of intensifying the exploitation of big demersal species, while encouraging the acquisition of new boats of a bigger range. The second axis aims at exploiting small pelagic resources. Finally, the third axis consists of the experimentation of new fisheries, especially mollusks and crustaceans through the promotion of aquaculture. |
| New Information and Communication Technologies | This sector's vision will revolve around two axes. The first one consists of the modernization of telecommunications sector with openness to the market which will allow the reduction of costs and the improvement of the quality of the service. This openness will be accompanied by the repositioning of Djibouti Telecom in its expertise field and the openness of other segments of the market to private investors. The second development axis will lead to the reinforcement of the existing telecommunications infrastructure to promote the development of offshoring activities, especially Call Centers that will offer job opportunities for young graduates mastering languages. |
| Transport and logistics sector | <ul style="list-style-type: none"> a. The development of a "logistic" zone; b. The development of a Djiboutian road transportation center; c. The construction of a New Modern Airport and a Cargo Village; d. The construction of two railways |
| Mines and Hydrocarbons | The presence of different mining resources constitutes an opportunity to develop the industrial sector and to create incomes and jobs. The Government will implement fast provisions for the exploitation of minerals already identified, while operations of research for underground resources will be undertaken on sites where indexes were identified. |

The Development of Industry and Crafts

- The fight against youth and women's unemployment;
The fight against poverty of vulnerable populations,
The need to create small handicraft industries of service and basic production through:
- The promotion of small and medium enterprises of transformation of national potentialities and their valorization;
 - The development of small entities of exploitation and production of elements from fields of agro pastoral or sea wealth;
 - The fixation of nomad populations of internal regions in their respective zones in order to face emigration to the capital of Djibouti;
 - The creation of economic and cohesive poles in the regions alongside the establishment of decentralizations.

Agriculture and Livestock

- a. Improving access to water;
- b. Increasing agricultural production and productivity to improve food security and increase the incomes of the primary sector's operators;
- c. Rationally exploiting fishing resources;
- d. Reinforcing capacities of producers' organizations and of supporting institutional structures.

Agriculture:

- Boosting new areas while taking into consideration the availability of water resources, including the mobilization of surface water;
- Simplifying the irrigation system that rationalizes the use of water;
- Using seeds of good quality and other appropriate inputs;
- Simplifying new cultural techniques apply to agriculture;
- Undertaking a behavior test and introducing varieties and breeds of plants that tolerate salinity and resist droughts;
- Developing greenhouse agricultural;
- Improving the exploitation of existing water resources and improving research to detect new sources of water;
- Recycling waste water for vegetable production purposes.

Livestock:

- Promoting and establishing sponsors in livestock sector through a bonus and financing system;
- Increasing animal production;
- enforcing capacities of veterinary control;
- Valorizing animal production;
- Increasing the productivity of national livestock through the adoption of an appropriate livestock system;
- The promotion of research-development in regards with livestock.

Source: Djibouti 2035 Vision

The Vision also identifies three major challenges (Table 1.3).

TABLE 1.3 Three challenges to be met

| Five pillars | Main objectives |
|---|--|
| Challenges that three past decades could not overcome | The development of the primary and secondary sectors, especially the promotion of industrial activities, in particular the industry of essential goods production based on comparative advantages. |
| | The encouragement of small-scale farming (peri-urban) and programs of regional agricultural areas that allow the alleviation of food insecurity effects. |
| | The promotion of the role of private initiatives, trade, the sub-regional integration, and openness. |

Source: Djibouti 2035 Vision

According to the macroeconomic projections in the Vision, GDP growth will be accelerated to reach a high and sustainable level. The goal is to raise growth rate to an annual average of 7.5% to 10% in real terms during the period of 2013-2035. The growth plan will allow the creation of more than 200 thousand jobs during 2013-2035. Unemployment rate is projected to be greatly reduced from 48.4% in 2012 to 10% by 2035 (Djibouti Embassy, 2018).

TABLE 1.4 Expected structural changes in Djibouti economy

| Sectors | %GDP | | |
|-----------------------------------|------|------|------|
| | 2012 | 2022 | 2035 |
| Agriculture | 3.7 | 4.1 | 5 |
| Manufacturing industry | 2.7 | 5.8 | 7 |
| Buildings and public works | 14.4 | 15 | 16 |
| Trade and tourism | 16.8 | 18.3 | 20 |
| Banks and insurance | 13.7 | 13.8 | 14 |
| Transportation telecommunications | 27.6 | 26 | 24 |
| Other services | 2 | 2 | 2 |
| Public administration | 19.1 | 15 | 12 |
| Total | 100 | 100 | 100 |

Source: Djibouti 2035 Vision

1.10 Regulatory framework

This section will briefly introduce the regulatory framework of Djibouti, including the government, institutional system and some sectors that are responsible for foreign investment policies and related issue in practice.

FIGURE 1.9

| | |
|-----------------------|--|
| Executive authority | <p>The President of the Republic is elected for a five-year term by direct universal suffrage in a majority vote over two rounds. He is eligible for re-election. He must be of Djiboutian nationality, be in possession of his civic and political rights, and be at least forty and no more than seventy-five years old on the date when he registers his candidacy.</p> <p>He is the Head of State and Government, and the supreme head of the armed forces.</p> <p>The President appoints the Prime Minister and, on the latter's proposal, the other members of the Government.</p> <p>The President determines the responsibilities of the members of the Government and dismisses them from office. The members of the Government are responsible to the President of the Republic.</p> <p>The Prime Minister, appointed by the President of the Republic, is responsible for implementing his policies. He coordinates and leads the Government's actions.</p> |
| Legislative authority | <p>The Parliament (National Assembly) is elected by direct universal suffrage for a (renewable) six-year term.</p> |
| Judicial system | <p>The Supreme Court is the highest authority for ordinary jurisdiction in the Republic, followed by the Court of Audit (established in 2008) which is responsible for monitoring public finances, and the other courts (the High Court of Justice, the Court of Appeal, the Constitutional Council and the Criminal Court) . There are two courts of first instance: one dealing with matters relating to ordinary law and the other dealing with personal status.</p> |

Source: WTO, 2014

Policies Towards Foreign Direct Investment¹⁰⁵

Djibouti's laws encourage foreign investments, and development of projects funded by foreign entities. The Djiboutian government treats FDI as an effective instrument to promote economic development of Djibouti. With high unemployment (over 39%), the government was keen to increase foreign investment to provide more jobs (US government, 2020).

The laws, practices or mechanisms in Djibouti do not discriminate against foreign investors but some sectors are 'off limits', e.g. public utilities and state-owned sectors (US government, 2020). But the boundaries could change. For example, electricity production in Djibouti was long monopolized by Djibouti Electricity, a state-owned enterprise. Since 2015, this has been relaxed so that other enterprises can now go for electricity production by reaching a special agreement with the Government, while distribution and transmission remained in the hands of Djibouti Electricity (US government, 2020).

The government of Djibouti adopted the National Initiative for Social Development (INDS) in 2007. The development strategies in NIDS are mainly about to strengthen the economic development by encouraging private sector development (UNCTAD, 2013). Despite this ambitious goal, the country does not yet have a formal specific strategy for attracting FDI (UNCTAD, 2013).

¹⁰⁵ <https://www.state.gov/reports/2020-investment-climate-statements/djibouti/>

Djibouti's National Investment Promotion Agency (NIPA), launched in 2001 with the support of the Ministry of Finance, in order to promote the development of private-sector, facilitate foreign investment, and works to modernize the country's regulatory framework (UNCTAD, 2013). Being at the heart of social and economic system of the country, NIPA encourages the promotion of investment in Djibouti through a policy of flexibility in investment operations, a modern regulatory framework and procedures. NIPA assists foreign and domestic investors by disseminating information and streamlining administrative procedures, with a mission to provide a full advice and support for new or existing local and foreign promoters. In March 2017, NIPA's one-stop-shop was officially inaugurated. The NIPA is the main coordinator of the one-stop-shop which houses several agencies. NIPA has identified several priority sectors for investment, including infrastructure and renewable energy.¹⁰⁶

Duties of the National Investment Promotion Agency ¹⁰⁷

- Welcomes, informs, advises and assists promoters;
- Offers the incentives and benefits provided by the Investment Code;
- Gives the appropriate information on business environment, regulations and laws;
- Implements the government policy in the field of economic and social development;
- Contributes to the training of promoters through seminars and training session;
- Identifies investment projects in the framework of the privatization strategy;
- Publicizes investment opportunities of the country through information and dissemination at the local, regional and international level;
- Assists local and foreign promoters in their business startup matters through the one stop shop;
- Ensures the establishment of a database of Djiboutian companies and create a unit of commercial and Industrial Information;
- Fosters Public-Private Partnership and partnership between local and international companies;
- Assists investors in the process of land acquisition;
- Offers aftercare assistance to local and foreign investors;
- Advocates on behalf of investor the improvement and facilitation of investment procedures.

The Minister of Investment was set up in 2016 as a new position to double down efforts to reach out to potential investors (Djibouti Embassy, 2018b). The Minister reports directly to the President.

Regulated Activity

Djibouti has an open business environment for both local and foreign investors in different sectors. But these activities should be regulated and obtained a specific approval from the ministry in charge of the targeted sector (Djibouti Embassy, 2018a).

106 <https://www.state.gov/reports/2020-investment-climate-statements/djibouti/>

107 <https://djiboutiembassykuwait.net/en/p/index/38>

FIGURE 1.10 Access to regulated professions

| Access to regulated professions | | | |
|-------------------------------------|---------------------------------|-------------|---|
| Professions | Applicable Laws and Regulations | Date | Ministries/ Institutions awarding Approval |
| Lawyers | Loi N°236/AN/87/1ère L | 25-Jan-87 | Ministry for Justice, the Business Penitentiary and Moslem, In charge of the Human rights |
| Notary | Loi N°170/AN/02/4ème L | 07-Jul-02 | |
| Accountants | Loi N°36/AN/83/1ère L | 25-Aug-83 | |
| Architects | Loi N°53/AN/83/1ère L | 04-Jun-83 | Ministry of Housing, Urbanism, Environment and Planing |
| Certified Translator | Order N°80-1184/PR L | 09-Aug-80 | Ministry of Justice, Prison and Muslim, Affairs, in charge of Human Rights |
| Real Estate Agents | Loi N°146/AN/80 | 16-Sep-80 | Ministry of Housing, Urbanism, Environment and Planing |
| Doctors | Loi N°53/AN/83/1ère L | 25-Jan-79 | Ministry of Health |
| Pharmacy | Loi N°45/AN/91/2ème L | | |
| Exploitation of Salt | Mining Code | | Ministry of Energy and Natural Ressources |
| Freight | Loi N°83/AN/00/4ème L | 09-Jul-00 | Ministry of Equipement and Transport |
| Fishing | Loi N°187/AN/02/4ème L | 02-Sep-02 | Ministry of Marine Affairs, in charge of Hydraulic Ressources |
| Baillif | Loi N°36/AN/09/6ème L | 21-Feb-09 | Ministry of Justice, Prison and Muslim, Affairs, in charge of Human Rights |
| Insurance | Loi N°40/AN/99/4ème L | 08-Jun-09 | Ministry of Finance and National Economy |
| Manutention | Décret N°2001-0128/PR/MET | 03-Jul-2001 | Ministry of Equipement and Transport |
| Bank | Loi N°92/AN/05/5ème L | 16-Jan-02 | Central Bank of Djibouti |
| Security and Guard Private Activity | Loi N°202/AN/07/5ème L | 22-Dec-07 | Ministry of Interior and Decentralization |
| Electricity independent producer | Loi N°88/AN/15/7ème L | 01-Jul-2015 | Ministry of Energy and Natural Ressources |

Source: Djibouti Embassy, 2018a

1.11 Investment environment

The 10 advantages for investors setting up business in Djibouti, according to the Djibouti Government, are in Figure 1.11.

FIGURE 1.11 10 reasons to invest in Djibouti

- 1 It is located on the 2nd shipping route of the world, where transit 60% of world traffic
- 2 The country is strategically positioned in the region, to serve hub for landlocked countries
- 3 It enjoys a political stability
- 4 Nationals and foreigners alike enjoy the same right
- 5 Its currency is pegged to the US dollar and is freely convertible, with a weak inflation rate
- 6 It has a financial system, free of exchange control, allows totally free currency transfer
- 7 Its economy is development oriented and in full swing (such as major infrastructure projects)
- 8 Its Telecom system ranks it among the best in Africa, with station of SEA ME WE and EIG sub-marine fiber cables
- 9 Investments operations in the country are eligible to funding and insurance covers from Regional and International Financial Institution
- 10 Djibouti is a natural gateway to a market of over 400 million inhabitants

Source: Djibouti Embassy, 2018a

Free Trade Agreements

Djibouti is a member of the Common Market for Eastern and Southern Africa (COMESA), a trade agreement containing 19 countries in Africa, such as the Democratic Republic of the Congo, Ethiopia, Egypt, Kenya, Rwanda, Uganda and Zambia, and also the member of World Trade Organization (WTO) (Djibouti Embassy, 2018a). Member countries have been aligning their trade policies to improve the regional business environment, working on measures such as the unification of taxation rates, common competition policy and the establishment of a monetary union.

COMESA requires a common external tariff of imports for non-COMESA countries, ranging between 0% and 25% (Djibouti Embassy, 2018a). As a member of COMESA's free trade area, Djibouti has also signed bilateral investment treaties (BITs) with France, Malaysia, India, Egypt and Switzerland. The BITs with France and Switzerland came to effect in 2010 and 2001 respectively.

Djibouti's status as an international center for commerce will also benefit from any advancements in the Tripartite Free Trade Area, which aims to create a free trade agreement that includes COMESA, the Southern African Development Community and the East African Community (Djibouti Embassy, 2018a).

Investment code

In addition to bespoke concessions provided for large foreign investments on a case-by-case basis, there is a default set of tax incentives in the Investment Code in Djibouti. The Investment Code contains three preferential regimes: Regime A, Regime B and the Free Zone Code (Djibouti Embassy, 2018a).

TABLE 1.5 Incentives regimes

| Incentives Regimes | Details |
|---|---|
| Free trade zones (No minimum investment requirement) | Exempt from direct or indirect tax (except VAT) Goods imported into or manufactured in the free zone are exempt from all customs Company has to export at least 80% of production Up to 70% of the company's staff may be foreign for the first five years |
| Regime A (Minimum investment amount: US\$28,200) | Exemption from domestic consumption tax on materials and equipment during first 3 years |
| Regime B (Minimum investment amount: US\$282,000) | Exemption from land tax for 7 years 0% tax on business profits for 7 years 0% domestic consumption tax on raw materials imported and used within the first year Possible exemption from tax on building permits |

Source: Djibouti Embassy, 2018a

Limits on Foreign Control and Right to Private Ownership and Establishment

To start the business or own the enterprises, foreign and domestic private entities have equal rights (Djibouti Embassy, 2018a). Foreign investors could participate to remunerative activities without a local partner. But there are some exceptions, such as in the insurance industry, or, only if the company is registered as a local company but not a branch of an existing foreign company. There is no established screening process for FDI; foreign investments are encouraged and given favorable tax status (Djibouti Embassy, 2018a). Detailed terms are determined based on the specific cases. Many companies therefore have a unique status created by agreement with varying preferences and advantages (Djibouti Embassy, 2018a).

Setting up a company: STEPS

A significant measure to cut red tape is the establishment of one-stop service. Under the management of NIPA, a one-stop shop offers all services by different government agencies for an enterprise registration. According to the World Bank report about the ease of doing business, Djibouti ranked the 112th among 190 countries. People can set up a company in Djibouti no matter what their nationality is or wherever their place of residence is (Djibouti Embassy, 2018a). Typically, a company would complete the registration process with the assistance of three offices: Djibouti Office of Intellectual Property, Tax office, and the Social Security office (Djibouti Embassy, 2018a). With online service is not available yet; it usually takes 14 days for the normal registration. In addition, before starting the registration for a new business, every document has to be notarized (Djibouti Embassy, 2018a). Except some activities of transit and insurance, that have to be handled by Djiboutian, other business activities do not need a local partner to start a new business.

The most common types of companies are: 1) Limited Liability Company (LLC); 2) Liability Company (LC); 3) Limited liability Single Member (shareholder) Company (EURL) (Djibouti Embassy, 2018a).

TABLE 1.6 The Steps to Set Up Your Company

| Steps | Actions/Documents |
|---|---|
| Required information for the article of association | Identity cards of associates Repartition of associates' shares Company's name Company's purpose Company's address |
| Elaboration of company registration file | Article of association project Reservation of commercial name Bank statement |

| | |
|--|---|
| Registration at the register of Commerce | <p>Registration form Article of association and bank statement Criminal record of associates and manager Commercial name certificate is given</p> <p>Register of Commerce: 132 500FDJ Commercial name certificate: 5 000FDJ</p> |
| Fiscal registration of article of association and commercial lease | <p>Article of association (4copies) + declaration of conformity Bank statement</p> |
| Fees | <p>Fixed part: depends of the amount of the capital of the company regardless of is its legal form Stamps' fees: 1000FDJ/ statute page including enclosures</p> <p>Proved documents: Receipt of fees payment At the back of the document are reproduced the-registration formalities (registry no., folio no., and registration no.), authorized signature, date of the dees and official stamps.</p> |
| Social registration | <p>Registration at the National social securitu fund (caisse Nationale de Sécurité Sociale) Free= none</p> |
| To create a branch | <p>Documents to present: Statutes of the parent company Minutes of the board of directors of the parent company A nominated representative or manager of the branch Commercial register of the parent company</p> <p>Provided documents: The commercial register of the local branch Commercial name certificate</p> |

Source: Djibouti Embassy, 2018a

Start up cost

FIGURE 1.12 Start up cost

| | | DJF | USD |
|--|---|--------------------------------------|--------------------------|
| Registration fees (Register of Commerce) | LLC SA EURL ASC | 132 500 | 747 |
| Legal fees (with notary & Lawyer) | Legal fees for following up on general official registration matters (depending on volume and subject-matter) | 100 000 | 563.38 |
| Work permit | COMESA member countries Nom COMESA member countries Gulf citizen Europe/Americ | 200 000 | 1126.76 |
| Presidence Permit | Africa Asia Europe America | 35 000 40 000 45 000 50 000 | 196 225 252 280 |

Source: Djibouti Embassy, 2018a

1.12 Types of investments

Different from other countries in the region, the service industry such as transportation and port activities has become the main driver of Djiboutian economy (Djibouti Embassy, 2018a). Based on the report from African Development Bank (AfDB), this tertiary services sectors account for around 80% of economic activities and employ over 70% of the whole population (Djibouti Embassy, 2018a). The construction of the free trade zone (FTZ) significantly promotes the transport operations with incentives in tax for resident enterprises (Oxford Business, 2018)¹⁰⁸.

FIGURE 1.13 Industrial manufacturing

| Industrial Manufacturing | |
|--------------------------|---|
| Main Geographic Clusters | The state is developing the US\$3.5 billion Djibouti International Free Trade Zone in partnership with China. |
| | Despite rapidly expanding free trade zones, there are no significant manufacturing clusters at present. |
| Main Industries | Djibouti could experience positive spillover from Ethiopia's fast-growing textiles industry, with firms relocating in order to save transport to port costs. |
| | Small footprint of basic metal product manufacturing. Three of the country's four largest manufacturing exports in 2018 were razor blades, railway/ locomotive parts and machinery parts. |

Source: HKTDC, 2021

In general, the secondary sector account for nearly 18% of the country's economy, 15% of which is non-manufacturing activities. Construction accounts for 11.8%. Manufacturing in Djibouti is limited because of the high costs such as electricity (Djibouti Embassy, 2018a). But the cost of labor and land is relatively low.

FIGURE 1.14 Labor and land

| Labour & Land Resources | |
|-------------------------|--|
| Labour Supply & Costs | Labour costs are relatively low. |
| | The small size and low-skilled nature of Djibouti's workforce limits the availability of labour for large-scale mass-production or high-skilled manufacturing. |
| Labour Regulations | There are limited restrictions on hiring foreign workers. |
| | Regulations generally favour the employee, particularly in areas of termination and disputes. |
| Land Resources | No specific limits on foreign ownership of land, but land disputes and rising legal risks are increasing. |

Source: HKTDC, 2021¹⁰⁹

108 <https://oxfordbusinessgroup.com/djibouti-2018/industry-retail>

109 <https://research.hktdc.com/en/article/MzU3MDQ2NDg4>

The Djiboutian economy also relies largely on the country's public sector. The state plays a significant role in some important sectors, such as transport, telecommunications and construction. Some state-owned enterprises, such as the Société Immobilière de Djibouti (SID), responsible for the urban development and housing; É lectricité de Djibouti (EDD) and the Office National des Eaux de Djibouti (ONED), water and electricity utilities; as well as Djibouti Télécom (DT), the country's only telecommunications provider (Djibouti Embassy, 2018b). 17,000 people get jobs from the state- and state-owned enterprises, or 44% of Djiboutians working in the formal economy, according to government figures. This represents a total weight of public salaries in the economy that amounts to 20% of GDP.

Investment Code

The Investment Code, under the management of NIPA, provides incentives for certain business activities based on the amount of the investment (5 million DJF approximately 30,000\$) and the number of local employment opportunities created by the project. One of the most salient features of the Investment Code is that it grants guarantees that same incentives could be granted to both domestic and foreign investors (Djibouti Embassy, 2018a).

TABLE 1.7 Investment code

| Steps | Actions/Documents |
|--|--|
| Exempts activities for Regime A: 5 to 50 million DJF | <ul style="list-style-type: none"> ▪ Exploitation, preparation or transformation of products of vegetable or animal origin, whatever is the origin; ▪ Finishing in high-sea; preparation, freezing, transformation or storage of the products of the sea; ▪ the mining development, the industry of treatment or formation of the mining products or metals, that they are or not extracted from the ground of the territory; ▪ Research, exploitation or storage of any source of energy as well refining of hydrocarbons; ▪ Creation, exploitation of establishments aiming at the development of the tourism and the craft; ▪ Creation and electric, electronic, and chemical exploitation and ship-buildings industries; ▪ Land, sea or air transports; ▪ Harbor and airport activities; ▪ Construction, repair and maintenance of the ships for Sea transports or of fishing; ▪ Manufacturing or conditioning on the spot of the products or goods for great consumption; ▪ Concealing services, engineering, compter, data processing, telematic center server of data bases. |
| Exempts activities for Regime B: 5 to 50 million DJF | <ul style="list-style-type: none"> ▪ The construction of buildings of exclusively industrial, commercial or tourist use; ▪ The construction of the social housing; ▪ Construction, creation and exploitation of educational and training schools. |

Source: Djibouti Embassy, 2018a¹¹⁰

110 <https://djiboutiembassykuwait.net/en/p/index/38>

Supporting Documents of application for investment code incentives

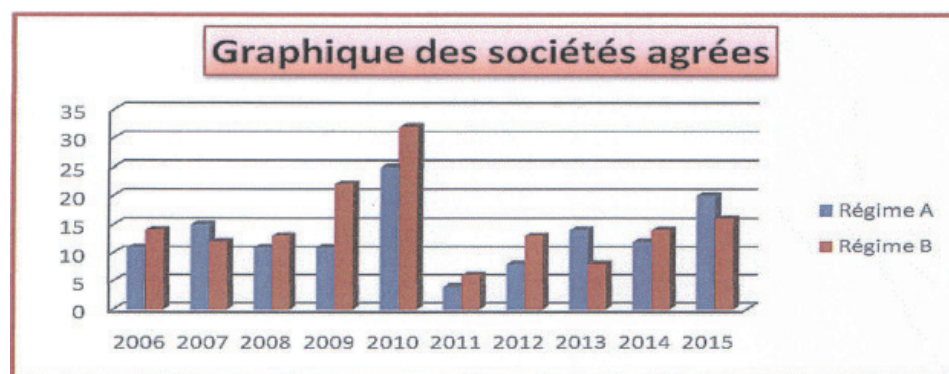
To obtain special treatments such as tax exemptions, the investor is required to offer the following documents:

TABLE 1.8 Supporting document

| | |
|---|---|
| Supporting document for application of investment code incentives | Feasibility study of the investment project |
| | Article of association, trade register, identity card of the company manager and office address |
| | Detailed list of the equipment, materials and raw material to be exonerated |

Source: Djibouti Embassy, 2018a

FIGURE 1.15 Growth of companies that benefited from the investment code



Source: Embassy of the Republic of Djibouti, 2018a¹¹¹

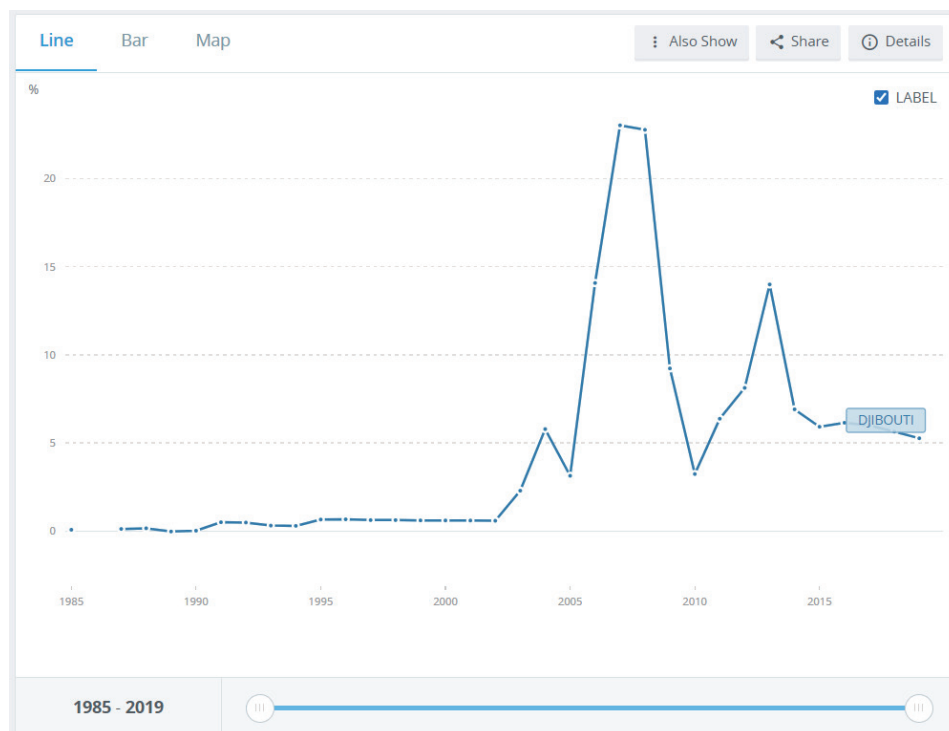
Investment Code

Owing to the infrastructure projects, the public investments rate witnessed a positive growth (Djibouti Embassy, 2018). The inflow of FDI in the country is also expected to evolve positively and is mainly concentrated in the port infrastructure, road, railway, real estate and hotels. According to UNCTAD's World Investment Report 2021, FDI flows to Djibouti amounted to USD 240 million in 2020, up from USD 222 million in 2019, despite the economic decline resulted from the Covid-19 pandemic¹¹²(Santander trade, 2020).

111 <https://djiboutiembassykuwait.net/en/p/index/38>

112 https://santandertrade.com/en/portal/establish-overseas/djibouti/investing-3?actualiser_id_banque=oui&id_banque=44

FIGURE 1.16 FDI-Djibouti



Source: World Bank, 2021¹¹³

1.13 Banking and finance

Djibouti's financial system is still underdeveloped¹¹⁴. The banking sector accounts for more than 95% of the financial sector assets (MFW4A, 2019). As of July 2019, the financial landscape is constituted by 11 banks, most of which are foreign-owned, including 8 traditional commercial banks and 3 Islamic banks (MFW4A, 2019). Nearly 20% of bank customers could get related financial products and services from Islamic banks (MFW4A, 2019). The non-bank financial sector consists of 20 authorized financial auxiliaries (foreign exchange bureaus and/or remittances offices), 3 microfinance institutions, 2 insurance companies and an economic development fund specializing in SME financing. In 2011, the Central Bank raised the banks' minimum capital to 1 billion Djibouti Francs (DJF) (USD 5.6 million), up from DJF 300 million (USD 1.7 million). Reforms initiated in the sector include: (i) the establishment of a partial credit guarantees fund for SMEs/SMIs, (ii) the modernization of the national financial infrastructure with the establishment an automated transfer system and an electronic clearing house, (iii) the introduction in July 2016 of the law creating a new national payment system and, (iv) the law establishing a credit information system.

113 <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=DJ>

114 <https://www.mfw4a.org/country/djibouti>

TABLE 1.9 Basic information of banking sector

| | |
|--|--|
| Structure | <p>In 2017, banks' consolidated balance sheets stood at DJF 438.1 billion (US\$ 2.06 billion), or an increase of 21.2% over a year. 25% of the adult population have a bank account an increase of more than 2.2 percentage points over 2014. The increase in the number of active banks and increased competition have led to the creation of 8 new bank branches between 2016 and 2017. The two largest banks hold about 67% of the assets, but their share is declining due to increased competition in the sector.</p> |
| Credit and deposit structure | <p>Credit to the private sector reached DJF 102.3 billion (US\$ 0.48 billion), in 2017 (28.7% of GDP), up from 10% in 2016, due to an increase in medium- and long-term loans. Loans to the private sector have been steadily increasing since 2014, as credit institutions pursued a policy of proximity through the opening of several branches in the capital city and the interior regions. Customer deposits were DJF 358.1 billion (US\$ 1.69 billion) in 2017, an increase of 25.9% over 2016. They are dominated by demand deposits, which averaged 66.2% of the total between 2014 and 2017.</p> |
| Debit and credit interest rates | <p>Between 2011 and 2015, the deposit rate remained well below the lending rate. The high spreads of around 10% between 2011 and 2017, reflect limited bank intermediation.</p> |
| Financial strength of the banking sector | <p>Banks have gradually strengthened their capital base following the increase in minimum capital requirements in 2011. The banking system's net consolidated shareholder's equity stood at DJF 23.6 billion (US\$ 0.11 billion) at the end of June 2017, an increase of 16.2% compared to June 2016. The bank solvency ratio remained in line with the minimum regulatory requirement (12%), apart from in 2014 where it dropped below the regulatory threshold. The liquidity ratio, although below the required threshold of 100%, has steadily improved since 2014 to 74.9% in 2017. The quality of assets has gradually deteriorated since 2014. The provisioning rate for bad debts improved from 67.2% in 2016 to 75.8% in 2017, however banking profitability remained positive. The consolidated net profit of the domestic banking sector amounted to 2.4 billion DJF (US\$ 11.3 million) in 2017, which represents an increase of more than 648 million DJF (US\$ 2.6 million) compared to the end of 2014.</p> |

| | |
|---------------------|--|
| Financial Inclusion | <p>the number of commercial banking agencies per 100,000 adults in 2015 was 6.4 in Djibouti and 5.6 in Kenya. However, in Djibouti, only 9.21% adults hold a loan account in a commercial bank, while this rate is 23.1% in Kenya. At the end of 2015, about 5% of Djiboutians had a bank card.</p> <p>Access to credit also remains one of the main constraints in the formal private sector. Only 5% of companies have access to bank financing. The expansion of the financial sector as a result of financial liberalization contrasts with the low level of inclusion and is partly explained by the sector's strong concentration on a few individuals and companies. More than 80% of banks exceeded the single-borrower competition limit between 2012 and 2015.</p> <p>Access to financial services is constrained by several factors including: (i) unemployment and poverty that do not allow a category of households to meet the costs of managing bank accounts, even if opening conditions have been relaxed in a context of increased competition; (ii) low mobile and internet penetration, (iii) high credit costs and, (iv) underdeveloped payment and credit information systems limiting banks' financing offerings. Promoting financial inclusion requires strengthening financial infrastructure, developing microfinance and liberalizing the telecommunications sector.</p> |
| Microfinance | <p>Djibouti's microfinance is under developed, with limited coverage and low market penetration rates. The sector does very little to support small entrepreneurs and non-performing loans remain high. Medium- and long-term credits, and those for amounts between DJF 1 million (US\$ 5,618) and DJF 3 million (US\$ 16,854), are not satisfied. The Djibouti People's Savings and Credit Bank (CPEC), the main MFI, was placed under administration by the Central Bank, following management problems between 2012 and 2015. In 2014, it had more than 14,000 customers, about 3% of the country's adult population. The institution's loan stock remains negligible (less than 0.2% of to bank credit) due to the insufficient financial resources. Although a sector development strategy was designed and adopted in 2012, it is yet to be implemented.</p> |
| Digital Finance | <p>Digital Finance remains underdeveloped due partly to limited internet and mobile penetration and a lack of institutional and technical capacity. Only 38% of households subscribe to a mobile phone service (54% in East Africa), and only 12% of them have access to the internet. Low geographic coverage and high subscription prices are the main causes of this low penetration. Djibouti is ranked 158th out of 176 countries in the Information and Communication Technology Development Index (ICT) published by the International Telecommunications Union.</p> |
| SME Financing | <p>Access to finance for SMEs is a recurrent issue in Djibouti. Most SMEs operate in the informal sector and cannot access bank loans. SME loans account for only 12% of business loans. The limited scope of the credit reporting system, and the unreliability of the financial information presented by the SMEs partly explain the low levels of credit granted to businesses. In addition, the degressive tax system is a deterrent to formalisation of SMEs.</p> |

Social Security

The social security system consists mainly of two contributory schemes: a special scheme and a general scheme. The special scheme regime is that of state employees and their dependants. The Ministry of Employment takes care of state officials by financing their pension scheme through the State budget. Coverage of the general scheme extends to health (work-related accident and illness), family (family benefits), old age and death. This second regime is reserved for workers under the provisions of the labour code. In addition to these two schemes, the military pension fund provides specific social security coverage for the military personnel.

An institutional reform aimed at establishing coherence between agencies gave rise in 2008 to the National Social Security Fund (CNSS – Caisse Nationale de Sécurité Sociale), a merger of the Social Protection Organization (OPS – Organisme de Protection Sociale) and the National Pension Fund (CNR – Caisse nationale de Retraite). The CNSS is under the authority of the Ministry of Employment and Administration Reform. Although progress has been made, the social security system remains limited, both in terms of risk and social coverage due to increasing demand. The CNSS is financed on the one hand by contributions paid by employers and those levied directly on workers' wages; on the other hand, the CNSS benefits from government subsidies. In addition, the persistent collection problems undermine the CNSS's chances of financial sustainability.

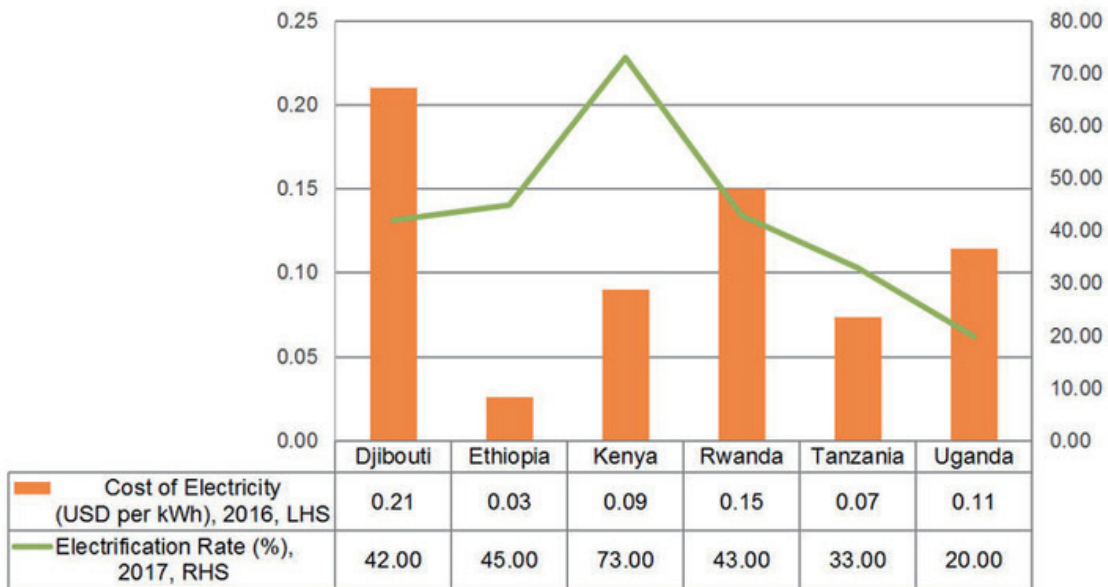
Source: MFW4A, 2019

1.14 Major costs

Electricity Supply & Costs

Djibouti has an extremely limited ability to generate electricity, based primarily on diesel power facilities (HKTDC, 2021). As such, the country remains vulnerable to global oil markets because it is highly reliant on fuel imports for electricity, as well as for vehicles and fuel to households for cooking (HKTDC, 2021).

FIGURE 1.17 Electricity cost and electrification rate



Source: HKTDC, 2021

Accommodation costs

As to housing, expatriates could rent furnished or unfurnished houses for their families. The prices vary depending on the location, size or quality (Djibouti Embassy, 2018a). The rental prices of a three-room apartment in the city center and around vary between 600USD to 900USD per month (Djibouti Embassy, 2018a). The sale and rent of warehouse, office, and shop vary also widely depending on size and location as well as quality.

FIGURE 1.18 Rental price of property

| Type | Detail | Price DJF | Unit of measure |
|-----------|-------------|-----------------|-----------------|
| Office | City Centre | 100 000-150 000 | 22-35 m2 |
| Office | Periphery | 70 000-90 000 | 35-50 m2 |
| Shop | City Centre | 50 000-80 000 | 15-25 m2 |
| Shop | Periphery | 35 000-50 000 | 15-20 m2 |
| Warehouse | | 1 million | 1000-1500 m2 |

Source: Djibouti Embassy, 2018a

Land acquisition

In Djibouti, any investor Djiboutian or foreign eligible for investment code incentives or not, can buy or hire a land from the state or the private sector (Djibouti Embassy, 2018a). They are allowed to purchase the land and also eligible for land ownership. The NIPA One Stop Shop, in coordination with the Directorate of Estates and the Land Conservation, will help investors in land issue for an investment program (Djibouti Embassy, 2018a)¹¹⁵.

Transport Network

Djibouti is equipped with a well-developed and relatively efficient transport network (Djibouti Embassy, 2018a). The government will spend almost USD20 billion on infrastructure construction from 2015 to 2025, in order to improve the logistic capabilities of Djibouti (Djibouti Embassy, 2018a).

China has played an increasingly active role in Djibouti's infrastructure development through the Belt & Road Initiative (BRI). For example, the Doraleh Multipurpose Port, which is owned by China Merchant Group (CMG), has been completed in 2017 (Djibouti Embassy, 2018a). CMG is also involved in the development of Djibouti International Free Trade Zone, the largest free trade zone in Africa. In 2017, China's POLY-GCL Petroleum Group announced its plans to develop a USD 4 billion liquefaction plant to process natural gas from Ethiopia (Djibouti Embassy, 2018a).

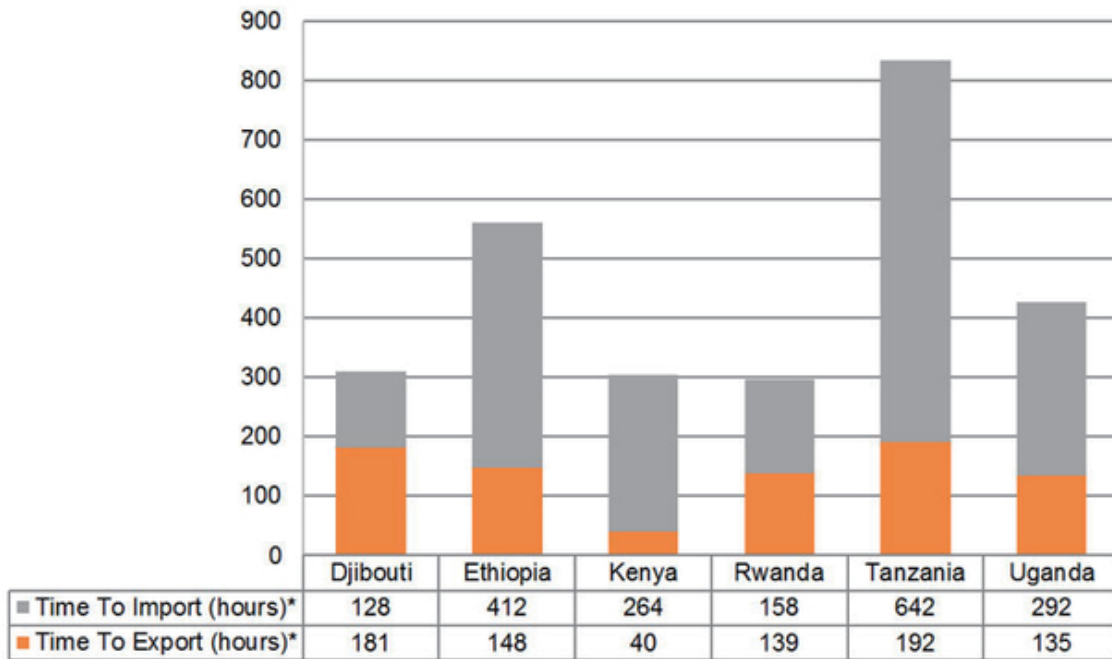
Supply Chain Logistics

Sustained infrastructure improvements will help Djibouti become an important logistic center for East Africa, especially serving landlocked Ethiopia and Sudan, South Sudan, Eritrea and Somalia (Djibouti Embassy, 2018a). As of now, roughly 70% of Djibouti's transportation exchange is related to transshipment for Ethiopia (Djibouti Embassy, 2018a).

Djibouti's import procedures are extremely competitive when comparing with neighboring countries, especially the time for carrying out imports, which stands at an average of 128 hours, the lowest in the region (Djibouti Embassy, 2018a). However, exports still require more time to carry out, which will increase the costs and delays for outbound freight (Djibouti Embassy, 2018a).

115 <https://djiboutiembassykuwait.net/en/p/index/38>

FIGURE 1.19 Time to export and import, 2017



* Inclusive of border compliance and documentary compliance

Source: HKTDC, 2021

1.15 Tax system

TABLE 1.10 Tax rates

| | |
|---|--|
| Value Added Tax (VAT) - Taxe sur la Valeur ajoutée (Local name) | 10% (standard rate) Exports and international transport transactions are zero-rated |
| Company Tax | 25% |
| Withholding Taxes | Dividends: 0%; Interest: 15%; Royalties: 15% |
| Bilateral Agreement | Djibouti and Spain are not bound by a Double Taxation Agreement |
| Social Security Contributions Paid By Employers | 15.7% (5.5% for the family allowance, 6.2% for health and professional injuries, 4% for retirement pension and 2% for mandatory health insurance). |

Source: Santander Trade¹¹⁶

116 <https://santandertrade.com/en/portal/establish-overseas/djibouti/investing-3>

TABLE 1.11 Individual taxes

| Taxes on earnings and Salaries (ITS) | Progressive rate from 2% to 30% |
|--------------------------------------|---------------------------------|
| From DJF 0 to 30,000 | 2% |
| From DJF 30,001 to 50,000 | 15% |
| From DJF 50,001 to 150,000 | 18% |
| From DJF 150,001 to 600,000 | 20% |
| Over DJF 600,000 | 30% |

Source: Santander Trade

1.16 Risks

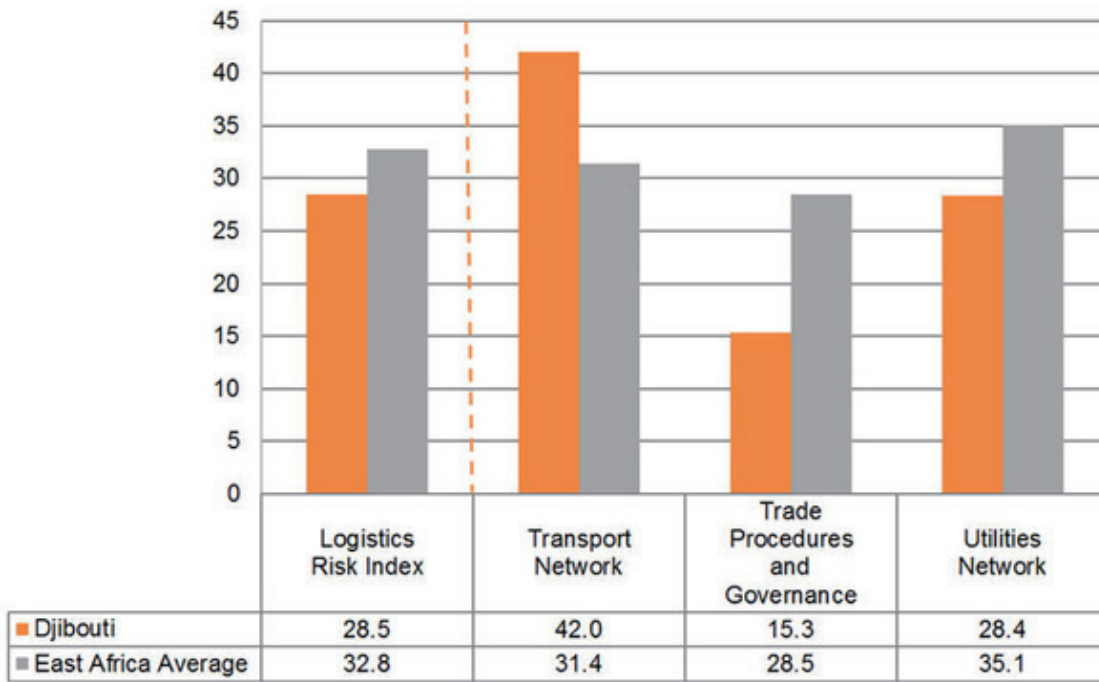
Much of Djibouti's headline growth at the moment has been fuelled by impressively high levels of public capital spending, which has understandably put pressure on the government balance sheet, leading to a persistent deficits. To cover these rising expenditures, the government has turned to financing from external sources, as evidenced by China's involvement in the expansion of the country's new container terminal and the revamp of the national railway, which has led to a rise in government debt.

TABLE 1.12 Fitch Solutions Logistics Risk Index

| | |
|--------------------------------------|--|
| Fitch Solutions Logistics Risk Index | <p>Djibouti is enacting various reforms to improve the country's attractiveness to foreign investment, particularly from China. Reforms introduced in April 2018 focused on reducing red tape for foreign businesses. In 2018, the country rose 55 positions in the World Bank's 'Ease of Doing Business' global rankings, rising to 99th position globally.</p> <p>The primary risk for foreign firms is the uncertain legal environment. Djibouti's ongoing dispute with UAE-based ports operator DP World concerning the cancellation of the company's Doraleh Container Terminal concession in 2018 is a high-profile example. Chinese firms are not exempt from risks, with the Djibouti government announcing in October 2017 that it was re-tendering the contracts for two airport concessions initially awarded to China Civil Engineering Construction Corporation (CCECC) in 2015.</p> <p>The country ranks third out of 11 states in East Africa in Fitch Solutions' Trade and Investment Risk Index, behind Rwanda and Kenya. This is despite being placed a low 162nd out of 201 countries globally, with a score of 42.8 out of 100.</p> <p>Overall, Djibouti's Logistics Risk Index score underperforms against the East Africa average, notably for the components of 'trade procedures and governance' and 'utilities network'. However, Djibouti's 'transport network' score is significantly higher than the regional average.</p> |
|--------------------------------------|--|

Source: HKTDC, 2021

FIGURE 1.20 Logistics risk, 2019



Source: HKTDC, 2021

FIGURE 1.21 Trade and Investment Risk Index, 2019



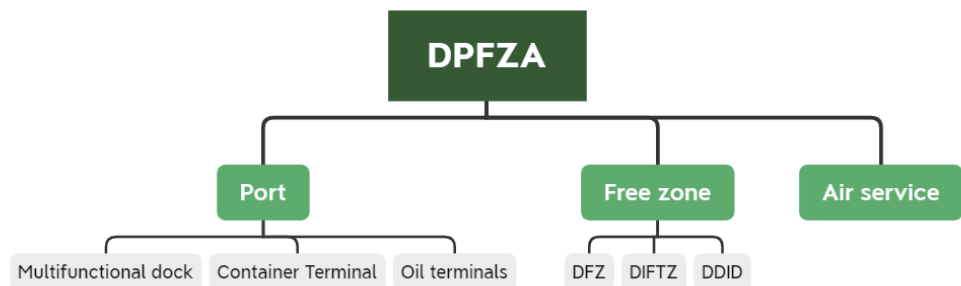
Source: HKTDC, 2021

CHAPTER 2 ETCZS IN DJIBOUTI

2.3 Overview of SEZ/ETCZ development and policy in Djibouti

Djibouti Ports and Free Zones Authority (DPFZA) is the official institution that manages all related issues regarding to Djibouti's ports, Free Zones, Special Economic Zones and many other main infrastructures, with a mission to develop the country an important node of infrastructure and facilities, and to "unleash the economic potential of Africa" (DPFZA, 2021).¹¹⁷

FIGURE 2.1 Major functions of DPFZA



Source: DPFZA, 2021

117 <https://dpfza.gov.dj/about-us>

TABLE 2.1 Basic information about DPFZA

| | |
|---|--|
| Responsibility | <ul style="list-style-type: none"> Promote the Djibouti Ports & Free Zones as a commercial and logistic platform; Establish a business friendly environment with a business oriented legal framework Regulate the ports and free zones Invest on infrastructure, transportation and energy through its investment arm GHIH (Great Horn Investment Holding) |
| Objectives | Establishing Djibouti as a trade and transport hub for Africa |
| Investments in infrastructures and new facilities | USD 1.1 billion |
| Key projects | Doraleh Multipurpose Port (DMP) The electric railway linking Djibouti to Ethiopia The Djibouti International Free Trade Zone (DIFTZ) |

Licensing and registration

The objective is to position the Djibouti free zones as a business hub of Excellence for the East African region and beyond, through promotion of multimodal transportation synergy (ground-sea-air). The Djibouti Ports and Free Zones Authority (DPFZA), the sole administrative interface in free zones, seeks to establish an environment conducive to business, with a One Stop Shop (visas, permits etc.) and modern infrastructures to provide a wide range of investor services.

TABLE 2.2 Special treatments for zone investors/companies

| | |
|--|---|
| Incentives granted by Law No. 53 | <ul style="list-style-type: none"> 100% foreign ownership of FZ companies, 100% repatriation of capital and profits Possibility to employ foreign workers, Duty free environment, No tax on profit |
| Requirements to register a company with DPZFA | Invest must: <ul style="list-style-type: none"> Hold a free zone status (FZE/FZCO or Branch) Have a free zone license in order to operate within a FZ area Have its registration office and base of operations inside a free zone area |
| Types of licenses that registrants can apply for | <ul style="list-style-type: none"> Trade Industrial Service |
| Immigration services offered by DPZFA | <ul style="list-style-type: none"> Entry Visa Residence Permits Work Permit |

Source: DPFZA, 2021

According to the free-zone laws, DPZFA is the sole interface between government and zone enterprises. Thus, zone enterprises could ask DPZFA for help about some special incentives such as tax exemptions, destruction of goods, sanitary and phytosanitary certificates, and certificates of origin (DPZFA, 2021).

TABLE 2.3 Incentives for SEZ

| | Program | Incentives |
|----------|---|--|
| GSP+ | Common Market for Eastern and Southern Africa (COMESA) African Growth and Opportunity Act (AGOA) Everything but arms (EBA) China | FTA members have not only eliminated customs tariffs but are working on the eventual elimination of quantitative restrictions and other non-tariff barriers. Tariff exemption for 97% products exported to China (33 least developed countries in Africa) |
| Tax | Corporate income tax Income tax for foreign workers VAT Dividend tax Building property tax | 0% |
| Currency | No restrictions in foreign exchange | |
| Labor | 70% foreign workers in the beginning | Reduce to 30% foreign workers in 5 years |

Source: COMESA, 2021

Why ETCZs are important

Djibouti has long been one of the least developed countries in the world due to its limited natural resources, economic size and industrial structure. Since the involvement of China Merchants Group in 2012, Djibouti started its wide economic and trade cooperation with China, and the results have been remarkable, especially the development of cooperation zones. There are several reasons that the Economic and Trade Cooperation Zone (ETCZ) could help promoting the economic development of Djibouti (DPZFA, 2021).

1. Efficient zone management

The Djibouti International Free Trade Zone started the construction in December 2016 and opened in July 2018. A total of 66 enterprises have already invested in the zone, including China Merchants Bonded Logistics, East Africa Holdings, Sinotrans, CIMC, Midea, China Telecom and other international and Chinese companies. The occupancy rate of the park is over 88%, which has already showed a positive trend when compared with the overseas counterparts (Ji & Li, 2019).

2. The obvious effect on the economic development of the host country

Djibouti is a country with limited natural resources. The cooperation between China Merchants and Djibouti goes beyond the resource-based economic cooperation model and adopts the integrated development model of “port - zone - city”, which contributes the integrated development of the FTZ, the port and the city, and establishes a sustainable economic development system (Ji & Li, 2019).

3. Hong Kong could play an active role in the process

The main objective of the Djibouti International Free Trade Zone is to promote the port development as the core and stimulate the further development of manufacturing production and processing, trade, logistics, and financial services. Through a series of economic liberalization policies to attract foreign investment, Djibouti aspires to become a logistics hub, and the information and financial center in the East African region. The vision is to become the “Shekou” of Africa, the “Hong Kong” of Africa, and the “Singapore” of Africa. Hong Kong companies and professionals has rich experience for Djiboutian enterprises to take as reference (Ji & Li, 2019; Zhang, 2021).

2.4 Case study

FIGURE 2.2 Foreign Trade Zones/Free Ports/Trade Facilitation

| | Status | Details |
|--|---|--|
| The Djibouti Free Zone (DFZ) | Operational | Located on 40 hectares and offers office space, warehouses, light industrial units, and hangars. 160 companies from 39 countries operate out in this zone. |
| The DAM Commercial Free Zone | Operational | Opened in 2013 in the Damerjog region, south of Djibouti City. |
| The Djibouti International Free Trade Zone (DIFTZ) | Part-operational/ Under construction | China and Djibouti are co-developing the largest free trade zone in Africa. A 2.4 square kilometre pilot zone is operational and completion of the full 48 square kilometre zone is scheduled for 2027. The Djiboutian government will own 60% of the project, with the remaining 40% owned by a consortium of Chinese companies made up of Dalian Ports Group, IZP and China Merchants Group. The zone consists of four industrial clusters which will focus on trade and logistics, export processing, business and financial support services and manufacturing and duty-free merchandise retail. |

Source: DPFZA, 2021

Djibouti Free Zone¹¹⁸

In operation since October 2004, Djibouti Free Zone (DFZ) has been contributing to the creation of a welcoming business environment for investment and regional trade in Djibouti. Whilst the DIFTZ, opened in 2018, focuses on international trade, the DFZ already positioned Djibouti as a regional logistics, trade and marketing hub for import activities, warehousing, processing and re-export of goods to and from East Africa (DPFZA, 2021).

TABLE 2.4 Basic information about DFZ

| | |
|-------------------|--|
| Basic information | <ul style="list-style-type: none">▪ 40-hectare area, close to Djibouti's ports and airport▪ 2 warehouses of respectively 614 m² and 1,340 m² (with integrated office units)▪ Serviced land plots with utilities ranging from 2,000 m² to 15,000 m²▪ Light industrial units of 510 m² (with integrated office units)▪ A 9,100 m² hangar designed to accommodate aid cargo |
| Incentives | <ul style="list-style-type: none">▪ 100% foreign ownership▪ Free repatriation of capital and profits▪ Exemption of corporate and income tax▪ Flexibility to employ foreign nationals▪ Possibility to sell on to local market▪ No currency restrictions |

Source: DPFZA, 2021

Djibouti Damerjog Industrial Development (DDID)

The Djibouti Damerjog Industrial Development Free Trade Zone (DDID FTZ) is an industrial free zone project focused on heavy industry including oil, gas, ship repair, and livestock. Construction for the industrial zone and port started in August 2018 (DPZFA, 2021).

TABLE 2.5 Basic information about DDID

| | |
|-------------------|--|
| Basic information | <ul style="list-style-type: none">▪ A total area of 30 km² and is located close to the border with Somalia.▪ 100% owned by GHIH.▪ The pilot phase of the DDID will consist of a 2.5 km² zone which will be completed 48 months after start of construction in August 2018. |
| Incentives | <ul style="list-style-type: none">▪ Companies registered in the DDID FTZ will enjoy a favourable tax policy including zero VAT, Dividend Tax, Corporate Income Tax, Property Tax, and Personal Income Tax.▪ The DDID offers favourable tax policies on social security, work permits, and the share of local employment required. Companies settling in the DDID zone are required to have at least 30% local employees in the first 5 years. |

¹¹⁸ <https://dpfza.gov.dj/facilities/Free-trade-area/djibouti-free-zone>

| | |
|-------------|---|
| Pilot phase | <ul style="list-style-type: none"> ▪ A dedicated tank storage farm with a capacity of 380,000 m³; ▪ A product / crude oil jetty (2 berths; 1x 100,000 DWT and 1x50,000 DWT); ▪ A multi-purpose port on reclaimed land with a 270m quay; ▪ An oil refinery; ▪ All essential basic infrastructures such as office buildings for DDID, an electricity plant (2x 60MW), internal roads; a water distillation facility, and a 14km rail which connects to the SGR. The DDID will be constructed so that all essential infrastructure is available, after which private companies will invest in superstructure. In the long term, DDID will include a LNG export terminal, a steel rolling facility, a cement plant, a ship repair yard, an expanded multi-purpose port, and livestock port. |
|-------------|---|

Source: DPFZA, 2021

Djibouti International Free Trade Zone (DIFTZ)

The first phase of the Djibouti International Free Trade Zone (DIFTZ) was officially inaugurated in July 2018 under the auspices of the heads of state of Djibouti, Rwanda, Ethiopia, Sudan, and Somalia as well as the Chairperson of the African Union Commission, and key shareholders such as China Merchants (DPFZA, 2021).

TABLE 2.6 Basic information about DIFTZ

| | |
|---------------------------------|---|
| Outlook | <ul style="list-style-type: none"> ▪ The largest free trade zone in Africa ▪ A hub for the region. The project also creates major business opportunities for Djibouti and East Africa as the region's export manufacturing and processing capacity is expanded in key sectors such as food, automotive parts, textiles and packaging. ▪ Logistics, marine, construction, automotive, and home electrical industries are the major sectors targeted for development ▪ 4,800 hectares |
| Enterprises with a leading role | <ul style="list-style-type: none"> ▪ DPFZA, China Merchants Group, Dalian Port Authority and IZP Group |
| The initial phase | <ul style="list-style-type: none"> ▪ A 240-hectare zone (USD 370 million investments) ▪ Three functional blocks located close to Djibouti's major ports ▪ Four industrial clusters: Logistics Industry Cluster; Business Industry Cluster; Business Support Cluster; Processing Manufacturing Cluster |
| Infrastructure | <ul style="list-style-type: none"> ▪ Advanced facilities including high-speed telecommunications, power and water supplies, roads and parking lots. |

Source: DPFZA, 2021

TABLE 2.7 The development process of DIFTZ

| | |
|---------------------------------|---|
| Cooperation framework agreement | March 24, 2015 China Merchants Group and Djibouti Port & Free Trade Zone Authority signed "Djibouti Free Trade Zone project MOU" |
| Key Conditions Agreement | July 28, 2016 At the China-Africa Economic and Trade Cooperation Forum held in Beijing, CMHK, PDA and Djibouti Port & Free Trade Zone Authority signed the "Key Conditions Agreement of the Djibouti Free Trade Zone Project Investment Agreement" |
| Project investment agreement | November 5th, 2016 At Djibouti's presidential palace, CMHK, PDA, IZP, Djibouti Port & Free Trade Zone Authority signed (Djibouti International Free Trade Zone investment agreement) |
| Shareholders agreement | January 15, 2017, at Djibouti's presidential palace, representatives of shareholders signed shareholder agreement. |
| Project starts construction | January 16, 2017, the construction of the International Free Trade Zone Project in Djibouti officially started. |

Source: DIFTZ, 2021¹¹⁹

International Djibouti Industrial Parks Operation FZCO (IDIPO) is the enterprise responsible for the operation and management of DIFTZ (DIFTZ, 2021).

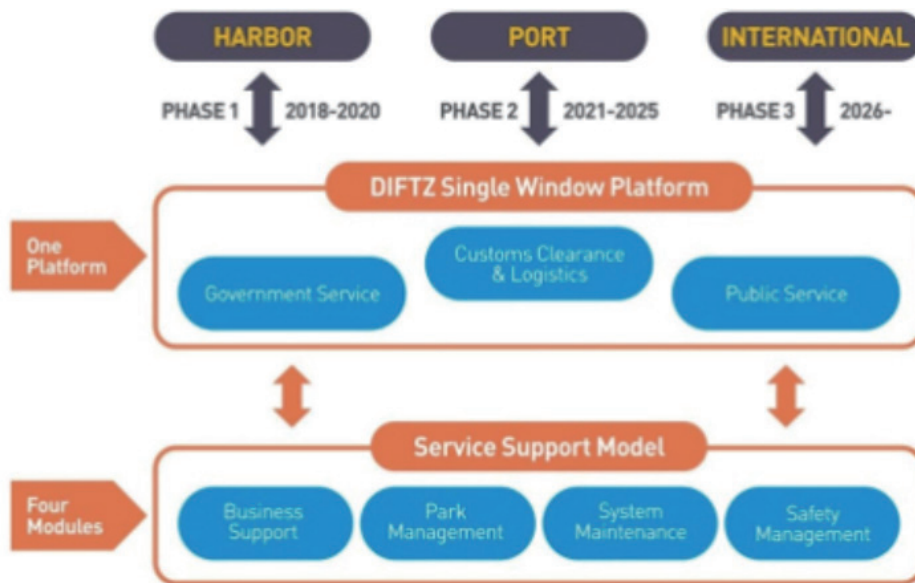
TABLE 2.8 Basic information about IDIPO

| | |
|------------------------|--|
| Operation strategy | IDIPO is striving to build DIFTZ to be an internationally competitive trading and industrial service platform in East Africa, whose operation strategy is 'One Platform, Four Modules via Three Phases' |
| One-stop service | IDIPO aims to provide customers with 24/7 efficient, comprehensive and intelligent one-stop shop service, attracting the four major industries which are Trading, Logistics, Export Processing, and Business Supporting to settle down. |
| Single Window Platform | DIFTZ Single Window Platform (SWP) is developed in One Platform, One Standard, One Access. One Platform is to realize the EDI and data sharing between Customs, Quarantine, Taxation, Foreign Exchange, Business administration, Transportation, Shipping Agency, and Port etc. One Standard means all types of enterprises will submit documents and digital information with standardized requirement of format. One Access means all types of enterprises will submit documents in unified accessing point. DIFTZ SWP enables DIFTZ Enterprise deal all the related business at a single entity with excellent user experience. |

Source: DIFTZ, 2021

¹¹⁹ <https://www.diftz.dj/SS-JBT/SecondaryPage?date=0.7059563240196254&moduleName=aboutUs&catalogName=history>

FIGURE 2.3 Development phase of DIFTZ



Source: DIFTZ, 2021

Shareholding structure of the DIFTZ

Due to the complex legal issues and political sensitivities involved in the FTZ project, the Chinese investors adopted a two-tier company management structure and equity design, splitting the assets from the day-to-day management and establishing the Djibouti Asset Company (Asset Company) and the Djibouti Joint Venture Company. The Djibouti Asset Company was established for the purpose of investing in commercial and infrastructure projects in the Djibouti International Free Trade Zone and developing the right to development of such projects for wage purposes, while the JV Company focuses on the management, investment and operation of the entire zone (DIFTZ, 2021).

The participation of China Merchant Group (CMG)

Both the new port of Djibouti and the FTZ were built from scratch on a new site. The new port is located at a distance from the old one and has a different function. The FTA is also built in a new and undeveloped area, with differentiated economic policies inside and outside the FTA, including investment, trade, foreign exchange, labor, etc., so as not to have too much impact on the overall economic and social environment of Djibouti (Ji & Li, 2019).

Djibouti hopes to replicate China's 'Shekou model' in Djibouti. CMG and the Djibouti government first defined the industrial development direction of the port of Djibouti as a transit port (Asia-Europe route) and an export port (to become the main gateway for exporting goods from neighboring regions, especially Ethiopia) (Ji & Li, 2019).

In order to achieve this goal, existing difficulties in the development of Djibouti's old port needs to be addressed. If the traffic volume has to be expanded, the government has two choices, to upgrade the old port and build a new port. Since the old port is close to the city center, the terminals and the city are mixed together without strict

functional zoning, upgrading the old port involves a series of work such as land preparation and house demolition, which is very difficult and costly to renovate. In addition, as the volume of ships has been expanded, the related road transportation, cargo yards and other issues exceeds the capacity of the city to deal with all these problems (Ji & Li, 2019).

Then, both sides further agreed to redefine the development plan of Djibouti by selecting another site for the new port on the one hand, and treating the area where the old port is located as a business district such as a CBD on the other (Ji & Li, 2019).

Initially, the cooperation between Djibouti and China Merchants was limited to the construction of a new port, and there was no follow-up plan. This was changed on September 4, 2018, CMG and the Government of Djibouti officially signed the Memorandum on the Cooperation of Djibouti Old Port Renovation Project, in which CMG would take up the urban redevelopment project of the old port area, with a vision for commerce, logistics, finance, hotels and tourism (Ji & Li, 2019).

FIGURE 2.4 The port of Djibouti



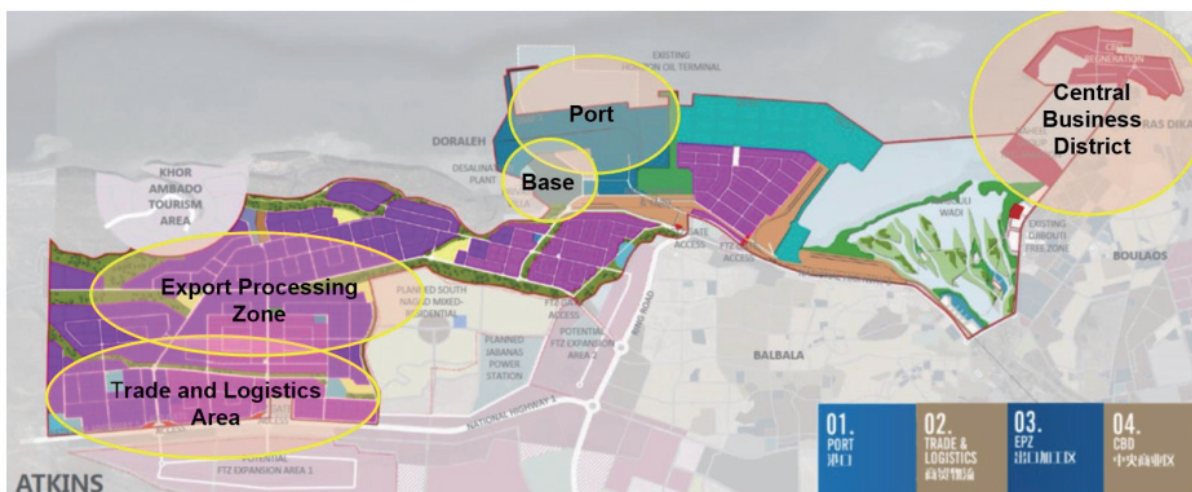
Source: Dutton, et al., 2020

FIGURE 2.5 Port-Zone-City development model (1)



Source: CMG, 2017²⁰

FIGURE 2.6 Port-Zone-City development model (2)

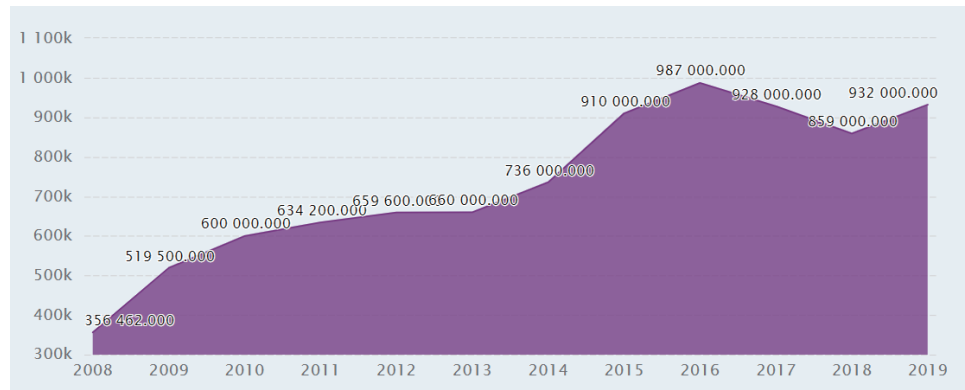


Source: Dutton, et al., 2020

According to CMG's development model of "port-zone-city", the industrial park becomes the key to support the sustainable development of Djibouti's port business and the development of the whole city. Considering the special conditions of Djibouti, including the very high degree of openness in business environment, free access to foreign exchange, less restrictions on foreign labor, and the geographical location close to the port, CMG and the government decided to build a free trade zone in the central area between the port and the city. Special policies will be implemented in the free trade zone, and zone related business will include logistics services for Ethiopia based on the port, commodity transportation and exchange for the African market, low added value such as primary export processing, and other business supporting services including office, hotel and residential services.

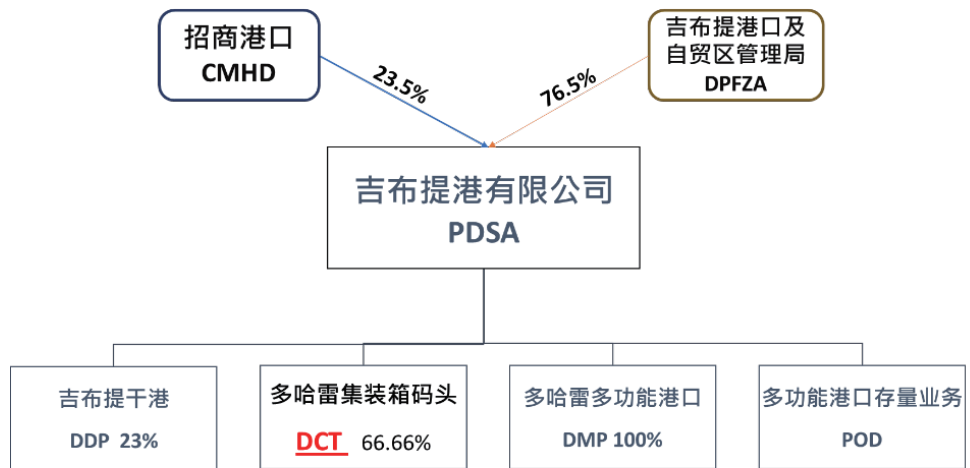
120 <http://finance.eastmoney.com/news/1371,20170616747518815.html>

FIGURE 2.7 Djibouti's Container Port Throughput from 2008 to 2019



Source: Dutton, et al., 2020¹²¹

FIGURE 2.8 Shareholding of Djibouti Port



Source: CMP, 2021

China Merchants Port indirectly owns and operates three major terminals in Djibouti, the Multipurpose yard (DMP), the Dedicated Container Terminal (DCT) and the Djibouti Horizon Line (HDTL) crude oil terminal, through its stake in PDSA. In terms of key performance, container import and export volumes have been basically flat for the past three years, with a slight decline. Bulk cargo throughput capacity has doubled with the completion of the new DMP port. PDSA doubled its shareholder dividends over the past three years, and net profit after tax has grown steadily (CMP, 2021)

121 <https://www.ceicdata.com/en/indicator/djibouti/container-port-throughput>

APPENDICES

Appendix 1 Country Profile

TABLE A1-1 Country profile

| | |
|--------------------------------------|---|
| Official name | Republic of Djibouti |
| Capital | Djibouti |
| Total area | total: 23,200 sq km (150th in the world) <ul style="list-style-type: none"> ▪ land: 23,180 sq km ▪ water: 20 sq km |
| Landscape | Varied and extreme, ranging from rugged mountains in the north to a series of low desert plains separated by parallel plateaus in the west and south |
| Climate | The cool season lasts from October to April and typifies a Mediterranean-style climate in which temperatures range from the low 20s to low 30s C with low humidity. The hot season lasts from May to September. Temperatures increase as the hot khamsin wind blows off the inland desert, and they range from an average low in the low 30s C to a stifling high in the mid-40s C. Humidity is at its highest of the year. |
| Population | 938,413 (July 2021 est.) (162nd in the world) |
| Population growth rate | 2.01% (2021 est.) |
| Population distribution | Most densely populated areas are in the east; the largest city is Djibouti, with a population over 600,000 (75% of population); no other city in the country has a total population over 50,000 |
| Urbanization | Urban population: 78.2% of total population (2021) Rate of urbanization: 1.56% annual rate of change (2020-25 est.) |
| Median age | Total: 24.9 years (163rd in the world) <ul style="list-style-type: none"> ▪ Male: 23 years ▪ Female: 26.4 years (2020 est.) |
| Human Development Index (HDI) | 0.524 (2019) 0.518 (2018) 0.510 (2017) |
| Corruption Perceptions Index | 142 / 180 (2020) 126 / 180 (2019) 124 / 180 (2018) |
| Language | French (official), Arabic (official), Somali, Afar |

| | |
|---|---|
| Ethnicity | Somali 60%, Afar 35%, other 5% (mostly Yemeni Arab, also French, Ethiopian, and Italian) |
| Religion | Somali 60%, Afar 35%, other 5% (mostly Yemeni Arab, also French, Ethiopian, and Italian) |
| Government | Presidential republic |
| Education | School life expectancy (primary to tertiary education): <ul style="list-style-type: none"> ▪ total: 7 years ▪ male: 7 years ▪ female: 7 years (2011) Education expenditures: 3.6% of GDP (2018) |
| Health infrastructure | Physicians density: 0.22 physicians/1,000 population (2014) 1.4 beds/1,000 population (2017) Maternal mortality rate: 248 deaths/100,000 live births (2017 est.) Current Health Expenditure: 2.3% of GDP (2018) |
| International organization participation | ACP, AfDB, AFESD, AMF, AU, CAEU (candidates), COMESA, FAO, G-77, IBRD, ICAO, ICct, ICRM, IDA, IDB, IFAD, IFC, IFRCs, IGAD, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ITU, ITUC (NGOs), LAS, MIGA, MINURSO, NAM, OIC, OIF, OPCW, UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO |

Sources: Britannica¹²², CIA World Factbook, as of September 2021¹²³; UNDP Human Development Report¹²⁴; Transparency International¹²⁵

122 <https://www.britannica.com/place/Djibouti>

123 <https://www.cia.gov/the-world-factbook/countries/djibouti/>

124 <http://hdr.undp.org/sites/default/files/Country-Profiles/DJI.pdf>

125 <https://www.transparency.org/en/countries/belarus>

Appendix 2 Economic Overview

TABLE A2-1 Economic overview

| | |
|---|---|
| Income status | Low-middle-income country |
| Currency | Djiboutian franc (DJF) |
| GDP (in current US\$) | \$3.384 billion (2020) |
| GDP per capita (in current US\$) | \$ 3425.5 (2020) |
| GDP Growth¹²⁶ | 0.5% (2020) 7.77% (2019) 8.408% (2018) |
| Unemployment rate¹²⁷ | 11.57% (2020) 10.97% (2019) 11.06% (2018) |
| Gini Index Coefficient¹²⁸ | 41.6% (2017) |
| Inflation rate¹²⁹ | 2.88% (2020) 3.32% (2019) 0.51% (2018) |
| Industries | Service, Tourism, Dairy, Fishing, Salt, Construction, Mining |
| GDP by sector | Agriculture: 2.8% (2017 est.) Industry: 21.0% (2017 est.) Services: 76.1% (2017 est.) |
| Internet users¹³⁰ | 554,300 (Jan 2021 est.) |

Source: WFP, 2021¹³¹; World Bank, 2021¹³²; Statista, 2021.

128 <https://knoema.com/atlas/Djibouti/topics/Poverty/Income-Inequality/GINI-index>

129 <https://www.statista.com/statistics/529244/inflation-rate-in-djibouti/>

130 <https://datareportal.com/reports/digital-2021-djibouti>

131 <https://www.wfp.org/countries/djibouti>

132 <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=DJ>

Appendix 3 COVID-19 in Djibouti

By Eliza Ying Ching Chan¹³³

Key figures

Number of confirmed cases: 13,320

Deaths:178

FIGURE A3-1 COVID-19 Situation in Djibouti

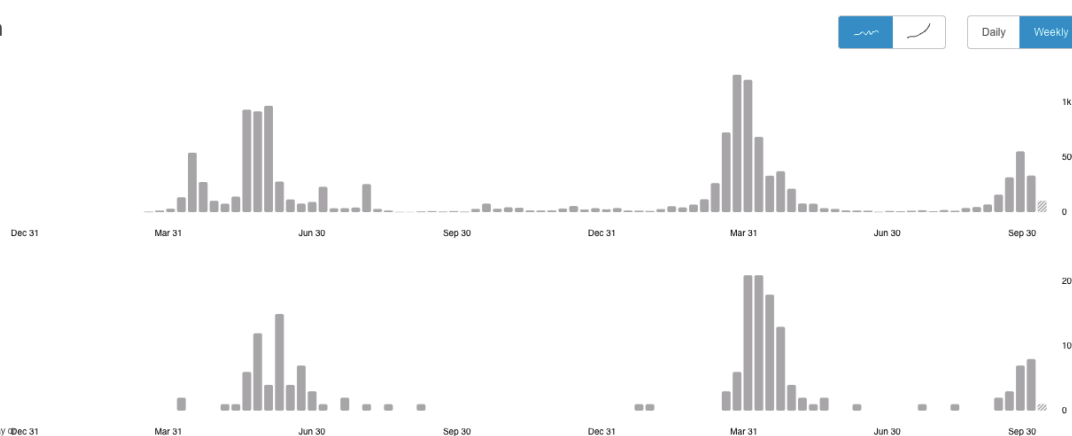
In **Djibouti**, from **3 January 2020** to **3:58pm CEST, 13 October 2021**, there have been **13,320 confirmed cases** of COVID-19 with **178 deaths**, reported to WHO. As of **17 September 2021**, a total of **66,010 vaccine doses** have been administered.

Djibouti Situation

13,320
confirmed cases

178
deaths

Source: World Health Organization
Data may be incomplete for the current day or week.



World Health Organization

According to the World Health Organization, there are two waves of COVID-19 in Djibouti. The first wave happened after the first case of COVID was confirmed on 17 March 2020, when a Spanish national arrived by military flight was caught in COVID¹³⁴. The second case was reported by a US Department of Defense member in the US military base. It began community transmission among his family and neighbors in Djibouti before being discovered five days after his arrival. There are two peaks in the first wave. The first one was around the end of April, and the second peak was at the end of May and the beginning of June.¹³⁵

Djibouti completed the greatest per capita tests of the disease in Africa from 17 March to 16 May, isolating, treating, and tracing the contacts of each positive case, allowing for swift containment of the epidemic, and the rapid increases in the number of patients.¹³⁶ In March 2020, the government of Djibouti pursued effective and strict policies starting with the closure of land borders, the port, and the airport. The government had also announced a general lockdown in Djibouti. However, the number

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¹³⁴ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7755209/>

¹³⁵ <https://reliefweb.int/sites/reliefweb.int/files/resources/Djibouti%20COVID19%20Sitrep%2011%20.pdf>

¹³⁶ <https://www.aljazeera.com/news/2020/4/24/coronavirus-surges-in-djibouti-as-population-ignores-measures>

of cases rose intensely during mid-April, presenting a seven-fold increase in only two weeks.¹³⁷ President Guella said that many of his compatriots take COVID-19 lightly and not following the confinements.¹³⁸

The second wave of COVID in Djibouti occurred from February to May 2021¹³⁹, which is also deadlier than the first wave of COVID in Djibouti.¹⁴⁰ The second wave of COVID during this period was happening all across Africa.¹⁴¹ It is mentioned that this difference was caused by the variation of the virus strain, causing the vulnerable nation to be more affected by the disease.¹⁴²

Assistance from International Organizations

Djibouti had received tremendous support from multiple international organizations, including the World Bank, which had assisted in the construction of healthcare services and increasing clinical capacity, as well as investment in case testing.¹⁴³

To explain more, Djibouti had also worked with the World Health Organization (WHO) and other partners to develop a preparedness and response plan in February 2020.¹⁴⁴ The project was developed along with the WHO recommendations for testing every suspected case and followed a strict contact tracing method, according to the identified case definition, in order to limit the number of missed COVID-19 positive cases to the minimum.

The United Nations Development Programme (UNDP) office in Djibouti cooperated with the Djiboutian government to develop a multi-sectoral response plan in March 2020. The intervention plan halts the spread of the COVID-19 epidemic, reduces morbidity and mortality, reduces the deterioration of goods and human rights, social cohesion, and livelihoods, and suggests inclusive and sustainable development in Djibouti.¹⁴⁵

137 <https://www.aljazeera.com/news/2020/4/24/coronavirus-surges-in-djibouti-as-population-ignores-measures>

138 <https://www.aljazeera.com/news/2020/4/24/coronavirus-surges-in-djibouti-as-population-ignores-measures>

139 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8440879/>

140 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8440879/>

141 <https://www.bbc.com/news/world-africa-53181555>

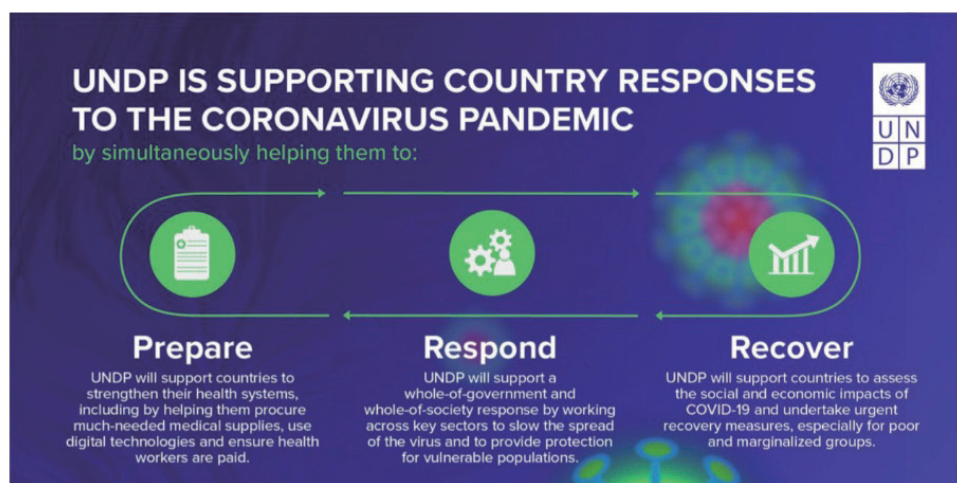
142 <https://www.bbc.com/news/world-africa-53181555>, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8440879/>

143 <https://projects.worldbank.org/en/projects-operations/project-detail/P173807>

144 https://reliefweb.int/sites/reliefweb.int/files/resources/DJI_COVID-19_Emergency_Appeal_21092020.pdf

145 <https://www.dj.undp.org/content/djibouti/en/home/coronavirus.html>

FIGURE A3-2 Illustration of UNDP Response Plan



Government measures

To prevent the transmission of COVID-19, the government had implied measures, including mandatory wearing of face masks where social distancing is not possible. The Ministry of Social Affairs and Solidarity had initiated a safety net for households nationwide. The government had provided an assistance programme for protecting the income source of 41% of the national household. The ministry also supports the vulnerable family with their daily life by distributing food and cash.¹⁴⁶

Vaccination

In March 2021, Djibouti had launched their COVID-19 vaccination campaign.¹⁴⁷ By initiating this campaign, Djibouti was able to receive the AstraZeneca SII vaccine through WHO, UNICEF, Gavi, and CEPI¹⁴⁸, as well as the Sinovac and Johnson vaccine.¹⁴⁹ Djibouti also received vaccines by Sinovac from China in March 2021¹⁵⁰, and more than 150,000 COVID-19 vaccine doses from the United States in July 2021.¹⁵¹ The total number of doses administered by August 2021 in Djibouti is 54 229¹⁵²; by September, there will be 64,721 doses. In June, President Guelleh issued a decree announcing that it is a must to vaccinate the country's adult population and its foreign residents against the coronavirus.¹⁵³

146 https://reliefweb.int/sites/reliefweb.int/files/resources/DJI_COVID-19_Emergency_Appeal_21092020.pdf

147 <https://p4h.world/en/news/djibouti-launched-its-covid-19-vaccination-campaign>

148 <https://www.unicef.org/mena/press-releases/first-quantity-covid-19-vaccines-arrives-djibouti>

149 <https://www.gov.uk/foreign-travel-advice/djibouti/coronavirus>

150 http://www.xinhuanet.com/english/2021-03/19/c_139820275_2.htm

151 <https://africa.cgtn.com/2021/07/19/djibouti-receives-more-than-150000-covid-19-vaccine-doses/>

152 <https://reliefweb.int/report/iran-islamic-republic/who-emro-covid-19-situation-updates-week-33-15-21-august-2021>

153 <https://www.aa.com.tr/en/africa/djibouti-makes-covid-19-vaccination-compulsory/2281266>

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ABOUT CSHK PASS WORKSHOP SERIES AND CSHK

About CSHK PASS Workshop Series

About CSHK PASS Workshop Series 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 |
| 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.

About Research Centre for Sustainable Hong Kong (CSHK)

The Research Centre for Sustainable Hong Kong (CSHK), established in June 2017, is an Applied Strategic Development Centre of City University of Hong Kong (CityU). Professor Linda Chelan Li, Professor of Political Science at Department of Public Policy, CityU, is the Director of CSHK. The mission of CSHK is to analyze and develop solutions to meet critical sustainability issues in Hong Kong from a multi-disciplinary perspective. Members of CSHK are from a wide range of disciplines, including public policy, philosophy, international relations, applied social studies, communication, law, economics and finance, accountancy, management science, civil engineering, biological engineering and environmental science. CSHK houses the Sustainable Hong Kong Research Hub (SusHK Hub) and supports all the research and collaborative activities with stakeholders from different sectors and regions. Established by a multi-disciplinary research team based in CityU in November 2016, SusHK Hub is an open platform and network for facilitating synergies and collaborations of our members from the academia, industry, professional services and business sectors, as well as government. Currently, it has over 2,000 local and overseas hub members, and has been supporting our research work and events closely. CSHK has recently completed a 3-year Special Public Policy Research (SPPR) project entitled “Hong Kong Professional Services in the Co-evolving Belt-Road Initiative: Innovative Agency for Sustainable Development” Project funded by Policy Innovation and Coordination Office (PICO), HKSARG [S2016.A1.009.16S]. In recognition of CSHK’s research in B&R, CSHK is also awarded the Humanities and Social Sciences Prestigious Fellowship Scheme (HSSPFS) by UGC in 2019. A Chinese book entitled 《解構·倡議—專業服務與一帶一路》(Co-evolution of Hong Kong's Professional Services and the Belt and Road Initiative) was published in July 2019 by City University of Hong Kong Press, and an English book entitled 'Facts and Analysis: Canvassing Covid-19 Responses' was published in February 2021.



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