China as An Epic Failure of Belarusian Foreign Policy

On Friday, President Lukashenka announced that the promised Chinese loan of $7 billion would help Belarus cope with the current crisis.

A week before this announcement, he had gone to China for his eighth visit to Beijing. Is Belarus succeeding in befriending the rising Asian power?

The devil that exists in Belarusian-Chinese cooperation hides in the details, and statistics on bilateral trade and its structure reveals a bleak picture. Belarus suffers from a huge trade deficit and its exports to China are mostly potash. This is the only thing which Beijing eagerly buys from Minsk in large quantities.

Chinese and Belarusian officials swore to improve the trade balance between both states, but the promised loans have gone to increasing the production of potash, which China needs.

Belarus with “Great China”

Minsk since the middle of the 1990s aspires to closer relations with Beijing. Belarusian officials talking of relations with Beijing frequently use the expression “the great China.” They only call Russia and China "great". Minsk publicly welcomes Chinese policies even on intra-Chinese affairs. Thus, on 2 July Minsk promptly welcomed the new Chinese Law on National Security, which had been adopted by Beijing the day before.

The entire modern history of Belarus is linked with the People's Republic of China
On meeting Chinese Vice Premier Zhang Gaoli on 2 September, Lukashenka said, “The entire modern history of Belarus is linked with the People's Republic of China.” Lukashenka visited China in 1995 for the first time as president, and recently he went to Beijing on his eighth visit. Chinese leaders have come to Minsk twice, in 2001 and May 2015. The visits of various relatively high-level officials occurs regularly, often it occurs every couple of months.

Minsk hopes that the political support it demonstrates to China will pay off in the future because China's rise will unavoidably result in Beijing becoming a global centre of power. So far, however, it is difficult to find tangible Belarusian gains from cooperation with China. Nothing illustrates it better than the basic data on volume and structure of bilateral trade.

**Success or Failure in Trade with China?**

The Belarusian state news agency BelTA boasted of the governments successes in developing trade with China from $792.9 million in 2005 to $3,207.3 million in 2014. It omitted to mention that this trade over in the past ten years constantly ended in a huge, multi-million dollar deficit for Belarus. The last time Belarus had positive a trade balance with China was in 2005.

Even after Belarus in 2014 increased its exports to China (by 39% to $640 million) and cut its imports from China (by 16% to $2,373 million), the deficit still made up a colossal figure for Minsk. It was considered to be more than $1.7 billion.

On 31 August, the Belarusian president signed a Directive on the development of bilateral relations with China. This directive stated that it would try to more than double the volume of Belarusian exports to China (to reach by 2020 at
least $1.5 billion) by improving conditions for bilateral trade. The proposed measures included introduction of electronic quality certificates and assigning more personnel to develop relations with Beijing.

As the following table shows, the structure of Belarusian exports to China looks gloomy. The absolute majority consists of potash fertilisers, with chemical products lagging far behind. In addition, some commodities are exported unprocessed or minimally processed. Exports to China have so far not helped to resolve a strategic task of the Belarusian government, which is to find a market for a machine-building industry. This will save a major branch of the Belarusian economy.

<table>
<thead>
<tr>
<th>Commodity Type</th>
<th>Volume, $ million</th>
</tr>
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<tbody>
<tr>
<td>Potash</td>
<td>495.1</td>
</tr>
<tr>
<td>Polyamides</td>
<td>54.6</td>
</tr>
<tr>
<td>Software</td>
<td>14</td>
</tr>
<tr>
<td>Unprocessed Flax</td>
<td>6.7</td>
</tr>
<tr>
<td>Combine Harvesters</td>
<td>6.4</td>
</tr>
<tr>
<td>Timber</td>
<td>6.4</td>
</tr>
<tr>
<td>Integrated Circuits</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Chinese exports include more advanced products, like computers, communication equipment, spares of cars and tractors, engines, and TV sets. Sure, many of the troubles encountered by the Belarusian government are not unique. They follow the same pattern found in other states that trade with China, as China becomes a global economic power. But compared to others two aspects of this situation stand out.

First, it is China which sells Belarus more value-added products, for example, products which are more technologically advanced and better processed. Belarusian exports to China
include very few sophisticated commodities. Even Belarus' national symbol, the flax, arrives in China largely unprocessed.

Second, have all the efforts undertaken in the last two decades to develop relations with China achieved better results for Belarus? In other words, would trade with China look more profitable for Belarus in terms of a trade deficit and export structure, had the Belarusian government since the mid-1990s not committed itself so unreservedly to a partnership with China?

**Potash Dependence**

According to Belta news agency, this May the Chinese leader Xi Jinping Belarus promised in Belarus that “China is going to increase import of high-quality and competitive goods from Belarus.” Lower-rank Chinese officials explained what Beijing meant by that.

Zhang Dong of China's Commerce Ministry said that respective firms were already working on importing more Belarusian potash and chemical produce. “China would like to purchase more of these commodities in Belarus.”

Indeed, in May, the Belarus Potash Company and the Chinese Sinochem Group signed a memorandum of understanding about cooperation for the next five years. It envisaged sales in 2015-2019 of four million tones of Belarusian potash fertilisers to China. The deal would cost $1.3 billion.

Beijing wants little more than potash from Belarus.

On 11 September, Belarusian media reported that $2 billion out of $7 billion of loans promised by Beijing had been allocated to fund the construction of Nezhyn Mining-and-Processing Integrated Works which should produce even more potash. If so, the promised Chinese loans will serve Chinese rather than
Belarusian interests.

Beijing wants little more than potash from Belarus. As Andrew Nathan and Andrew Scobell noticed in their book *China's Search For Security*, despite China's global significance, it remains a "local power." Outside Asia, Beijing looks only for raw materials (mostly hydrocarbons), technologies, investment opportunities, markets and diplomatic support. Out of this list, Minsk can offer only potash and its voice in international organisations. Both are of limited value to Beijing.

Thanks to cooperating with Beijing Minsk for its part has managed to get some additional political leverage, in particular to resist Moscow's pressure. The excellent relations established with Pakistan are in part due to Chinese support. Minsk also got strategic gains, for example, by diversifying its partners in the defence sphere. Yet the economic results, both in terms of trade and investments, look bleak.

Currently Minsk is launching the Belarus-Chinese Industrial Park project in the vicinity of Minsk. There also remains talk of Belarus' participation in the Silk Road Economic Belt, however, it looks like a new desperate attempt to repair the relationship between Belarus and China.