

SOME ASPECTS OF BELARUSIAN-CHINESE RELATIONS IN THE REGIONAL DIMENSION: MUCH SOUND AND LITTLE SENSE

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SUMMARY

Starting 2006, the relationship with China has been regarded as one of the key foreign policy priorities of Belarus. Officials tend to emphasize the commonness of opinions on the world order, commend the serenity of the mutual relations and hold up the Chinese model of economic, political and social expansion as an example. The media incessantly report on various types of Beijing's financial assistance to Belarus.

However, to what extent does this bright official discourse represent the real level of Belarusian-Chinese relations, both political and economic? This research study adopts a critical approach to some aspects of the political engagement with China and 'unprecedented' level of economic cooperation. The political relationship with China, expansion in mutual trade since 2000 and level of Chinese investments are assessed in the regional perspective. Some of the parameters of Belarus's collaboration with Beijing are compared with those in the neighboring states—Russia, Poland, Ukraine, Lithuania and Latvia.

The study draws the following conclusions:

- The real level of the formal political relationship between Belarus and China is rather modest in the regional perspective. Despite repeated statements about the 'strategic partnership' between the two countries made by the Belarusian ruling elite, the Chinese side makes use of more humble terms to describe the level of engagement. In the meantime, China appears to have a true strategic partnership with Russia, Poland and Ukraine.
- Official Minsk unreasonably hopes to serve as a 'springboard' for China to access the European market. In its foreign policy and foreign economic strategy, China does not identify any specific country as the platform for its presence in the European region. Moreover, there are no objective economic prerequisites for Belarus to act as a bridge for China, whereas both Ukraine and Poland fiercely compete for this nonexistent status.
- Two-way trade between Belarus and China has been showing impressive results during the last decade; however, in the regional perspective, it does not look anything extraordinary. Trade between the two countries expanded 15.4 times in 2000-2011. For Poland, Ukraine and Russia, the figures are at 9.3, 11.1 and 13.5 times, respectively. China's share in Belarus's foreign trade was only 3.3% in 2011, whereas Poland, Ukraine and Russia reported China's share at 4.8%, 5.6% and 10.1%,

respectively. Most of the Belarusian exports to China are raw materials and low added-value products of the extractive and chemical industries.

- Belarus overrates the potential of economic benefits from its compliance with China in political issues. The amount of trade and investment cooperation with China is determined primarily by the economic attractiveness of projects and general economic and investment environment in the country. Whereas China's direct investments in the Belarusian economy are comparatively modest, large-scale project financing schemes impose certain limitations on Belarusian enterprises and pose risks as far as external borrowings are concerned.

Introduction

The relationship between Belarus and China has considerably intensified over the last decade. During this period, there were more than a hundred visits and meetings of various levels, and dozens of agreements were signed. The Belarusian ruling elite makes regular statements about the strategic nature of Belarusian-Chinese relations and significance of the economic, political and military collaboration.

Belarus places high hopes on China, both economically and geopolitically. Prime Minister Michail Miasnikovič voiced an opinion that the China-Belarus Industrial Park was capable of surpassing the Russian Innovation Center Skolkovo. Deputy Director of the Information and Analytical Center at the Presidential Administration of Belarus L. Kryštapovič believes the cooperation of Belarus, Russia, Kazakhstan and China has a potential to modify the world history:

*"The combination of the powerful potentials of China and the countries of the Common Economic Area will be able to paralyze all anti-Chinese, anti-Russian and anti-Belarusian powers in the international scene. Statesmen, politicians and scientists around the world are well aware that this is what the providential course of history is all about."*¹

Such a high rating of the relationship with China and heightened expectations of further cooperation call for a thorough analysis. However, despite the high frequency of references to the engagement between Belarus and China in both the media and the analytical community, there is an obvious shortage of critical assessment of various aspects of the bilateral relations.

The content analysis of the 2010-2011 media publications about Chinese-Belarusian investment relations in the nationwide dailies SB-Belarus segodnya and Narodnaya gazeta, carried out by M. Valkoŭski, showed a deficit of analysis compared with abundant news reports and stories. Furthermore, not a single publication contained negative remarks about Belarusian-Chinese economic relations; only 13% were with neutral assessments, whereas the vast majority of publications were positive.

The objective of this research study is to investigate and analyze a number of aspects of Belarusian-Chinese political, commercial and investment engagement.

First, the impressive figures indicating the expansion in economic collaboration, which are normally expressed in absolute terms, should be compared with the statistics reported by other countries of the region. During the last decade, the rapidly growing Chinese economy has stepped up its commercial relations with most of the countries across the globe. A comparison with other economies would help make a more objective assessment of the effectiveness of the Chinese policy, which has a high profile in Belarus.

Second, the terms of Chinese investments in the Belarusian economy are worth special attention, and so is the amount of Chinese direct investments in Belarus compared with those in neighboring economies and Europe as a whole.

Third, it would be advisable to analyze whether the plans of the Belarusian authorities for Belarus to play the role of a springboard for China to access the European Union are feasible at all, the more so because other European capital cities are eager to play this role.

The first section '**Political relations with China: analysis of the expectations of official Minsk**' analyzes the status of the political relationship between China and Belarus and degree of its maturity in a regional comparison.

The second section, '**Progress and expectations of Belarus in the economic relations with China in a regional comparison**,' focuses on the analysis of comparative dynamics of trade between Belarus and neighboring economies on the one hand and China on the other, as well as

¹ Стратегія взаимодействия. Криштапович Л., Филиппов А. *Беларуская думка*, № 1, январь 2012, http://beldumka.belta.by/isfiles/000167_151133.pdf

peculiarities of the credit and investment cooperation between Belarus and China. The official statistics digests of concerned nations have been used as sources of data on trade and investment cooperation of Belarus, Poland, Ukraine, Lithuania, Latvia, and Russia with China.

The main findings of the research study are presented in **Conclusion**.

1. Political relations with China: analysis of the expectations of official Minsk

1.1. Overrated perception of the political relations: falling short of 'strategic partnership'

The Belarusian authorities tend to overrate the level of the political cooperation with China. Formally, in its relationships with Russia, Ukraine and Poland, China has developed a higher-quality engagement in the political sector than it has with Belarus.

During President A. Lukashenka's visit to China at the invitation of President of the People's Republic of China Hu Jintao in December 2005, the 'Joint Declaration of the People's Republic of China and the Republic of Belarus' was adopted. Under one of the provisions of the document, the bilateral relations are taken to a whole new quality level:

*"The parties maintain that the relations between the two states have reached a new quality phase, the phase of **comprehensive development and strategic cooperation** (highlighted by the author). The parties express their resoluteness in the spirit of eternal friendship, sincerity and mutual trust to expand large-scale cooperation in the areas of common interest with a view to mutual development, and fill the bilateral framework with substantial content."*²

The joint communiqué of 2007 runs *"the bilateral documents signed by the two states set the stage for the successful promotion of Chinese-Belarusian friendship and comprehensive cooperation."*³ The joint communiqué of 2010, adopted following the official visit by then Vice-President Xi Jinping to Belarus, builds on the declaration of 2005 and contains the following formula of the relationship:

*"The parties have reiterated that the package of the political documents signed by the two states has become a solid foundation for the successful development of Belarusian-Chinese relations in the spirit of friendship and mutually beneficial partnership."*⁴

It should be noted that the statement about the evolution of the mutual relations towards strategic cooperation was made only as a joint declaration. The name of the document does not mention the foundation of strategic partnership relations, unlike, say, the joint Chinese-Ukrainian declaration of 20 June 2011. This wording—'strategic cooperation'—was also used in the joint declaration signed by China and Russia in 1996. However, the countdown of strategic partnership started in 2001, when the 'Treaty of Good-Neighborliness and Friendly Cooperation Between the People's Republic of China and the Russian Federation' was signed.

Chinese diplomacy is quite meticulous about the choice of terms, and the hierarchy of partnerships in the Chinese diplomatic protocol is quite unique⁵. Various types of partnerships imply various expectations and levels of significance of a country or regional union in the Chinese foreign policy strategy⁶.

Strategic partnership (战略伙伴) is found at the very top of the hierarchy; however, in the Belarusian-Chinese declaration of 2005, a similar yet different wording is used—'strategic

2 Joint declaration of the People's Republic of China and the Republic of Belarus, 06/12/2005. Available on the website of the Ministry of Foreign Affairs of the People's Republic of China, <http://www.fmprc.gov.cn/rus/wjdt/gb/t225267.shtml>

3 Совместное коммюнике правительства Республики Беларусь и правительства Китайской Народной Республики, 5 ноября 2007 года, <http://www.respublika.info/4388/official/article21371/>

4 Беларусь и Китай подписали совместное коммюнике. АФН, 25.03.2010, <http://afn.by/news/i/133373>

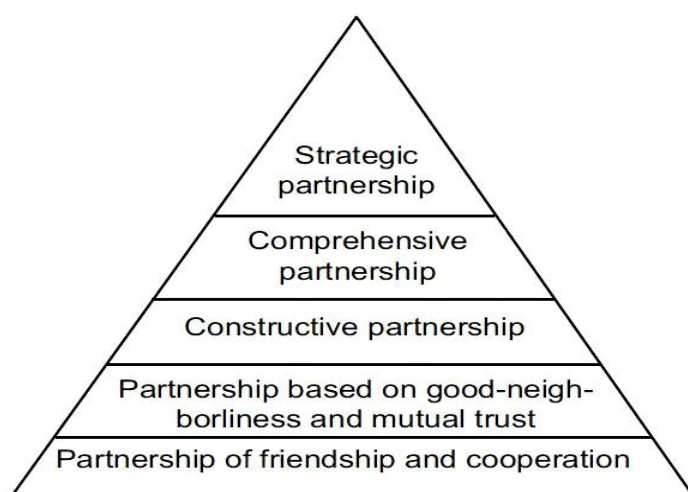
5 The status of the mutual relations can not only be upgraded, but also decreased. For instance, in 1997, the United States and China resolved to "seek Sino-American constructive and strategic partnership;" however, sometime later, the bilateral relations were defined as 'cooperation relations.' See: Strategic relations with the major powers and Asian-Pacific neighbours. Chinese Foreign Policy: Pragmatism and Strategic behaviour / Edited by Suisheng Zhao. An East Gate book, p.186.

6 For details on the hierarchy of partnerships and their essence see (Cheng and Wankun, 2002).

cooperation' (战略合作). Other official documents do not contain the words 'strategic partnership,' either.

Nevertheless, representatives of the Belarusian ruling elite (A. Lukashenka⁷, M. Miasnikovič⁸, A. Rubinaŭ⁹, etc.) have made repeated statements about the alleged **strategic partnership** between the two countries. Belarusian diplomats, too, tend to overstate the real level of the political engagement with China. Former Foreign Minister S. Martynaŭ once said that the relations between the two states 'are considered to be the relations of strategic partnership,'¹⁰ and the article by former deputy minister S. Alejnik on Belarusian-Chinese relations is entitled 'Strategic Partnership.'¹¹

Figure 1.
Provisional hierarchy of Chinese partnerships¹².



The analysis of the use of the term 'strategic partnership' in descriptions of the relationship with Belarus by Chinese-language Internet media shows that the term is only applied to convey the words of **Belarusian** state officials¹³. At the same time, in the public statements by Chinese officials, there is no assessment of the relations with Belarus as 'strategic cooperation' whatsoever. A typical example of a statement by a Chinese official is a declaration by Xu Caihou, a vice chairman of the Central Military Commission of the People's Republic of China, who said during his visit to Belarus in 2012 that his mission was "to strengthen friendship and mutually beneficial cooperation."¹⁴

The cables quoting Chinese diplomats that were declassified by Wikileaks neatly illustrate the way the Chinese side perceives its relations with Belarus. Following a conversation between deputy head of the Chinese diplomatic mission to Belarus Jiang Xiaoyang, U.S. diplomats conclude that there is

7 Лукашенко приветствует "большой приход" Китая в Беларусь. Информационное агентство Telegraf.by, 21 декабря 2012, <http://telegraf.by/2012/12/lukashenko-privetstvuet-bolshoi-prihod-kitaya-v-belarus>

8 Мясникович: великий Китай — стратегический партнер Беларуси. Интернет-газета Naviny.by, 12.07.2012, http://naviny.by/rubrics/politic/2012/07/12/ic_news_112_397242/

9 Рубінаў пра Кітай: «Нашы народы шмат у чым падобныя». Газета "Наша ніва", 21.05.2012, <http://nn.by/?c=ar&i=73816>

10 Интервью Министра иностранных дел Республики Беларусь Сергея Мартынова руководителю минского корпункта информагентства «Синьхуа» Сунь Пин, <http://www.mfa.gov.by/press/smi/d85190eb48ae69c2.html>

11 Алейник С. Стратегическое партнерство // Экономика Беларуси, №2, 2010.

12 Based on (Suisheng Zhao, 2004). Note: this hierarchy is provisional, because it is not formalized in any of the PRC foreign policy documents. Moreover, wordings may differ for partnerships. For example, the relationship between the EU and the PRC was designated as a 'comprehensive strategic partnership' in 2003.

13 See, for example, the statement by the Ambassador of the Republic of Belarus to the PRC (白俄罗斯外长说中白高度信任的战略伙伴关系具有广阔发展前景, <http://by.chineseembassy.org/chn/sbgx/t291085.htm>), by Belarus's Defense Minister J. Žadobin (扎多宾: 白俄罗斯视中国为战略合作伙伴, <http://www.belaruschina.by/cn/news/2012/July/11July-985.html>).

14 Belarus sees China as strategic partner. Xinhua, 2012-07-13, http://www.chinadaily.com.cn/xinhua/2012-07-13/content_6427848.html

more hype than substance in the relations between Belarus and China. Former Ambassador Karen Stewart quotes Jiang Xiaoyang in her cable to Washington:

"From Beijing's perspective, China's relationship with Belarus falls into the category of 'constructive partner, nothing more.' [highlighted by the author] ... Jiang stated categorically that Belarus greatly exaggerates the level of cooperation between the two countries. Chinese leaders have never employed—nor do they plan to in the near future—such language as 'strategic partner,' or even 'important partner,' in describing China's relationship with Belarus. Jiang speculated that this rhetoric is primarily for domestic consumption."¹⁵

One can assume that representatives of the Belarusian ruling elite interchange the terms 'strategic cooperation' and 'strategic partnership' unintentionally. One reason is that they may be unaware of the Chinese diplomatic hierarchy of partnerships, hence the difference in the perception of the same document.

A recap: references to the bilateral relations with China by the Belarusian ruling elite as 'strategic partnership' are erroneous and premature. A lower status of the mutual relations in the eyes of the Chinese partners can be confirmed by a number of factors—the type and titles of official bilateral documents, characteristics of the bilateral framework in statements by Chinese officials, as well as declassified diplomatic dispatches with relevant quotations of a Chinese diplomat. Bilateral documents make use of the definition of the level of relations that is similar, yet not identical to 'strategic partnership,' and rather corresponds to the third ('constructive cooperation') rather than the first ('strategic partnership') level of the Chinese hierarchy of partnerships presented above.

1.2. Level of political relations between China and Belarus's neighbors

To outline the level of the political relationship between Belarus and China in a comparative regional dimension, we present a brief description of the level and peculiarities of the political relations between China and Belarus's neighbor states, as well as the EU as a whole.

1. Russia. Strategic partnership was established by the Treaty of Good-Neighborliness and Friendly Cooperation Between the People's Republic of China and the Russian Federation (FCT). Interestingly, the relations of strategic partnership confirmed at the top level along with shared views on the world order do not ensure the two countries to resolve some discrepancies in the bilateral relations. Despite the enormous potential for cooperation in the energy sector (China is the largest energy consumer in the world, and Russia is the leading supplier of energy resources globally), the lack of trust appears to be the main barrier to a more active development of the bilateral relations, including in the energy sector.

2. Ukraine. Ukrainian President V. Yanukovich and Chinese President Hu Jintao on 20 June 2011 signed the Joint Declaration on the Foundation and Development of Relations of Strategic Partnership between Ukraine and the People's Republic of China. The document marks the onset of the relations of strategic partnership between Ukraine and the PRC and identifies the fundamental principles of these relations.

3. Poland is one of about ten EU Member States, which have managed to promote their relations with China to the level of strategic partnership. Poland and the PRC signed the relevant declaration on 20 December 2011 during the visit of Polish President B. Komorowski to China. Unlike the 2005 Declaration between Belarus and China, the document clearly states: "*both signatories resolve to upgrade the level of the bilateral engagement to the level of the relations of strategic partnership.*"¹⁶ During the visit of Polish Prime Minister D. Tusk to China in April 2012, the two countries agreed to

¹⁵ Belarusian-Chinese relations: more hype than substance, US Embassy Diplomatic Cables from WikiLeaks, 07MINSK463, <https://dazzlepod.com/cable/07MINSK463/>

¹⁶ Tekst Strategicznego Partnerstwa Polska-Chiny, podpisanego 20 XII w Pekinie, <http://www.polska-azja.pl/2012/01/10/tekst-strategicznego-partnerstwa-polska-chiny-podpisanego-20-xii-w-pekinie/>

deepen the bilateral relations, which envisaged the creation of a mechanism of regular meetings between the premiers and of the intergovernmental commission for coordination of the bilateral collaboration in various areas and formulation of medium- and long-term economic engagement plans¹⁷.

4. Lithuania and Latvia have some joint agreements and memoranda of cooperation with China in various areas, including investments; however, the overall level of cooperation remains quite low. The Baltic States do not consider China to be central for their foreign policy or that of the European Union as a whole. In the context of the general European policy on the PRC, they appear to follow rather than to lead. Lithuania and Latvia (alongside Austria, Belgium, Ireland, Estonia and Luxembourg) form the group of countries, which, according to some researchers, rely on European values in their relations with China (Fox and Godement, 2009). This group, dubbed 'European followers,' which provisionally includes Lithuania and Latvia, are said to rely on EU support to protect them from China's pressure on issues like Taiwan or Tibet.

As EU Member States, Lithuania, Latvia and Poland have transferred some of their competencies to the supranational level; therefore, their relationships with China are mixtures of the bilateral relations at the interstate level and relations in the EU-China framework.

5. EU and China. The essence of the European Union as a supranational body and intergovernmental organization predetermined a higher level of complexity of European-Chinese relations than the bilateral relations between China and any of the member states. The institutional architecture of the relations between the EU and China comprises three main categories—politics, economics and trade, and inter-human relations (since February 2012). The EU and China hold annual summits, have regular high-level dialogues and more than 50 sectoral dialogues on various issues.

Despite the backdrop of problems and disagreements —economic (large trade deficit for the EU, unequal access of European businesses to the Chinese market), political (situation with human rights and democracy) and those in foreign policy (stance on Iran, etc.), the EU and China gradually upgraded the level of their relationship—from 'long-term engagement' to 'comprehensive partnership,' 'maturing partnership' and, finally, 'comprehensive strategic partnership' in 2003. In 2010, the bilateral framework was revised to include foreign policy, security issues, climate change and the global economic system.

The 1985 EU-China Trade and Cooperation Agreement is outdated. The EU Member States disregard it in practice and adopt their own national approaches that often run counter to the Agreement. Some of the EU economies disagree with China on trade issues, some countries differ with China on the political agenda, some on both trade and political issues, and some appear not pressing China on either. The authors of a comprehensive study of the Chinese-European relationship John Fox and Francois Godement note:

"China has learned to exploit the divisions among EU Member States. It treats its relationship with the EU as a game of chess, with 27 opponents crowding the other side of the board and squabbling about which piece to move." (Fox and Godement, 2009:12-13)

Despite China's minimal human rights and democracy progress, the EU has to compromise on its values-based foreign policy and actively engage with China, given increasing interdependence (Mattlin, 2010). The EU is currently China's largest trade partner, whereas China is Europe's second-largest trade partner and the largest exporter to the EU. The EU policy on China can be characterized as 'unconditional rapprochement,' which provides China with access to all of the economic and other benefits of cooperation with the EU with limited return.

¹⁷ Wen Jiabao Holds Talks with Polish Prime Minister Tusk, 2012/04/26, <http://www.fmprc.gov.cn/eng/topics/wjbispg/t926931.htm>

1.3. Political regime as official Minsk's questionable bargaining chip

Official Minsk's hopes to win China's affection due to its similar vision of the world order, human rights and democracy appear to be ungrounded. The Chinese foreign policy concept targets promotion of mutually beneficial relations with various political systems. In this regard, the foreign policy pursued by the PRC differs from that of the United States, which seeks to deter China by way of establishing military and political alliances with its Asian allies, and that of the EU, which in some cases carries out a policy of sanctions based on the European values (including in respect of Belarus).

Belarus regularly emphasizes the commonness of its views on the political agenda with those of the Chinese administration. During his visit to China in December 2005, A. Lukashenka said that the two countries "have identical positions in the international scene, common conceptual views on the world order."¹⁸ Official Minsk, therefore, highlights the special benefits that China can draw from cooperation with Belarus rather than any other country of the region, which in their dialogue with China occasionally raise sensitive issues of human rights, national minorities or the status of Tibet and Taiwan. K. Rudy, a staff member of the Belarusian Embassy in China, makes a direct remark about the *political* competitive advantage of Belarus:

"Overall, the prospects of credit and investment cooperation between Belarus and China are closely connected with the competitive advantage (political and economic) of the Republic of Belarus from China's perspective as against the other CIS and CEE states. In this context, Belarus offers Chinese investors a more favorable political regime and economic terms compared with Russia and Ukraine, as well as the EU Member States..."¹⁹

Since the end of the Cold War, a prominent characteristic of Chinese diplomacy has been 'non-enemy diplomacy.' In today's world, there is not a single country which China sees with hostility. The Chinese government has carried out multi-directional cooperation with all kinds of countries in the world. All the cooperation is realized in the frame of constructing multi-level 'partnerships' (Hao, 2009:35).

Whatever partnerships they might be, they all share the following essential characteristics: a) these are new type of relations between nations, rather than military alliances; b) the nations peacefully solve differences and conflicts existing between them through consultation and dialogue; c) they are not allied to counter a third country (ibid: 36).

In other words, the type of relations pursued by China is neither alliance nor hostility towards a third country, i.e. Belarusian officials tend to exaggerate the significance of the political regime as a competitive edge for credit and investment cooperation and its prevalence over economic factors. China has developed strategic partnerships with some of the EU Member States, including with Poland, despite their commitments to European values and criticism of China as far as political issues are concerned. Political differences have not stopped many of the EU economies from developing large-scale investment cooperation with the PRC and attracting significant direct investments from China (see the next section of the study for details).

At the same time, China can have two major foreign policy benefits from its engagement with Belarus: it can enjoy Belarus's support for a broad agenda in the international scene and neutralize the diplomatic efforts of Taiwan. A special study has revealed that the support for Chinese positions in human rights votes in the United Nations leapt from 50% in 2000 to 74% in 2008 (Gowan and Brantner, 2009). Belarus has joined the group of nations that consistently support China in international institutions. China also seeks this support of developing economies in the framework of the WTO in order to achieve the status of a market economy.

In the early 1990s, Belarus was making good use of the generosity of Taipei, which was ready to pay for the promotion of the bilateral framework. Belarus became the first CIS country to receive a

18 Серьезные намерения друзей, 25.03.2010, <http://war.sb.by/post/98398/part/8/>

19 Кредитно-инвестиционное сотрудничество Беларуси и Китая. К. Рудый. *Банкаўскі веснік*, кастрычнік 2011, <http://www.nbrb.by/bv/narch/537/8.pdf>

'soft' loan from Taiwan. Taiwan provided USD8 million, and the European Bank for Reconstruction and Development added USD31.8 million for a telecommunications project in Minsk (Tubilewicz, 2007: 158). The Taipei trade and economic mission to Minsk was officially opened on 1 July 1996 after a relevant bilateral agreement was signed.

As ties with Mainland China grew stronger, the relations between official Minsk and Taipei rapidly became cooler. By the mid 2000s, official Minsk had failed to make any appreciable progress in supporting Taiwan's membership in international institutions, let alone recognize the island's independence. Despite its commitments under the bilateral agreement, Belarus never opened its diplomatic mission to Taiwan. Two-way trade was developing very slowly; Belarus could not interest Taiwanese business delegations. In January 2006, the government of Taiwan announced the closure of its trade mission to Belarus and transfer of its functions to the Moscow office. Commenting on its reasons, the Ministry of Foreign Affairs (MOFA) cited Belarus's opposition to Taiwan's bids to participate in international bodies such as the UN and the World Health Organization (WHO)²⁰.

Taipei therefore lost the diplomatic battle for the position of the Belarusian government on the status of Taiwan. Moreover, the PRC even used Belarus to punish the Baltic States for their ties with the island. After a Latvian minister visited Taipei, China instructed Belarus to shift one day of shipments of Belarusian goods from Latvian to Estonian ports—an action that cost the Latvian ports several million dollars²¹.

20 Representative office in Belarus closed by MOFA, Taipei Times, 04/01/2006, <http://www.taipeitimes.com/News/taiwan/archives/2006/01/04/2003287324>

21 Taiwan closes mission as Minsk supports Beijing, 06MINSK21, <https://dazzlepod.com/cable/06MINSK21/>

2. Progress and expectations of Belarus in the economic relations with China in a regional comparison

2.1. Chinese 'springboards' as regional phantoms

Belarusian state officials have repeatedly expressed their expectations that Belarus will become a 'springboard' for China to access new markets. This formula was mentioned by then ambassador of Belarus to China and chairman of the Belarusian part of the Belarusian-Chinese commission for trade and economic cooperation A. Tozik ahead of the signing in 2005 of the Joint Declaration:

*"Geographically, Belarus stands on the crossroads of commercial and transit routes, their crossing from Asia and Russia to Europe. Therefore, Belarus can play the role of a convenient bridge for Chinese business to explore new promising markets. The customs union of Belarus, Russia, Kazakhstan, Kyrgyzstan and Tajikistan enables export of Belarusian-made products to the mentioned countries without customs duties."*²²

Commenting on additional factors to attract China A. Tozik mentioned free economic zones and highly qualified workforce in Belarus. While A. Tozik was speaking about the prospects for China to access the market of the Customs Union of the EurAsEC, then Foreign Minister S. Martynaŭ said in an interview with Xinhua: *"Belarus is ready to provide China with a strategically important platform, a sort of foothold to promote its presence in Europe."* S. Martynaŭ did not elaborate as to why it is from Belarus that China would especially benefit when promoting its presence in Europe (he must have referred to the EU).

Interestingly, a few months prior to S. Martynaŭ's statement, Ukrainian Prime Minister M. Azarov cited in an interview to Xinhua the talks with the EU on the creation of a free trade zone as an important factor in favor of *Ukraine's* potential for becoming a technological springboard for China. Azarov mentioned some specific sectors of the economy—the aerospace industry, shipping industry, hotel business, light industry—and concluded: *"In turn, Chinese companies have competitive advantages in these areas and can bring them to the Ukrainian foothold."*²³

Indeed, Ukraine, which may have a European Union Association Agreement, including a Deep and Comprehensive Free Trade Area, by the end of 2013²⁴, will get an obvious bargaining chip compared with Belarus, which doesn't even have a framework trade agreement with the EU. **In other words, it is institutional, not geographic proximity to the European Union, that makes a country a likelier 'springboard.'** As for the promotion of China's presence in the EurAsEC, Belarus does not have obvious advantages in doing business when compared with Russia or Kazakhstan.

But there is not only Ukraine that is competing for the Chinese 'springboard' status in Europe. Lithuanian diplomats, too, advertise their country as the best possible bridge to the European market for China²⁵. When receiving a Chinese delegation led by Minister of Commerce Chen Deming, D. Grybauskaitė said: *"Chinese freight transport companies could take the benefit of the strategically well-located transport and logistics potential of Lithuania."*²⁶

At the same time, Polish Prime Minister D. Tusk notes the attractiveness of Poland and other Central European countries for China. Curiously, the article quoting Tusk, who was speaking at the Economic Forum Poland—Central Europe—China, is entitled *"Poland may become a foothold for China."*²⁷ Polish

22 Доклад Председателя Белорусской части Белорусско-Китайской комиссии по торгово-экономическому сотрудничеству Тозику А.А. на седьмом заседании Белорусско-Китайской комиссии по торгово-экономическому сотрудничеству (Минск, 26-27.11.2005)

23 Китаю предложили сделать из Украины "производственный плацдарм", 12 апреля 2011, http://www.odnako.org/news/show_10091/

24 European Commissioner Š. Füle said that the agreement is expected to be launched by the Eastern Partnership summit in Vilnius in November 2013.

25 Lithuania is a bridge for China to enter the EU market, The Baltic Course. Danuta Pavilenene, BC, Vilnius, 20.08.2012, <http://www.baltic-course.com/eng/analytics/?doc=61594>

26 Outlook for economic cooperation with China discussed, 14/05/2010, http://prezidentas.lt/en/press_center/press_releases/outlook_for_economic_cooperation_with_china_discussed.html

27 Polska może być przyczółkiem dla Chin, 26 kwietnia 2012, <http://biznes.interia.pl/wiadomosci/news/polska-moze-byc-przyczolkiem-dla-chin,1789845,4199>

sinologist R. Pyffel, head of Polska Azja think tank, believes that *"Poland as a Chinese springboard and window to Europe is very attractive,"* because it is the largest country in Eastern Europe, and Chinese business is interested in contracts for the development of Polish infrastructure²⁸.

An additional 'springboard' argument of Poland—its good sovereign credit rating—was mentioned by head of the Polish Information and Foreign Investment Agency (PAIiIZ) S. Majman at an 'Investing in Poland' conference:

*"Poland is an ideal springboard for beginning operations in Europe, as it is Europe's only country to successfully withstand the crisis and manage to keep its sovereign rating at A+."*²⁹

Singapore has a far more ambitious plan to become a platform for Chinese companies to win the 'international market' and positions itself as a good choice for Chinese companies to set up their logistics transshipment bases and commodity delivery points³⁰.

The 'springboard' for China is therefore as popular a catchphrase as statements about an exceptionally beneficial strategic location of almost any country, which, based on the equally clichéd formula, stands on the crossroads of various civilizations and crucial traffic flows. The 'springboard' slogan is nothing else but an appeal to China to invest more made in a form that sounds pretty. Due to its huge trade surplus, China has accumulated substantial financial resources and is looking for the best way to invest. China's FDI increased from USD2.7 billion in 2002 to USD69 billion in 2010 as part of the Go Global strategy (走出去).

At the same time, the specific nature of China's foreign policy and foreign economic strategy suggests that China will not single out one country or a bloc of countries, such as the Common Economic Area, to transform it into the coveted 'foothold' to further penetrate into specific regional markets (including those of the European Union). In this context, the opinion by Deputy Director of the Information and Analytical Center at the Presidential Administration of Belarus L. Kryštapovič about the synergy of the potentials of the Common Economic Area and China as a *'new paradigm of world development'*³¹ looks ungrounded.

Skepticism about the Belarusian 'springboard' or 'window to Europe' for China can also be observed in informal conversations of diplomats declassified by Wikileaks. Following a meeting in October 2005 with the Chinese Ambassador to Belarus Wu Hongbin (note: since then ambassadors to Belarus have been changed twice), former U.S. Ambassador to Belarus G. Krol said in a classified cable to the U.S. Department of State:

*"Wu said that when he presented his credentials, Lukashenko urged him to attract Chinese businesses to buy Belarusian goods and invest in Belarusian companies, 'as a window to the European market.' Wu said he realized he could not tell Lukashenko that Belarus has nothing to offer China, nor did China need Belarus as a window to European markets, and so he simply nodded."*³²

Overall, currently China's top priority is the resolution of numerous domestic problems. The main goal of China's foreign policy is to ensure domestic economic development and social stability, rather than to seek specific strategic allies providing 'springboards' in various parts of the world, which China could use to expand its influence in relevant regions.

28 Pyffel Radosław. Polska strategicznym partnerem Chin? Żadnych marzeń Panowie! Polska Azja, 28 września, 2010, <http://www.polska-azja.pl/2010/09/28/polska-strategicznym-partnerem-chin-zadnych-marzen-panowie/>

29 Investing in Poland, 24.09.2012, http://www.paiz.gov.pl/20120924/investing_in_poland

30 Singapore vies to be springboard for Chinese firms. By Xie Jingwei (chinadaily.com.cn), 2012-09-21, http://www.chinadaily.com.cn/business/2012-09/21/content_15774565.htm

31 Стратегия взаимодействия. Криштапович Л., Филиппов А. *Беларуская думка*, № 1, январь 2012, стр. 32, http://beldumka.belta.by/isfiles/000167_151133.pdf

32 China Q Belarus Relations: Politically Strong, Economically Weak, 05MINSK1286, <https://dazzlepod.com/cable/05MINSK1286/>

2.2. Trade with China in the regional dimension

Belarusian officials' statements about the multiple expansion in two-way trade between Belarus and China fail to give a clear picture of the effectiveness of the Chinese direction as a foreign policy priority for Belarus.

As seen in *Table 1*, trade turnover between Belarus and China indeed increased quite remarkably during the last ten years; however, in the comparative regional dimension, the expansion in mutual trade does not look anything extraordinary. Compared with other countries of the region, only Lithuania showed a markedly lower increase in trade with China. During the last decade, trade between Vilnius and Beijing expanded 5.1 times. Belarus's other neighbors reported increases in two-way trade with China between 9 and 16 times in the period from 2000 to 2011. Given China's high profile in Belarus's foreign policy, based on statements by Belarusian officials, Beijing's share in Belarus's total trade turnover, at 3.3% in 2011, looks quite modest in both Belarus's contemporary foreign trade pattern and the regional dimension.

In 2012, trade turnover between Belarus and China fell compared with the 2011 level, and China's share in Belarus's foreign trade decreased to 3.1% from 3.3%. Belarusian export to China fell from USD637 million to USD455 million, while import from China increased from USD2.19 billion to USD2.36 billion.

Table 1.
Two-way trade between Belarus, Latvia, Lithuania, Poland, Russia, Ukraine and China in 2000-2011³³

Country	Trade with China, 2000, mln USD	Import from China in 2011, mln USD	Export to China in 2011, mln USD	Total trade turnover in 2011, bln USD	Share of trade with China in total trade turnover, 2011	Growth in trade with China (in 2000-2011)
Belarus	183.6	2,194	637	87.1	3.3%	15.4 times
Latvia	27.3	392	53	26	1.7%	16.3 times
Lithuania	131.5	597	76	56.8	1.2%	5.1 times
Poland	2,090	17,595	1,797	402.6	4.8%	9.3 times
Russia	6,197	48,262	35,241	822	10.1%	13.5 times
Ukraine	760.8	6,268	2,180	151.0	5.6%	11.1 times

Raw materials and low added-value commodities dominate in Belarusian export to China. Potash fertilizers and heterocyclic compounds accounted for 65-77% of the total export from Belarus in 2010-2012. Other petrochemical products account for about 10% of the total volume of export (synthetic yarn, polyamides, ethylene polymers and oil products). Engineering products account for only about 10% of Belarusian export to China (trucks, tractors and spare parts, as well as other farm machinery) and electronics (electronic integrated circuits and transistors).

³³ Performed by the author. The figures are borrowed from official statistics reported by statistics services of relevant countries: the National Statistics Committee of the Republic of Belarus, Federal State Statistics Service of the Russian Federation, State Statistics Service of Ukraine, Centrālā statistikas pārvalde, Lietuvos statistikos departamentas, Główny Urząd Statystyczny. Some media report erroneous statistics on trade with China.

Table 2.
Main Belarusian export commodities in two-way trade with China, 2010-2011³⁴

<i>Customs Commodity Code, Belarus</i>	Commodity	Export, mln USD, 2010	% of total export, 2010	Export, mln USD, 2011	% of total export, 2011
3104	Potash fertilizers	197	41.4%	311.6	48.9%
2933	Heterocyclic compounds containing nitrogen atoms	136.1	28.6%	178.4	28%
8704	Trucks	24.5	5.1%	17.9	2.8%
2710	Oil products	22.1	4.6%	—	—
5501	Synthetic yarn	14.7	3.1%	5.5	0.9%
3908	Polyamides	8	1.7%	14.4	2.3%

It is noteworthy that Chinese diplomats sometimes quite openly and straightforwardly express their dissatisfaction with excessive regulations in the Belarusian economy and insufficient activity of Belarusian companies in the Chinese market. In an interview with Sovetskaya Byelorussia newspaper in early 2007, Chinese Ambassador Extraordinary and Plenipotentiary to Belarus Wu Hongbin said:

"We invite Belarusian enterprises—there are specific facilities, there are favorable terms, please, do come to China and do your business. Unfortunately, few companies take initiative. I have an impression that Belarusian businessmen prefer staying at home waiting for decrees, whereas directors of enterprises hope to benefit from administrative interference."³⁵

At the same time, China sells Belarus increasing volumes of high-technology products— transmitting equipment, communications equipment, computing machines and equipment. The lineup of Chinese products is diverse, and Belarus buys a considerable share of imported high-tech products to meet its commitments under tied loan agreements with China. The next section of the study focuses on those.

2.3. FDI and peculiarities of project financing

Despite frequent visits of delegations of Chinese businessmen, the situation with direct Chinese investments in Belarus looks unimpressive. The most successful example of direct Chinese investments in Belarus is the creation of a joint venture between the Belarusian holding Horizont and Chinese corporation Midea. In 2010, the Chinese partner increased its share in the joint venture to 51% from 30%. As a result, direct Chinese investments in the Belarusian economy amounted to USD28.5 million. At the same time, in 2011, Chinese FDI totaled only USD9.4 million. To compare: in 2011, 58 Chinese investors channeled USD7.2 million of direct investments in the much smaller Lithuanian economy³⁶.

The most appealing investment destinations for China in the CEE region are Hungary and Poland, which attracted USD466 million and USD140 million in direct Chinese investments, respectively, in 2005-2010 (Schüller, Meuer and Schüler-Zhou, 2012:27). However, Western European economies enjoy even larger volumes of Chinese investments, especially Germany, France, Sweden, the UK and the Netherlands (Hanemann and Rosen, 2012: 96). The last three countries on the list are

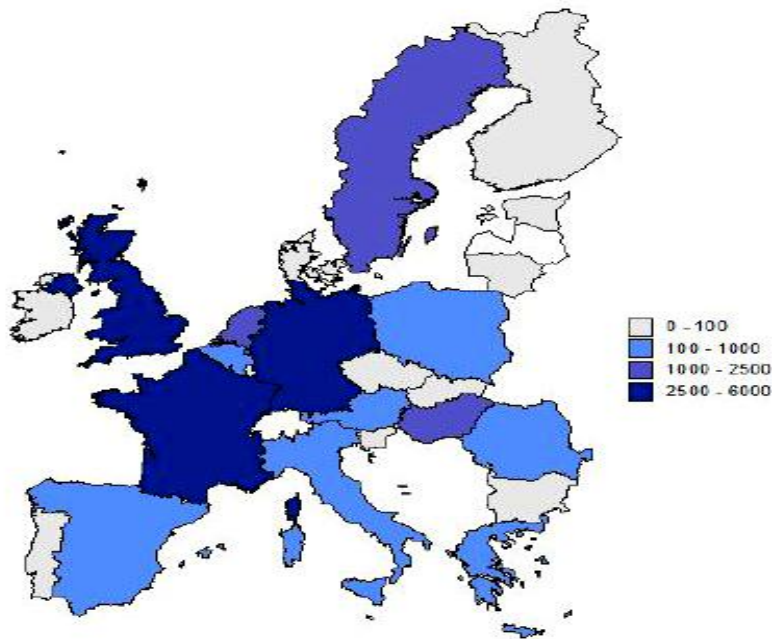
34 Based on statistics digests "Foreign Trade of the Republic of Belarus" for 2011 and 2012. National Statistics Committee of the Republic of Belarus. Edited by S. Kanhro et al.

35 Друзья познаются в труде, 20.01.2007, *Беларусь сегодня*, <http://www.sb.by/post/56323/>

36 M2030202: Tiesioginės užsienio investicijos metų pabaigoje. Požymiai: šalis investuotoja, metai, <http://db1.stat.gov.lt/statbank/SelectVarVal/Define.asp?Maintable=M2030202&PLanguage=0>

included in the group of the EU Member States with the most compelling stand on political issues with China (Fox and Godement, 2009).

Figure 2.
Combined Chinese direct investments in the EU Member States in 2000-2011, in million U.S. dollars³⁷



In other words, contrary to the expectations of official Minsk, neither political differences nor accord are key determinants in China's investment expansion. What really matters is China's economic interest, based on the assessment of the investment appeal of enterprises and quality of the investment climate in a country. Unfortunately, Belarus is comparatively unattractive by both parameters³⁸. It should be noted separately that alongside the rule of law, thoroughly spelt out rules normally benefit the receiving country, because in case of weak institutions, Chinese partners tend to look for loopholes to serve their own interests (Golonka, 2012:30).

The comparatively low volume of Chinese FDI in the Belarusian economy confirms the critical opinion of Chinese diplomats about the status of the Belarusian economy and system of decision-making. In a diplomatic cable dispatched in October 2005, the U.S. Ambassador quotes former Chinese Ambassador to Belarus Wu Hongbin:

"The Soviet economic mindset remains, and Belarusian technology that may have been of interest ten years ago has deteriorated, while Chinese standards and demands have risen. A recent delegation of businessmen from China's regions toured Belarus for over a week. When they returned to Minsk, they told the Ambassador they could find nothing of interest in the country for purchase or investment."³⁹

A recent demonstrative example of the negative impact that the state administration methods in Belarus produce on the efforts to attract Chinese investments is the commotion around the increase in the state shareholding in Obuv-Luch footwear holding. In October 2012, the general meeting of shareholders of Luch decided that the offer by the Chinese company Foshan Nanhai Chengming Trade Co., LTD "was the best one that corresponded to the status of a strategic investor" for further development of the holding.

³⁷ Source of graphics: (Hanemann and Rosen, 2012: 37).

³⁸ See (Ebbers and Zhang, 2010) and (Nicolas and Thomsen, 2008) for the analysis of the distribution of Chinese FDI to the European region and comparison with other regions of the world.

³⁹ China Q Belarus Relations: Politically Strong, Economically Weak, US Embassy Diplomatic Cables from WikiLeaks, 05MINSK1286, <https://dazzlepod.com/cable/05MINSK1286/>

However, Luch sensed the pressure of the authorities in the context of the campaign to nationalize Belarusian companies in the fourth quarter of 2012. The state representative at Luch was reported to have demanded that the state shareholding at the company be expanded by at least 25% of shares. An extraordinary general meeting in late December 2012 had to approve the transfer of a 5.4% shareholding in Luch to the state. In this connection, chairman of the supervisory board at Luch G. Badziej said that it was hard to speak about the prospects of further negotiations with potential Chinese investors. "As of the moment, there is nothing we can sell the investor," Badziej said then⁴⁰.

So far, project financing has been the most advantageous form of investment cooperation between Belarus and China. The Chinese government and banks have opened about USD16 billion worth of credit lines to finance joint investment projects in Belarus. The amount of the credit lines should not mislead the reader, because Belarus will hardly interest China with enough promising projects to disburse the entire amount. Moreover, this would result in a substantial growth in the external debt.

As of today, Chinese bank loans have been disbursed to finance the construction and modernization of Minsk-based power co-generation plants TETs-2, TETs-5, Bيارoza and Lukoml water power plants, cement factories and some other projects⁴¹. Traditional lending terms oblige Belarus to import Chinese equipment and services of Chinese specialists. According to a briefing by the Trade and Economic Group at the Embassy of the Republic of Belarus in the PRC, preferential loans of the Chinese government and the Export-Import Bank of China envisage that Chinese companies should be engaged as contractors, and at least 50% of equipment, materials and technologies required for the implementation of the project must come from China. The preferential export buyer credit of the Export-Import Bank of China is provided at even harsher terms—Chinese firms should be the exporting companies, and at least 70% of the loan should be used to purchase Chinese-made goods and equipment, and as payment for services of Chinese organizations⁴².

Therefore, although lending by Chinese commercial banks is cheaper compared with European and Russian loans and ensures inflows of foreign exchange in the country, such lending schemes are often associated with certain inconveniences and risks. A separate research study should be carried out to assess the effectiveness of using Chinese loans to finance projects in Belarus, including by having some case studies. One should also take into account the possible negative scenarios (as in the case of an accident at Minsk TETs-5⁴³ or failure to meet the deadline for the launch of production lines at the three cement makers⁴⁴), as well as the potential damage from the industrial espionage by the Chinese, which is mentioned by Belarusian specialists with experience in implementing joint projects with Chinese partners.

Contemporary credit and investment cooperation with the PRC in the form of project financing is beneficial to China, as it invests its financial resources at interest and promotes export of its products. Belarus can benefit from the comparatively low loan interests; however, on the minus side, the loans are tied to Chinese suppliers and exporters, management is of questionable quality, and there is a risk of running up huge foreign debts.

40 кционеры МО ОАО 'Луч' проголосовали за передачу государству 5,4% акций предприятия, <http://doingbusiness.by/akcioneri-mo-oao-luch-progolosovali-za-peredachu-gosudarstvu-54-akcii-predpriyatiya>

41 Investment projects. The Belarusian-Chinese Committee on Trade and Economic Cooperation, <http://www.belaruschina.by/en/business/belarus/cooperation/investment>

42 Оьготных кредитах, предоставляемых Правительством КНР и Экспортно-импортным банком Китая (информационная справка). Доступ в интернете <http://zapraudu.info/wp-content/uploads/mark/ukaz2.pdf>

43 Представители «Белэнерго» признали факт аварии на ТЭЦ-5 и рассказали о подробностях, 05/01/2013, Naviny.by, http://naviny.by/rubrics/disaster/2013/01/05/ic_news_124_408495/

44 Беларусь уже потеряла \$0,5 млрд на китайской модернизации цементных заводов, 28.02.2012, АФН, <http://afn.by/news/i/164272>

2.4. Forgotten difficulties of the counterpart of the Chinese-Belarusian Industrial Park

The China-Belarus Industrial Park (CBIP) has a potential to become the largest cooperation project between Belarus and China. Official Minsk pins very high hopes on the project. The assessment of scenarios for the CBIP is worth a separate study. This section briefly touches on the history of the China-Singapore Suzhou Industrial Park, which Belarus chose as the model for the CBIP. It follows from a brief for potential CBIP residents prepared by the Belarusian Embassy in China⁴⁵ that even the area of the park, at 80 square kilometers, and the number of workers to be involved in the CBIP project, between 360,000 and 600,000, are similar to the parameters of the China-Singapore Suzhou Industrial Park.

Belarus's commercial consul K. Rudy writes in an article that the "creation of the Chinese-Belarusian Industrial Park in Belarus basically has no negative sides," while having a vast positive potential:

*"Overall, the China-Belarus Industrial Park may become not only a new innovation level of Belarusian-Chinese investment and economic relations, but also a regional research center to assimilate FDI in Belarus, should the project successfully repeat the experience of the Suzhou Industrial Park."*⁴⁶

The reference to the China-Singapore Suzhou Industrial Park when describing the CBIP is not perfectly valid, because the former was developed in China, rather than in a partner country. Therefore, the two projects are different when it comes to their operations and development patterns. Apart from this fundamental difference, one should note that even the operation of the China-Singapore Suzhou Industrial Park (CS-SIP) was initially extremely complicated and caused major disillusionment, which was not mentioned in the article by the Belarusian diplomat, though.

The agreement to establish the CS-SIP was signed back in 1994. A few years later it turned out that the project, on which both parties placed great hopes, and which, according to Jiang Zemin, was supposed to become "a priority of all priorities for the bilateral relations," came short of the expectations. By the end of 2000, the CS-SIP had reported losses of USD90 million⁴⁷. The Park had to have its owners replaced and required major adjustments in the management system in order to save the project from collapse. In 2001, the CS-SIP was reconstructed, and its investors changed. Since about that time, the project has seen a marked increase in investments and profits, and became a real success story by the end of the 2000s. The CS-SIP has become a model for other joint parks in China, such as the China-Malaysia Industrial Park, with the agreement on construction signed in late 2011⁴⁸.

Although the media mostly attributed the original CS-SIP failure to the passiveness of the Chinese partners and competition from the locally operated industrial parks⁴⁹, a special study revealed a whole set of reasons (Minli, 2008). It appeared that Singapore, whose management and advanced technologies China was planning to borrow, was partly responsible for how things turned out due to a lack of understanding and insufficient preparation for the investment and political environment in China. Singapore was also not that quick to adjust to variations in the behavior and requirements of external parties they would work with, such as foreign investors who also alter their typical practices to adapt to the local Chinese context (ibid. 112-113). An important reason why the SIP underperformed in its early days resulted from a mismatch in expectations and value, whereby Singapore saw its role as being critical to the success of the SIP, but China took a more pragmatic approach to it (ibid. 117-118).

In other words, the China-Singapore Suzhou Industrial Park, which is used as a model for the CBIP, was making losses and was on the verge of being shut down six years after the foundation

45 China-Belarus Industrial Park 10 Q&A, http://china.mfa.gov.by/_modules/_files/files/rudy_1688.pdf

46 Кредитно-инвестиционное сотрудничество Беларуси и Китая, К. Рудый // *Банкаўскі веснік*, кастрычнік 2011, стр. 53, <http://www.nbrb.by/bv/narch/537/8.pdf>

47 Losses in Singapore Suzhou project to hit US\$90 million, September 15, 1999, <http://www.singapore-window.org/sw99/90915afp.htm>

48 China-Malaysia industrial park gets \$8.5b fund, 2012-06-30 (Xinhua), http://www.chinadaily.com.cn/bizchina/2012-06/30/content_15538798.htm

49 Suzhou project: wounded pride. Ben Dolven, Far Eastern Economic Review. July 8, 1999, <http://web.archive.org/web/20060512193509/http://www.sfdonline.org/Link%20Pages/Link%20Folders/Other/suzhou3.html>

agreement was signed. Given the presumably higher quality of training of Singaporean managers compared with their Belarusian counterparts, and a broader cultural and language gap between Belarus and China than that between Singapore and China, the planned CBIP project is obviously running rather high risks.

The claims by the authorities that the construction of the China-Belarus Industrial Park will produce a huge economic impact so far have not been expressed in any specific calculations and business plans available to the broad public and expert community to analyze. Neither has been a standard multi-criteria impact analysis of the proposed project on various socioeconomic parameters (competition, small business, sustainable development, environment, etc.) with optimistic and pessimistic scenarios and dependence on changes in the key variables.

Conclusion

In the regional dimension, the political and economic relationship between Minsk and Beijing is quite mediocre. Official Minsk overrates the level of political engagement with China, frequently referring to it as 'strategic partnership.' The Chinese perception of the relations with Belarus is less ambitious and can be characterized as 'constructive partnership.'

Belarus obviously has a better developed relationship with China than the Baltic States do, which do not regard China as their foreign policy priority and are regularly involved in diplomatic disputes with the PRC over Taiwan and Tibet. At the same time, Belarus clearly has a lower level of the political relationship with China than Russia, Ukraine and Poland have, which have been upgraded to 'strategic partners' of the PRC. On the other hand, given the comparatively low economic, political and demographic potential of Belarus, the contemporary level of the political relations with China is rather high.

Official Minsk's expectations to become a 'springboard' for China to penetrate into European markets are ungrounded. It is the institutional rather than geographic proximity to the European Union that appears to be the main criterion for China to establish 'footholds'. Belarus does not stand out of the EurAsEC Member States by its business environment, rule of law and quality of governance. Overall, the 'springboard for China' idea is largely a phantom concept, as China builds its foreign policy and bilateral economic relations on other principles.

Also unwarranted are the expectations of the Belarusian authorities to enjoy some special economic bonuses from China because of Minsk's similar stance on the world order, human rights and democracy. China does support official Minsk in international institutions; however, the political factor does not guarantee Belarus any obvious advantages in the economic and investment collaboration with China. The decisive factor is the *economic* interest, which presupposes a high investment appeal of Belarusian enterprises and generally favorable investment climate.

The share of the PRC in Belarus's total trade turnover is fairly small, at 3.1% in 2012; in the regional perspective, the progress of mutual trade looks nothing extraordinary. The export lineup of Belarusian goods supplied to the PRC is very limited—potash fertilizers account for about half of all export supplies, and petrochemical products with a low added value account for another 30%. Chinese FDI in Belarus is comparatively low, which is due to the unfavorable investment backdrop and general status of the Belarusian economy.

Symptomatically, Latvia, which does not make the PRC its foreign policy priority, reports an expansion in two-way trade with China comparable to that of Belarus (the volume of trade increased 16.3 and 15.4 times, respectively, in 2000-2011), while China's share in Latvia's trade turnover is only twice as small as it is in Belarus's foreign trade turnover (1.7% and 3.3%, respectively, in 2011). Given the high profile of the engagement with China in Belarus, this suggests that the current situation in Belarus's relationship with China is way below the expectations.

Belarus consistently supports China's political agenda internationally, especially when it comes to the status of Taiwan, as well as on a broad range of other issues. China has opened up significant credit lines for Belarus; however, they tie Belarusian borrowers to Chinese suppliers and result in a growing external trade deficit. To overcome the deficit, Belarus takes untied intergovernmental loans, thus increasing the external debt burden on the country. Furthermore, Chinese project financing schemes are sometimes compromised by poor management quality.

The claims by the Belarusian authorities that the China-Belarus Industrial Park will have a major positive impact on the economy have not yet been expressed in any business plan and development scenarios that would be available to the broad public. The currently successful China-Singapore Suzhou Industrial Park, which is the model for the CBIP, used to be loss-making and was on the verge of being shut down six years after the agreement to establish the park was signed, which makes it clear how much difficulty such projects may encounter. The CBIP project does not envisage immediate benefits, and it is the Belarusian side that is supposed to find investors in this project.

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