Backgrounder No. 6
February 6, 2019

Belarus-China Relations

Alexandra Murphy

Summary

Belarus, occupying the position as one of the many hearts of Europe, and China, with the desire to gain a foothold in the region, have instigated something of a partnership. Despite diplomatic relations between Belarus and China stretching back to 1992, there were few developments of note until the last few years. Overt displays of association emphasise this budding relationship, from the Belarusian President's son congratulating China, in Mandarin, on the 2018 Chinese New Year, to Chinese participation in the 3rd July Military Parade in Minsk. Yet while this partnership is varied and spans the fields of economics, defence, education and culture, it is not necessarily as auspicious as it first appears, and there are numerous issues plaguing the partnership which need addressing before it can be labelled a real success.

Contents

1 Aims of the Partnership
2 Current Projects and Cooperation
3 Trade with China
4 Economic Cooperation
5 Military Cooperation
6 A Prosperous Partnership?
7 Concerns
8 Key Points to Note

Aims of the Partnership

For China, the aims of the partnership are straightforward. Belarus forms part of its Belt and Road Initiative, launched in 2013. This initiative, nicknamed a "Chinese Marshall Plan", involves China investing billions of dollars in infrastructure in countries along the old Silk Road in order to link it with Europe. The attraction of Belarus lies primarily in its geographical position, with Belarus having the potential to act as a 'transport gateway' linking China with the EU and the CIS countries along the new Eurasia land bridge. In 2017, more than 3,000 China-European trains used Belarus's rail network system. The Kozlovichi-Kukuryki checkpoint, one of the busiest cargo truck checkpoints between

the CIS and the EU, is at the border between Poland and Belarus. Furthermore, as Belarus is a member of the Eurasian Economic Union (EAEU), products made within Belarus are able to be exported tariff free to other EAEU markets, such as Russia, Kazakhstan, Armenia and Kyrgyzstan.

For Belarus, the aims in developing relations with China are clear. One of these is transport; currently more than 100 million tons of goods transit through Belarus every year, which supports a large transport sector accounting for 6% of its GDP. While Belarus does have an interest in accessing Chinese funding, investment and technology, there is also an added advantage in seeking an international partner who is not located on their border.

> Belarus is looking to reduce its dependence on Russia, and with China, has found a pragmatic alternative to the EU which puts out numerous conditions as part of its neighbourhood agenda.

It is also important to note that for China, Ukraine was the initial choice for a partner in the immediate region. In 2013 and 2014 China announced a number of large investment projects with Ukraine, but following the events of 2014, China's attention focused on the more politically stable Belarus.

Current Projects and Cooperation

Cooperation between China and Belarus is multifaceted, ranging from economic – with the opening of a large industrial park, to defence – with joint army training exercises being held, and there are also smaller scale initiatives, for example the opening of traditional Chinese medical centers in every Belarusian *oblast* in 2018. Cultural cooperation is also developing and 2019 will see a Year of Education with the opening of a campus of one of China's leading universities in Belarus. This follows the 2018 'Belarus-China Year of Tourism' during which the two countries signed a mutual visa-free travel for citizens. This variety points to the all-encompassing nature of the cooperation and shows that both governments are pursuing relations across diverse platforms.

Trade with China

> Despite the emphasis on developing economic relations, Belarusian trade with China highlights a huge trade deficit for Belarus.

In 2016, Belarus managed to sell China only $0.435 billion worth of goods, which was less than 1.8% of Belarus's export of commodities – and potash made up 70% of the sales. China sold Belarus goods worth $2.12 billion over the same period, so in terms of the balance of foreign trade, the relations are far from equal. The trade indicators for 2018 to 2020 do not suggest that this deficit can be significantly altered in the near future, but steps are being made towards this, such as China opening its markets to Belarusian food exports: for dairy in 2016 and for meat in 2017. And while the absolute figures of these exports in 2017 failed to impress, at $10 million, when compared to the $2.1 billion exported to Russia, it is a move in the right direction. It is also worth noting that the volume of trade has grown 100-fold since 1992, from $34 million, to $3.3 billion in 2015. While the trade deficit is large, the volume of trade is growing.

Economic Cooperation

A key aspect of China-Belarus economic cooperation is the Great Stone Industrial Park located on the outskirts of Minsk which began construction in 2014. The complex is not merely an industrial park, but plans to be a logistics hub, a financial center, and a residential quarter with the space to house up to 200,000 people. The Park is also a bonded area and a tax-free zone with no profit tax charged for the first ten years. As of January 2019 the park had 42 residents including, Chinese telecoms giants ZTE and Huawei, agricultural machinery maker Zoomlion, electric vehicles maker Chengdu Xinzhu, Austrian wood panel manufacturer Kronospan, and U.S. fiber laser maker IPG Photonics. The logistics hub will be connected to Germany's inland port of Duisburg, and the Park is also planning to lay railway tracks to connect it to Belarus's main railroad. The contracted amount of investments of the Park residents reached $1 billion at the beginning of 2018, with the majority coming from China, Germany, Austria, the U.S., Lithuania, Russia and Belarus.

Economic cooperation between China and Belarus is not limited to the industrial park. Examples of further joint projects include BelGee, the Belarus-China joint venture motor company; the Zoomlion-Maz factory, located in Mogilev, which in 2018 started the production of automobile cranes with the largest lifting capacity ever built in Belarus. In addition, in August 2018 construction was completed on the Vitebsk hydropower station, the most powerful in Belarus. According to Mikhail Luzin, the General Director of Vitebskenergo, the new hydropower station will help to ensure Belarusian energy security.

Military Cooperation

When President Alexander Lukashenka met with the Chinese Defense MinisterWei Fenghein April 2018, he said, “China has played a decisive role in strengthening Belarus’s defence capacity.” A clear example of this is Polonez, a Multiple Launch Rocket System, (MLRS), a joint venture of the China-Belarus military industry that has been in production since 2015 in Belarus. In June 2018, Azerbaijan’s Ministry of Defense revealed that it had acquired 10 Polonez MLRS from Belarus. China has also repeatedly provided free military assistance to Belarus, for instance, in October 2017 an agreement worth $4.5 million was signed. Belarus and China currently have five international agreements in the military and technical sector.

China and Belarus also cooperate on military education. Since 2000 a total of 277 Chinese servicemen have received diplomas from the Belarusian Military Academy. Likewise, around 77 servicemen of the Armed Forces of Belarus received education in the institutions of the Chinese People’s Liberation Army. The two countries also hold regular joint army training exercises. For example, “Hunting Falcon” is a regular exercise designed to strengthen the partnership between the two armies in counteracting terrorist threats. This commitment to military cooperation is further evidenced by the amount of high level exchanges between the two countries. From 2013 to 2017 representatives of the Belarusian Defense Ministry visited China seven times while delegations of the Chinese Defense Ministry paid eleven visits to Belarus.

A Prosperous Partnership?

While the Belarusian leadership has been vocal about the success of the partnership, with Lukashenka praising the economic cooperation between Belarus and China, the reality has not met all Belarusian expectations.

> Additionally, the BRI project as a whole has been accused of slowing down as China has found it increasingly difficult to establish profitable projects in the belt-and-road-countries, with Chinese businessmen in central Asia nicknaming it “One Road, One Trap.”

Concerns

There are some key concerns regarding successful cooperation:

- Belarus has to compete with its neighbours for investments. The advantages of the Great Stone Industrial Park appear favourable, but they are not unique in the region and the park can be outbid by parks in neighbouring countries, such as Russia, which is also

an EAEU member.

- Belarus has found that with industrial projects China often supplies its own workers, which can come at the expense of local contractors in Belarus. In addition there have been issues with conditions for these workers, for example in 2015 in Dobrus when Chinese workers building a cardboard factory protested unpaid wages.

- There is a growing concern about countries along the BRI that are heavily indebted to China. This so-called 'debt-trap' diplomacy could be used to extract strategic concessions along the 'road' if investments prove unprofitable and bilateral relations sour. China already owned 18% of Belarus's external debt in 2017.

- There are also reports that economically, some joint ventures are not as successful as originally hoped. For example, the Belarus and Chinese carmaker, Geely, which produces Belarusian-made vehicles targeting the Russian market, is aiming to produce 25,000 and 35,000 cards in 2018 and 2019 respectively, but for the first 9 months of 2017, Geely only sold about 1,700 cars in Russia.

Key Points to Note

1) It is too soon to label China-Belarus cooperation as either a success or a failure. Projects, such as the Industrial Park are moving slower than hoped, but they are moving forward. The BRI project is less organized than observers originally believed, therefore this is not necessarily a reflection of Belarus-China relations, but more so of the Chinese project itself.

2) China-Belarus relations are not taking place in a vacuum.

> While China is an alternative partner for Belarus, it is in China's interests for Belarus to maintain good relations with the EU.

It is important to note the potential ramifications for EU-Belarus relations.

3) This point is mirrored with Russian relations, which could become an issue for China if there is a downturn in relations between Belarus and Russia, for example, regarding Trans-Eurasian rail routes that link China with Europe. It is in China's interest that the EAEU and its customs zone function well for the sake of its own shippers and export-oriented producers.

Alexandra Murphy *- Visiting Fellow, Minsk Dialogue Track-II Initiative.*

The comment is part of the project “From Situational Analysis to Foresight: Deepening the Understanding of Immediate and Strategic Futures in the EU’s Eastern Neighbourhood”, which is implemented by the Wilfried Martens Centre for European Studies and the Konrad Adenauer Foundation in cooperation with the Minsk Dialogue Track-II Initiative. The project receives financial support from the European Parliament. Sole liability rests with the project implementers; the European Parliament is not responsible for the contents.

Alexandra Murphy
Visiting Fellow, Minsk Dialogue Council on International Relations