

# PROSPECTS OF «ONE BELT, ONE ROAD» INITIATIVE IN THE DEVELOPMENT OF BELARUS-CHINA ECONOMIC RELATIONS

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This article analyzes the background of One Belt One Road (OBOR) Initiative and economic relations between China and Belarus. The paper studies the positive prospects of Belarus-China cooperation brought by OBOR initiative.

**Key words:** «One Belt, One Road» Initiative; Belarus-China relations; cooperation; trade; Great Stone Industrial Park.

The One Belt, One Road initiative offers considerable potential in several economic, political, cultural, and strategic realms. It also presents many uncertainties and potential concerns. It has clearly become a major foreign and economic policy hallmark of the Xi Jinping government and is consistently supported as such by all manner of Chinese observers. The project «One Belt, One Road» aims to redirect the Chinese domestic overcapacity and capital for regional infrastructure development to improve trade and relations with ASEAN, Central Asian and European countries.

The One Belt, One Road initiative consists of the Silk Road Economic Belt and a New Maritime Silk Road. These two concepts envision the creation of a highly integrated, cooperative and mutually beneficial set of maritime and land-based economic corridors linking European and Asian markets.

The response to China's regional integration vision has been mixed. While the idea of enhancing connectivity has drawn considerable interest, given the huge infrastructure gaps across Asia, scepticism regarding China's potential hegemonic ambitions has prevailed notably among regional rivals India and Japan as well as the USA. The Republic of Belarus was among the first countries to voice its support of the Chinese initiative to jointly construct the Silk Road Economic Belt (SREB).

The project sets out five fields of cooperation [2]:

1. policy coordination based on established or new bilateral or multilateral mechanism;
2. facilities connectivity: building and upgrading overland and maritime transport, energy and communication infrastructure;
3. trade facilitation, to be accomplished by simplifying customs clearance systems, improving market access, eliminating trade barriers, simplifying foreign investment procedures, creating more free trade zones;
4. deepening financial integration;
5. people-to-people exchanges.

China's total investment in Belarus amounts to \$1.34 billion. One of the elements in the strategic cooperation between Belarus and China is the project to build the Chinese-Belarusian Great Stone Industrial Park. The main idea behind the Industrial Park is to establish an innovative and high-tech manufacturing site with high export potential. Additionally, park residents enjoy favorable geographic location and convenient transport corridors, prospects of the duty-free access to the market of the Single Economic Space, close vicinity to the European Union market, the system of tax and customs preferences.

Over the years, trade and economic cooperation between Belarus and China has taken a clear path with certain products sold to the Chinese market despite stiff competition: potash fertilisers, caprolactam, polyamides, and synthetic fibers (such as are made by Belneftekhim Company), mining machinery, tractors, combine harvesters and integrated circuits.

According to statistics the greatest decrease in export supplies of Belarusian goods was noted in the direction of China. Export to China in 2017 amounted to \$363 ml, which is 23 % less than in 2016. Export of potash fertilisers to China in 2017 amounted to \$246 ml which is 61 % less than in 2015 [3]. This is mostly not because of the values, but of the prices. As the prices for potash fertilisers are determined at the (stock) exchange, it's impossible to influence it. Therefore, the growth of export can be achieved through other positions.

Products from other Belarusian industries and individual large enterprises are not competitive on the Chinese market, either in price (taking into consideration high prime and transport costs), or quality and after-sales services. Almost no light industry, construction or pharmaceutical goods are exported to China from Belarus.

There are real prospects on the Chinese market for Belarusian agricultural and food products: beef, poultry, pork, milk (especially infant food) flax, starch, confectionery, and alcoholic and soft drinks. Representatives of Belarusian agricultural companies have signed contacts on the supply of Belarusian dairy products to China, amounting more than \$100m.

Belarusian petrochemical products also have good prospects, but Belneftekhim Concern needs to focus on offering products with greater depth of processing and with greater added value. There is potential for the export of services, such as education and tourism. Chinese students can receive high-quality and relatively cheap higher education in Belarus, while also learning Russian.

There is potential for the export of services, such as education and tourism. Chinese students can receive high-quality and relatively cheap higher education in Belarus including the study of the Russian language.

The two countries are implementing 30 joint projects in electricity, energy, the electrification of railways, the reconstruction of roads, the construction of

cement plants, car assembly facilities, small and medium-sized businesses and other areas.

In September 2016 Belarus and China signed a package of agreements and a Memorandum of Understanding covering in various financial, agriculture and trade and aerospace areas, including the development of the Chinese-Belarusian Industrial Park project. A Memorandum of Understanding (MoU) on international transportation and strategy coordination, as well as a MoU on “Strengthening Standards Cooperation and Building the Belt and Road” have been signed by the Belarusian and Chinese Governments at the Belt and Road Forum (May 2017). Belarusian Railways and China Railways have signed a MoU on Further Cooperation on China-Europe Container Block Trains at the Belt and Road Forum (May 2017) [6].

For Belarus, which is naturally counting on more Chinese investment, the relations with China may be strategic because the country is positioning itself as a bridge between the EU and China. The list of Belarus goals includes:

- creating environment for promoting ideas and joint innovations,
- foreign investments to boost the infrastructure,
- deepening and expanding cooperation on the Eurasian, in particular European continent.

One thing, for sure, is that many countries and companies want to be part of the conversation, whether they support, suspect or have unanswered questions. China will not only need to be sensitive to how the international community react, but also how its domestic factors influence the implementation and the success of this grand initiative.

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