

## PROSPECTS FOR DEVELOPMENT OF BELARUS-CHINA TRADE AND ECONOMIC COOPERATION IN THE CONTEXT OF WESTERN SANCTIONS

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The article mainly analyzes the impact of Western sanctions on trade and economic cooperation between Belarus and China. The authors considered the question about definitions of the Sanctions and its classification, identified the key trends in the development of the Belarusian economy under the western sanctions, and revealed the effects of sanctions against Belarus on its economic relations with China, as well as determined the prospects for the development of their trade and economic cooperation.

**Key words:** trade and economic cooperation; China; Belarus; Western sanctions.

## ПЕРСПЕКТИВЫ РАЗВИТИЯ ТОРГОВО-ЭКОНОМИЧЕСКОГО СОТРУДНИЧЕСТВА БЕЛАРУСИ И КИТАЯ В УСЛОВИЯХ ЗАПАДНЫХ САНКЦИЙ

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В статье анализируется влияние западных санкций на торгово-экономическое сотрудничество Беларуси и Китая. Авторы рассмотрели вопрос об определении санкций и их классификации, выявили основные тенденции развития белорусской экономики в условиях западных санкций, раскрыли влияние санкций против Беларуси на ее экономические отношения с Китаем, а также определили перспективы развития их торгово-экономического сотрудничества.

**Ключевые слова:** торгово-экономическое сотрудничество; Китай; Беларусь; Западные санкции.

The contemporary Belarus-China relationship dates back to the dissolution of the Soviet Union, and it has evolved steadily. Over the past 31 years, since the establishment of diplomatic relations, the two countries have maintained a strategic and multifaceted relationship with extensive military, diplomatic, and economic connections. However, increasing Western sanctions against Belarus

affects the country's economy harshly, and limits the economic and investment cooperation between China and Belarus. Considering the current dynamism, strengthening ties with China is one of the most urgent for Belarus. This interest and need is observed not only economically, but also safely. In this regard, the purpose of this study is to identify the prospects for the development of Belarus-China trade and economic cooperation in the context of western sanctions.

The term "sanctions" is most often found in legal literature. They are some kind of restrictive measures against certain states, individual companies or individuals, applied as a punishment for misdeeds or actions. International sanctions, as a key element in contemporary international relations, are coercive measures applied against States, non-State entities or individuals that pose a threat to international peace and security for modifying their behavior. They are fundamentally preventive and should be proportionate, as well as being used as an alternative to the use of armed force [1].

At present, there are two classifications of sanctions. *The first classification* includes the following three types:

- *Diplomatic sanctions* are political measures aimed at expressing disapproval or dissatisfaction with a certain action of the offending state by diplomatic and political means, the main purpose being not to affect economic and military relations.

- *Economic sanctions* (include trade and financial sanctions) – economic measures of a prohibitive nature, which are used by one participant in international trade (a country or group of countries) in relation to another participant (the "object of sanctions") in order to force the latter to change its political course. There is a fairly wide range of measures: embargoes, boycotts, economic blockades, the freezing of financial resources, including funds received or derived from property owned or under the direct or indirect control of the subject of sanctions, a ban on investment in the economy of the object of sanctions, and providing it with financial, material, technical and other assistance.

- *Military sanctions* are the final stage in the maintenance or restoration of peace and are applied only if the measures outlined above have failed to achieve results. Such measures may consist of carefully planned military strikes on a country's capabilities or a less aggressive form: embargoes on arms, protective clothing, military transport equipment, etc.

*The second classification* includes *trade sanctions* (full or partial embargoes), *financial sanctions* (blocking of foreign government assets, restriction of access to financial markets, termination of financial assistance), *diplomatic sanctions* (a ban on the entry of certain persons and groups of persons, full or partial recall of diplomatic mission staff from the country-subject of sanctions, cancellation of diplomatic visas), *cultural and sporting sanctions* (a ban on participation in sports competitions of persons or groups

of persons representing the target country, termination of scientific, technical and cultural cooperation through exchanges and travels involving persons or groups of persons). [2]

After the 2020 presidential elections and the subsequent rupture in relations with the West, especially since the beginning of the conflict between Russia and Ukraine on 24 February, the western sanctions against Belarus have expanded. To date, Belarus has become the fifth sanctioned country in the world behind Russia, Iran, Syria, North Korea – in total, 1,154 restrictions were imposed on the country [3], and the countries (including regions) imposing sanctions against Belarus include: the United States, Japan, Canada, New Zealand, the United Kingdom, Switzerland, Australia, the EU and Taiwan (China). Currently, these countries have all imposed sectoral sanctions and trade control restrictions against Belarus. For instance, in terms of Belarus-EU trade, it is impossible to supply some oil products and potash fertilizers to the EU, and it is banned the supply of tires, the entire group of timber, ferrous metals and cement products. From the EU to Belarus, there are restrictions on the supply of a wide range of equipment, machinery and mechanisms, certain goods for tobacco production, dual-use goods and technologies, goods that contribute to the improvement of the military, defense and security sectors. Besides this, Taiwan (China) and Japan banned exports of certain high-tech products to Belarus, and Australia amended the Customs Tariff Act of 1995, which provides for the abolition of the most-favored-nation treatment and application of an import customs duty of 35% of the value of goods in respect of imports from Belarus. [4]

Currently, the sanctions have created economic challenges for Belarus, for instance: direct restrictions on the supply of certain products; logistical restrictions, such as closure of the port in Odessa, obstacles to accessing the ports of Lithuania and Ukraine; a ban on imports from unfriendly countries, including technology and equipment; disconnection of a number of major Belarusian banks from SWIFT, transactions with the National Bank are banned and restricted their access to financial markets; relocation of some personnel particularly those who worked in the promising IT sector [5]. According to the National Statistical Committee of the Republic of Belarus, in 2022, Belarus' economy contracted by 4.7 % [6]. Additionally, according to the National Bank, in January-November 2022, the value of its foreign trade turnover of goods and services decreased by 6.2 % [7].

As to Belarus-China trade and economic relations, China became the key trading partner of Belarus behind Russia, and Belarus became an important trade partner of China in the Eurasian region. Since the launch of the Belt and Road Initiative in 2013, bilateral trade value has witnessed relatively fast growth. In 2019 alone, China-Belarus trade turnover reached 4.48 billion US

dollars. However, in 2020, due to the COVID-19 pandemic, trade volumes between the two countries below the indicators of 2019. In 2021, bilateral trade overall recovered and set a new record, the Belarus' exports of goods to China amounted to 913 million US dollars, and imports from China – 4.202 billion US dollars (in 1992 trade turnover amounted to 34 million US dollars). According to statistics from the General Administration of Customs of China, from January to September 2022, the total volume of bilateral trade between the two countries reached 3.535 billion US dollars, an increase of 25.8 % compared to the same period last year, of which Belarusian exports to China amounted to 1.387 billion US dollars, an increase of 68.6 %. Potash fertilizers made a significant contribution to exports, the supplies of which in the current period increased threefold. Additionally, this year it was possible to significantly increase the supply of cattle meat – also three times, poultry – twice and timber – a quarter [9].

Although bilateral trade has increased, the outbreak of the Russian-Ukrainian conflict and large-scale Western sanctions against Belarus created more challenges for the long-term and stable development of trade and economic relations between the two countries. Particularly, in the sphere of logistics, Belarus has expressed high expectations about the potential benefits of its logistical role on the trade route from China to the EU, and in an attempt to increase their investment appeal to China, Belarusian officials continue their long-standing practice of positioning Belarus as a necessary bridge between China and the European Union [10]. However, after the conflict had begun, significant Western sanctions, the withdrawal of Western companies from the region and the discussion of shutting down SWIFT have led to the Chinese side suspending many projects in Belarus.

In the conditions of Western sanctions, trade and economic partnership with China is essential for Belarus, and Belarusian enterprises are trying to find alternative supply channels for their products to China. In September 2022, at a Shanghai Cooperation Organization (SCO) summit in Samarkand (Republic of Uzbekistan) President Lukashenko and President of the People's Republic of China Xi Jinping adopted a Joint Declaration, which ostensibly established an all-weather and comprehensive strategic partnership between the two countries. As part of this document, the two countries are ready: 1) to develop industrial cooperation, promote the creation of new joint ventures in the field of mechanical engineering, assembly of automobiles, agricultural production, energy, biotechnologies and other areas in the territory of the two countries; 2) to promote the participation of large Chinese companies in industrial cooperation projects, as well as participation in the equity of Belarusian companies; 3) to sign the Agreement on free trade in services and investments to promote free trade in services and ensure a transparent regime for

investments; 4) to support active work of the joint working group on trade facilitation as an additional mechanism for liberalization of mutual trade and elimination of trade barriers; 5) to develop cooperation in digital development, introduce digital technologies in mutual trade in goods and services, and develop e-commerce [11].

During the SCO summit in Samarkand, the Ministry of Commerce of China and the Ministry of Economy of Belarus signed a memorandum of understanding on cooperation in e-commerce in order to expand ties between the two countries in the digital economy, further enrich trade channels and formats, and promote deeper development of bilateral trade and economic cooperation.

It is also worth noting that in July 2022, the Belarusian national pavilion opened on two well-known e-commerce platforms in China – Jingdong and Douyin – and received a good response. Belarusian products came to the attention of Chinese consumers in such a popular way. Belarusian chocolate and confectionery products from the confectionary factories Kommunarka and Spartak, flakes and wafers Vityba, Belprodukt chips, and alcoholic beverages are especially popular and in demand in the marketplace. In the near future, the assortment will be supplemented with birch juice, powdered milk, meat products, cookies, soft and alcoholic beverages. The operator of the pavilion, together with the Chinese company Uju Technology Co., plans to create a joint venture in China for a more active increase in sales. Its functions will include the purchase of goods from Belarusian producers, their delivery and logistics in China, advertising and promotion. In this regard, we can assume that the scale of trade between the two countries will further expand.

In conclusion, we can note that China remains one of the most important strategic partners for Belarus. Bilateral trade and economic cooperation will be strengthened and deepened. A number of areas have been adopted for further deepening of cooperation: free trade in services, digital development and implementation of digital technologies in mutual trade, increase in mutual trade, increase in export of Belarusian products to China, especially high value-added goods.

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