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The Importance of Cooperation with China for Belarus

Anna Maria Dyner

Belarusian authorities attach significant importance to relations with China as an opportunity for economic development and strengthening their state's international position. In China's Belt and Road Initiative (BRI), they see possibilities for the development of the Great Stone industrial park near Minsk, as well as upgraded transport infrastructure and shipping and logistics centres. Although relations with China may have adverse economic consequences, they give an opportunity to strengthen Belarus's cross-border cooperation with Poland and the European Union.

Political Relations. For Belarus, China is becoming an increasingly important political and economic partner, and the authorities of both countries are conducting an intense dialogue. President Alexander Lukashenka regularly visits China while Belarus has received high-level officials from China and Chinese media representatives. In 2015, during the official visit of Chinese leader Xi Jinping in Minsk, both countries signed a friendship and cooperation agreement, and one year later, during an official visit of Lukashenka to Beijing, a declaration on strategic partnership. In 2017, China and Belarus established a permanent group for combating international terrorism, extremist movements, and internal separatism because of similarities in their perceptions of security threats. Moreover, in 2018, Belarus and China concluded a visa-free travel agreement (it will come into force in August).

The Belarusian authorities have been actively involved in the Chinese BRI, seeing it not only as an opportunity to strengthen Belarus's international position but serving as an important partner of China's in Eastern Europe and to attract Chinese investors. It is also an attempt to partially soften the country's political and economic dependence on Russia; Belarus counts on gaining China as an important protector in the international arena.

At the same time, China perceives Belarus as an important state in the Eurasian Economic Union and investments in the country are treated as facilitation for Chinese companies entering the markets of the member states of this organisation.

Economic Cooperation. Belarus is seeking to obtain Chinese investments in its industrial and agricultural sectors, as well as to increase exports to China. In this, it counts primarily on food sales, because Russia—Belarus's main market—plans to limit imports. Belarus already has achieved its first success in these areas, receiving as the only country in the Commonwealth of Independent States (CIS) the right to export beef to China. However, data by the Belarusian National Statistical Committee shows it is primarily China that has seen an increase in the sales of its goods, which in percentage terms show imports by Belarus increased from 4.8% in 2010 to 8% in 2017. During this period, the sales volume China remained in the range of 1.2-2.9% of total Belarusian exports. At the same time, China's overall share in Belarus's foreign trade increased from 3.6% to almost 5%. Thus, China became Belarus's fourth-largest trade partner, after Russia (49.7%), Ukraine (6.6%), and the United Kingdom (5.8%). To compare, the EU's share in Belarusian foreign trade is over 34%. Moreover, during the last three years, Chinese investments have risen from \$70 million to \$180 million.

The value of Chinese loans granted to Belarus currently amounts to about \$5 billion. However, the growing foreign debt, which currently amounts to over 37% of GDP (\$16.4 billion) compared to less than 7% of GDP in 2006, is becoming an increasing burden in the Belarusian budget.

In just 2018, Belarus is planned to pay foreign lenders about \$3.7 billion, of which \$560 million is to China. In addition, Chinese investments often take the form of loans with state guarantees. They increase Belarus's public debt and transfer the cost of debt service to Belarus, which is a high-risk factor for the local economy.

At the same time, in the last four years, China has become one of the most important donors of technical assistance to Belarus—the value of current projects (i.e., the construction of public housing and a new building of the central hospital in Minsk) reached about \$150 million. What is more, in 2018, China is to grant Belarus around \$120 million of non-returnable aid for the implementation of four business projects in the Great Stone industrial park.

Great Stone was created in 2012 as a special economic zone to attract foreign modern technology companies (currently, there are representations of 33 companies from eight countries). Belarus and China consider it a flagship investment aimed at increasing the level of bilateral economic cooperation. However, the development of the park faces many problems even though the Belarusian authorities offered China the opportunity to invest in about 20 of its companies in the chemical and machinery industries. One of the most important problems is that both sides have different expectations of the entities operating there. For Belarus, it is still important to maintain social security and ensure production stability in companies operating at Great Stone while the Chinese are guided by their own economic calculations and focused on reducing operating costs.

Military Cooperation. An agreement on military cooperation was signed by Belarus and China in 2010, and since then, both states have significantly increased cooperation in this sphere. The most important outcome so far has been the design and production by armament companies of both countries of the Polonez multiple rocket launcher system, which was added to Belarus's arsenal in 2016. Currently, these rockets have a range of about 300 km and the launchers are equipped with Belarusian rockets based on Chinese projects. The most important Belarusian companies in its military industry, such as the Minsk Wheeled Tractor Plant (MZKT) or the Peleng optoelectronic equipment producer, also cooperate with Chinese armaments companies. Moreover, China Aerospace Science built Belarus's first telecommunications satellite, which was launched into orbit in January 2016. Then, in 2017, China granted Belarus \$4.5 million worth of expendable military assistance (mainly in the form of equipment).

In recent years, units of both armies took part in special operations exercises, both in China and in Belarus. What is more, on 3 July, for the first time Chinese soldiers took part in the military parade on Belarus Independence Day. Both countries also plan to develop cooperation in the combat preparation of soldiers and in the field of military education (for a dozen years, Chinese officers have been studying at the Military Academy of the Republic of Belarus, and Belarusians have been studying at military universities in China). The significance of the military cooperation was also stressed the newly appointed Chinese Minister of Defence Wei Fenghe, who chose Belarus as the destination of his second foreign visit, after Russia.

Conclusions. For the Belarusian authorities, cooperation with China is one way to maintain the greatest possible political, economic, and military independence. It also points out that Belarus seeks to diversify its foreign policy directions. However, when considering Chinese policy in other countries—aimed only at achieving its own economic interests—and the geographical distance between the countries, it is difficult to expect that this cooperation will become a viable alternative to relations between Belarus and Russia or Belarus and the EU, or that it will bring significant benefits.

EU Member States, including Poland, increasingly perceive the Chinese model of capital and investment involvement (full control over the investment, including access to critical infrastructure) as a dangerous factor for economic development and security. An increasing problem for some countries, including for Belarus, is their growing trade deficit with China; nevertheless, the EU and Belarus must take into account that the trade intensity will be maintained. It will intensify Chinese activities aimed at increasing railway exports, which would increase the number of China-Europe cargo trains traveling through Belarus and Poland. This will force strengthened cooperation between the latter two countries in the scope of the development of railway and trans-shipment infrastructure (this applies especially to the terminal in Małaszewicze, Poland) and the construction of intermodal border crossings. They can apply for funds for this purpose to the Cross-Border Cooperation Programme Poland-Belarus-Ukraine 2014-2020. Belarus may also use other EU initiatives, such as the Eastern Partnership Territorial Cooperation or Euroregions.¹ Thus, the increasing Belarusian contact with China also may lead to strengthening cross-border cooperation between Belarus and the EU.

¹ For more, see: A. Skorupska, "Cross-Border Cooperation: An Opportunity to Strengthen the Eastern Partnership," *PISM Bulletin*, No. 4 (1075), 8 January 2018.