

Palina Prysmakova

WHY DOES CHINA INVEST IN BELARUS? BILLIONS OF LOANS FROM PERSPECTIVE OF CHINESE LOCAL GOVERNMENTS

INTRODUCTION

ONE OF THE WAYS TO CONTRIBUTE TO FAST GDP growth and increase the level of consumption is to go for investment. Post-Mao China learned this capitalist lesson very fast and recently became one of the most active developing countries which lend billions in their currency to the second and the third world. A wave of investment that the booming China ubiquitously spreads around has lately reached Eastern Europe, with the especially massive flows of funds designated for Belarus (Prysmakova 2012). China's National Government with its export-credit agencies came to the region offering loans for development projects. Activation of the Chinese on the Belarusian arena raises the question as to whose GDP and consumption level indeed benefit from the renovation of Belarusian infrastructure credited by China. This article develops a new understanding of Belarus-China infrastructure projects.

The theoretical argument is backed up by Mark DeWeaver's 2012 book *Animal Spirits with Chinese Characteristics*. DeWeaver (2012) provides the empirical support for the theory that it is not the central government of China who is the engine of investment, but Chinese local governments and companies. While DeWeaver (2012) talks exclusively about the investment inside China, this article suggests that his theory is also applicable for the Chinese projects abroad. Without negating possible benefits for the Chinese central government, the article focuses on an important role of the Chinese local governments and local companies in the foreign investment strategy.

RESEARCH QUESTIONS AND METHODOLOGY

The essential purpose of the article is to explore and describe Chinese interpretation of the necessity of bilateral cooperation with Belarus in a way that it captures its inherent nature. Qualitative methodology provides with a perfect blend of scientific investigation and creative discovery (e.g. Ritchie and Lewis 2003, Miles and Huberman 1994). Applied in this study, qualitative methods bring a unique understanding of Chinese export-crediting behaviour in Belarus, which, in its turn, can be used to deepen the understanding of behaviour in other countries.

The data analysed comes from secondary sources, mainly analytical books as well as articles and news in the mass media. Data collection is less structured due to the nature of exploratory study in the area about which little is so far known and where a key objective is to understand how China's values emerge through their project proposals and actions in Belarus. Due to the novelty of the topic in academia, the research is mainly based on the contextual and explanatory elements, while including some elements of evaluative and generative methodology. Each of these forms contributes to the research in its own unique way.

The main functions of qualitative research have been called descriptive or exploratory, and indeed, both are the key features of contextual research (Ritchie and Lewis 2003). On the one hand, contextual research describes *what* the situation is in particular industries in both China and Belarus. On the other, it helps to add to the range of existing dimensions explaining the recent occurrence of Chinese actors in Belarusian internal affairs.

The explanatory research method used in this article helps to answer why China has recently become interested to offer Belarus billions of dollars in loans, looking into the forces and influences that drive Chinese presence in a number of Belarusian infrastructure projects. Explanatory research as a methodology used allows associations that occur from the context analysis to be identified, which in turn may indicate some explanatory or even casual link (Ritchie and Lewis 2003). Thus, explanatory research of Chinese investors' and contractors' behaviour makes it possible to identify the motivations that lead to their decisions and actions in Belarus.

The evaluative element of the research appraises the effectiveness of the mutual relations that exist between China and Belarus looking

into who benefits from the investment projects in Belarus and *how* well it works. These questions are essential for policy related investigation. This type of research requires data for both processes and outcomes, thus, it cannot be performed on the full scale. Only a few of the China's credited projects have been completed by now, with the majority of them being in the process of realisation or in their planning stage. Based on the data available, the study still contributes to our understanding of possible outcomes by identifying effects and consequences that have already arisen from the Chinese policy of preferential loans.

Generative research facilitates the development of the theories needed to create new strategies and implement them in actions. The article includes an element of generative research since it produces a new idea about Chinese presence in Belarus, which is examined from the perspective of the Chinese local officials and their interests. They not only increase their local GDP through selling goods and services abroad, which cannot be otherwise achieved inside China, but also seek personal benefits.

WHO IS THE REAL INTERESTED PARTY?

For the Belarusian central government, Chinese investment indeed has not only economic but also political character. Belarus struggles to attract loans for the similar infrastructure development projects from the West due to the conditionality of democratisation imposed on the government (Prysmakova 2011). Despite certain economic advantages coming generally from widespread investment abroad, direct benefits for the National Government of China from the export crediting in such a small country as Belarus are very hard to track. It is rather the cooperation with the developed countries that contributes to Chinese enormous development pace. Chinese friendship with Belarus falls short of cooperation with its largest strategic partners as the United States in North America or Germany in Europe. Supporting Belarusian regime so unpopular in the West is neither a priority for China's National Government (Koch-Weser 2011).

A modern Chinese motto seems to be "investing by any means!" China is a large country with multiple ministries, agencies and local government entities. Who of them is the engine of the investment abroad? Who created and carries forward this motto? Surprisingly, it is not the central

government. Quite the opposite, it is the central government that tries to slow down the investment in various industries. Booms of Chinese investments are led neither by Beijing, nor by the private sector, but are the results of local government initiatives (DeWeaver 2012).

The role of the Chinese central government should not be completely neglected. Access to bank credit is concentrated almost entirely in the state hands, which means that the projects favoured by the government are more likely to get financed. Chinese National Government, however, benefits directly only from the interest rates of the loans, while local governments benefit from Chinese investment in Belarus straightaway. Localities enjoy a wide range of advantages starting from local GDP growth to the new opportunities of personal gains for local officials. This article aims to uncover how investment in this Eastern European country could solve internal Chinese problems and facilitate the development of the Chinese local governments and regions. The subsequent empirical part of the article provides with some evidence of how localities gain from the infrastructure projects in Belarus.

WHY DO CHINESE LIKE INVESTMENT PROJECTS SO MUCH?

International altruism is a rare case. When a Chinese community undertakes a foreign investment project, its local revenues grow for a number of reasons. Firstly, the revenues go up by increasing profits of the local government's own enterprises. Secondly, getting involved in such project, private companies registered in the locality produce more and thus pay more money in taxes. Thirdly, foreign projects create at least temporary jobs for both low and high qualified people. Yet, there are also some personal benefits for the Chinese local government officials and local entrepreneurs involved in the realisation of infrastructure projects: investment projects might serve as instruments for individual promotion or even corruption. Based on DeWeaver's (2012) arguments, this section suggests how the two schemes might work in China-Belarus projects.

First of all, investing in Belarus, Chinese pursue their own interests, which are often the interests of certain government officials. In situations where macroeconomic irrationality is explained by the rationality of the individual decision makers, career perspectives for government officials in China are better for those providing larger budget surpluses. Thus, Chinese investment in Belarus is not purely led by maximisation

of Chinese economy in general. It can be even contrary to this objective, since the system is designed the way that maximising local GDP and fiscal revenues exceeds in its importance economic rationality. Chinese system encourages short-term results, since local officials have to report this type of progress to the central government rather than long-term goals met. Quantifiable results supersede overall progress. The emphasis is put on the statistical indicators that create a competitive atmosphere among the local governments. While being logical for Western businessmen and government officials, most of the schemes are clearer to a reader familiar to the post-Soviet realities. Initially created on the examples of the USSR, modern Chinese government resembles a lot the approaches established in the Soviet Union and the Eastern bloc in their fulfilment of production targets for various products and services. The Chinese saying “numbers produce officials and officials produce numbers” describes an understandable mechanism of the vicious circle that Belarusians hoped to renounce with the Belavezha Accords.

Secondly, in addition to direct benefits from promotion such as larger salary or higher prestige attributed to a new position, career advancement usually comes with wider opportunities for bribes and kickbacks. As observed by DeWeaver (2012), any type of investment that brings the prospects for promotion within the governmental and party hierarchy, in addition creates opportunities to increase personal wealth through corruption mechanisms.

According to the Transparency International reports (2005), the largest illegal benefits could be obtained through construction process. Construction is considered to be especially prone to illegal gains since it involves large investments that are relatively difficult to track. Even though the corruption in construction sector is frequent even in the highly developed countries, DeWeaver (2012) notes that Chinese officials have a special privileged position since they can enrich themselves at their country's expense. Practice shows that in their overseas projects, Chinese indeed prefer construction projects with a special emphasis on “full house” construction. The latter means that Chinese construction companies complete everything from preparation and construction through finishing works to the connection of engineering equipment. DeWeaver (2012) also warns that in the pursuit of illegal benefits, the priority could be given to the projects that cumulate more benefits for local officials and entrepreneurs rather than for society.

INVESTMENT REDIRECTION: FROM BURYING MONEY
INSIDE CHINA TO WASTING IT ABROAD

Why would China invest in Central and Eastern European countries? This section takes a closer look at the cause of investment redirection. One of the problems China faces at home is the problem of overinvesting in its own country. Chinese localities are suffering from overinvestment especially in Chinese provinces' and counties' infrastructure. Overbuilding became an unavoidable problem in the situation where the performance of local officials is measured by the locality's GDP growth. DeWeaver (2012) provides with numerous examples from China where airports, railroads and highways are built for the sake of construction process. These projects are usually aimed to increase localities' GDP in a short run. For instance, a national project of a high-speed rail network costing 300 billion US dollars resulted in running half-empty trains, because commuters cannot simply afford to buy a ticket for a ride. Other examples come from the local investments, which follow the same trend. Thus, a reconstruction of Fuyang city airport located in Northeastern Anhui Province has the total investment of 320 million yuan. After being open for a year, it had to be closed due to the lack of air traffic and once reopened in 2011 had only three flights a day. Governmental financial support of clean energy production resulted in 26% of China's wind-power stations having no connection to the grid at the end of 2010 (details of the projects further in this article). The main reason was a wrong performance measurement instrument used to evaluate the project. The success of the project realisation was calculated by the numbers of stations built not the stations launched.

The examples above show that Chinese are more interested in construction process rather than practical use of the final facilities. Once completed, investment projects in China are facing the problems of maintenance. Therefore, Chinese local governments save their money constructing outside China using the export credits. On the one hand, the costs of maintenance of the final facility are transferred to another country. On the other hand, local governments gain same advantages from increasing production and providing jobs for people in localities. In short terms, construction or rebuilding projects contribute to GDP growth. Chinese are interested in undertaking projects with large short-term payoffs.

From what happens in China, we can predict that their companies would be interested to invest in highway and railway construction, development of industrial zones and residential areas, construction and reconstruction of power and cement plants. These are exactly the projects Chinese tend to support with their export credits in Belarus. China has already developed work experience with these types of projects: it has the designed construction plans, established mechanisms of costs reduction, channels of supply of necessary materials and workforce as well as familiar schemes for possible corruption at its disposal.

The following part of the article provides with empirical evidence to support the idea that China is supersaturated with the investment projects inside its own territory and, therefore, benefits from continuing realisation of the same projects abroad. The section compares Chinese projects in Belarus with the similar projects in corresponding industries. This section does not tend to be exhaustive, but rather comments on some large projects that opened the loudest discussion in the Belarusian media.

CHINESE PROJECTS IN BELARUS AND THEIR TWINS AT HOME

Highways

Chinese build roads in their own country for the sake of construction rather than due to increased traffic between important cities. Some projects make little sense from the practical point of view while being quite obvious from the officials' position. Despite being only seventeenth among the Chinese provinces in land area, Henan was the leader in the nation expressway mileage from 2006 to 2010. Henan has a 5,000-kilometre expressway network. The interest in overconstruction can be explained by the records for consecutive dismissals of corrupt transportation department heads (DeWeaver 2012).

Belarus, in its turn, is far from the problem of having unnecessary expressways. The improvement of the bad condition of the existing ones is the priority. More than half of the 15,800 kilometres of Belarusian national highways, which is about 9,000 kilometres, need at least a surface treatment. The road department of the Ministry of Transport and Communications "Bielaŭtadar" has the capacity to maintain only

10% of the roads (tut.by 2013). Facing this problem, in spring 2013, Belarusian Ministry of Finance redirected the Chinese loan of more than 322 million US dollars from Export-Import Bank to its Mahilioŭ Voblast's department "Mahilioŭaŭtadar." The export credit has been used for reconstruction project of the highway M-5 / E 271 Minsk - Homieĺ on the site Babrujsk - Źlobin (BelTA 2013a).

Henan Province has one of the worst records of economic abuses related to project tenders. Another example from the same province is a 2002 project of a ring road construction around the provincial capital Zhengzhou. Seven companies who won contracts were told to share work with two other contractors, one of which had not even participated in the bidding, as well as purchase steel products through a middleman who charged 120% of the market price (YanJun 2004). No wonder that Chinese are very supportive of the similar projects in Belarus. Chinese and Belarusian parties signed a 102 million US dollars loan for Intelligent Transport System in Minsk, which involves improvement projects on M-2 highway that leads to Minsk National Airport and M-9 highway, which is a ring road around the capital (Belarusian-Chinese Commission 2013).

Once completed, Henan Province projects face the problem of keeping the highways in the proper condition, since highway maintenance is a separate project. Usually a small repair is largely dependent on funding from the maintenance department which possesses only funds received from the meagre profits. Thus, the department neglects minor repairs which with time become disasters (YanJun 2004).

Belarusian officials are unlikely able to take full personal advantage from the highways improvement projects. The possibility for them to benefit to the same extent as the Chinese officials is limited by the nature of Chinese loans used to fund the projects. Chinese provide Belarusians with loan, conditioned upon the purchase of goods or services from the businesses and local governments in China, which means that raw materials as well as labour required for the projects will be imported from China and Chinese companies and local governments will be responsible for management of these resources. Even though the projects are geographically located in Belarus, the mechanisms of money laundry through project tendering and purchasing necessary materials will benefit Chinese officials, while leaving the troubles related to the road maintenance for Belarusians.

Railroads

Railroads in China repeat expressway scenarios with thousands of rail-ways making little economic sense for the country and a lot of individual profits for certain officials. At least part of high-speed rail network falls into the “vehicle-for-corruption” category. Stimulated by the central government package, the total investment in high-speed rail network was 300 billion US dollars. However, the network continues to operate without making any profit, since it is not able to sell the tickets for all the seats. Hundred thousands of migrant workers simply cannot afford to buy ticket at the prices set to return the investment (DeWeaver 2012).

Building a new railway far from China with Chinese materials and Chinese work-force is a better scenario for the Chinese government since – in same fashion as with the highways – the losses related to the maintenance and low passenger flow are left for the borrower of the export credits. In 2011, Chinese ExIm Bank started to credit the Belarusian Railway for the import of Chinese electric freight locomotives and the electrification of the railway on the sections Homieĺ-Žlobin-Asipovičy and Žlobin-Kalinkavičy. The credit line for the purchasing of Chinese locomotives is open to up to 89 million US dollars, while another 63 million are allocated for the electrification (BelTA 2010, BelTA 2012). While new Chinese locomotives are noticeable mainly by employees of railways and train depots, the emergence of Chinese workers is unexpected for the local population. The mass media report the waves of suspicious moods among the Belarusian population, which reflects a frustrated reaction on a sudden occurrence of Chinese workers at different job sites around Belarus (Smiahlikaŭ 2013).

Airports

The airport density of the Yangtze Delta is 0.8 airports per 10,000 square kilometres, which is higher as compared to 0.6 airports for the United States, where the population is wealthier and has a strong flying tradition for business and private occasions (DeWeaver 2012). 135 out of 180 China’s airports lost around 1.68 billion yuan in 2011. The majority of the airports are regional and they struggled to attract customers for a few flights a week. Some airports did not have a single plane landing or taking off for weeks (Zhi Jun 2012).

Possibility for personal gains might explain why despite the foreseeable losses, for instance, resulting from the recent development of the high-speed rail network, Chinese localities nevertheless construct numerous airports. For example, the city of Fuyang is located in one of China's poorest interior provinces; however, in the 1990s, the city launched a construction of the international airport with 2,400 metres runway with the total cost of 320 million yuan (52 million of US dollars). After being open for a year, it had to be closed due to the lack of air traffic and once reopened in 2011 had only three flights a day (DeWeaver 2012). Compare this project to Russian Sheremetyevo with two 3,800 runways and 25 million passenger flow per year. The Twelfth Five-Year Plan includes forty-five new airports, one of which is located an hour's drive from two Shanghai airports and another in a city recently connected by a high-speed rail. Local officials say they expect to recoup the total investment of 300 million yuan (around 48 million US dollars) by 2025, but most probably it will end up as a bad loan on the books of a Chinese bank (Anderlini 2011).

Reconstruction of Belarusian National Airport Minsk-2 with preferential loans, in its turn, was promising to be a good investment for China. Belarusian authorities worked on improving the major airport of the capital, Minsk 2, to welcome guests of the Ice Hockey World Championship held in Minsk in May 2014. The construction of the second runway, planned to be built with the help of Chinese export-credits, however, was postponed due to the protracted negotiations that did not lead to the price agreement: *"We counted on Chinese loans, but then they doubled the real price, and we had to refuse them, even though they are our friends"* (Lukašenka from Telegraf.by 2013).

The Chinese company "Viektochmash" was initially appointed to be the general contractor for the reconstruction of the airport terminal. The Chinese side signed a contract where the cost of reconstruction was estimated at 600 million US dollars. With time, the Chinese company recalculated the estimates of the project investment which increased to more than 1 billion US dollars (Charter'97 2012). The proposed project of Minsk-2 improvement costs ten times more than construction of a new airport in China. At least 12 new airports could be built in China for the initial 600 million US dollars requested for the Belarusian airport. Economic rationality explains neither the initial nor the final price proposed by the Chinese side. However, from the point of view of Chinese officials competing for promotions and kickbacks, the proposed project costs may be quite reasonable.

Power Plants

The energy crisis of 2002-2005 in China, when the energy demand was growing very fast, led to a widespread power shortage. Responding to the demand, China kept extraordinary pace of construction of power plants with adding 2 new power plants each week. Additional power of 101 GW was added to the system in 2006, of which 92 GW were coal-fired (Levine 2010).

Major policy changes were introduced in 2005 to reverse the trends in the energy demand growth experienced from 2002 to 2005. Not only Chinese localities were banned from building new power plants, but they also had to reduce the energy use per unit of GDP by 20% till 2010 (Wen Jiabao 2005). In the case of disobedience, officials were threatened by serious sanctions. Unperforming ones could be neither promoted, nor could they participate in annual reward programmes or receive honorary titles if their jurisdiction fails to meet the energy conservation targets. Leaders in state-owned or state-controlled companies cannot enjoy the benefits of annual evaluation award programs. Provincial governments and companies became subject to the evaluation of jurisdiction's high energy-consumption projects followed by an investigation by administrative bodies (Levine 2010).

An already poor environment could get even worse, if China would continue on the same path drastically increasing the number of coal-fired plants for some time as it did during the energy crisis 2002-2005. Having become the world's largest emitter of greenhouse gases, the Chinese government decided to fight the problem of global climate change by massively investing in renewable energy. Renewable energy was not a complete novelty for China. Hydroelectricity was used for a long time, making up to 17% of domestic electricity supply. The country is the largest producer of this type, with the Three Gorges Dam in China being one of the world's three hydroelectricity plants larger than 10 GW (Worldwide Watch 2011).

In 2006, however, the Chinese government started to support programs for non-hydroelectric alternative energy. Chinese power companies started to build wind farms. Most of the projects lacked economic feasibility of installing new power lines. The national government set the targets for the final capacity rather than production, and as a result, by the end of 2010, 26% of wind-power installations were not con-

nected to the grid (Yang 2011). The most vivid example is China's largest wind farm in Gansu Province with the power capacity of 10GW, whose idle turbines are being continuously blasted by sand from the desert. The construction is scheduled to be finished by 2015, but it will take more years to connect to the electricity lines (Zhang 2010).

Despite being a cleaner fuel than coal or oil, natural gas also pollutes environment by producing nitrogen oxides and carbon dioxide (US Environmental Protection Agency 2012). With the change of the energy policy in China, Chinese contractors specialising on thermal power plants lost possible projects inside the country. China National Corporation for Overseas Economic Cooperation (CCOEC) itself built around 40 coal plants and 20 gas plants in China by 2005 (CCOEC 2013). Starting from 2005, this company had no choice but to look for possible projects abroad, in the countries less concerned about environmental pollution.

Chinese companies debuted with their projects supported by Chinese export-credit agencies mainly from the Export-Import Bank of China in two Minsk power stations. In 2007, Chinese received a contract to supply two combined cycle power installations with the power capacity of 32.5 MW each as part of the investment project for reconstruction of Minsk Thermal Power Plant 2 (TPP-2). The total cost of the station reconstruction was 77 million US dollars, of which 47 million US dollars was provided through the Chinese preferential loan from the Export-Import Bank of China (Zalatuchin and Kapralaŭ 2012).

China National Corporation for Overseas Economic Cooperation (CCOEC), a wholly owned subsidiary of a private limited company China General Technology (Group) Holding, Ltd. became the General Supplier of the complex equipment for the Thermal Power Plant 2. The company has larger projects than the reconstruction of the two Belarusian power plants in other countries, for instance in Singapore. The website of the CCOEC, however, names the Belarusian projects as major foreign projects together with a foreign-aid project on water supply system expansion in Jamaica (1996-2007) and 9 hydropower projects in Turkey in 2008 (CCOEC 2013).

Another private company, North China Power Engineering, Ltd. became the General Designer of the project. The question remains, what type of design was performed by the Chinese company, since the website of the project clearly states that Belarusian Republican Unitary En-

terprise “BelNIPENERGOPROM” additionally carried out some project documentation not developed by the Chinese side. The “additional” documentation basically covers the whole project: architecture and engineering, communication and alarm system, roads, railways, utilities and communications, technological pipelines overpass, lighting, grounding, landscaping, etc. Chinese work force was not involved that time, since the main contractor of the project was Belarusian Republican Unitary Enterprise “Belenergostroy” (Zalatuchin and Kapralaŭ 2012).

Another Chinese power plant project in Belarus was a new power block constructed in a separate building at Minsk TPP-5. Utilising 340 million US dollars Chinese loan, Chinese companies began to build a second power block of 400 MW in April 2009 (Mažejka 2012). The Chinese side carried out construction and installation completely on its own (Energodispatcher 2012, BelTA 2013c). They have also supplied the necessary equipment that consisted of a gas turbine M701F with the capacity of 270 MW, a heat recovery boiler and steam turbine 129.6 MW (Naša Niva 2013). The second block was added to the operation of the entire energy system in December 2011. A year later, an accident occurred in the second block, when the new Chinese M701F gas turbine broke down at the end of 2012. The estimated repair time was one year (Charter’97 2013b).

At the beginning of 2013, Belarusian mass media were full of rumours about the explosion on the first block of Minsk TPP-5 (Charter’97 2013b, Mažejka 2013). The officials, however, claimed that the block was not working due to the repair works planned to last until mid-March 2013 (BelTA 2013b). One way or another, after the modernisation, Minsk TPP-5 became the fourth power station in the Belarusian energy system by its capacity (Energodispatcher 2012). The station however was idle for at least six months, since in the first half of 2013 none of the two blocks of Minsk TPP-5 were operating.

Minsk’s energy system remains energy deficient. Before the launch of the second energy block of Minsk Thermal Power Plant-5, it was missing about 800 MW of generating capacity (Energodispatcher 2012). The new energy block of 400 MW launched into the system has decreased the deficit, but did not eliminate the problem. Minsk citizens, in particular, are left with the new gas-fuelled blocks that add to the air pollution with at least one of them being defective. Belarusians, in general, have to deal with a negative trade balance with China (Charter’97 2012), 382 million of the loan to pay back to the Chinese

banks in 12-20 years plus 2.5-5.33% annual interest (Belarusian Ministry of Economy 2013). The Chinese side was able to give employment for contractors that had to change their specialisation if they were to work in China; sold equipment that was most probably already produced, but impossible to install in Chinese power plants due to the new energy policy; and expects to receive from Belarus a 2.5-5.33% annual interest without a single yuan leaving China. The volume of personal gains for Chinese officials that might have been generated from the tenders and construction is hard to estimate.

THE DARK SIDE OF CHINESE INVESTMENT PROJECTS

Projects that involve Chinese party are under the risk of resulting in certain negative ecological consequences. Belarusian independent mass media reported a number of outrages about negative consequences of Chinese investments (Charter'97 2013a, Charter'97 2013c, Bandziuk 2013). There are certain reasons for anxiety. Even though China's central government promotes protection of the ecology, it is not responsible for any single project. It only creates incentives for local governments to start investment projects in Belarus. Local governments are responsible for any stage of project realisation. Most investment in China is undertaken by the entities that are at least partly state-owned, particularly by local governments. State-owned, however, does not mean central-government led (DeWeaver 2012).

Resembling the earlier socialist incentives schemes, Chinese emphasise the quantity rather than quality. Chinese infrastructure projects in China are known for their low quality, if any at all. Despite finding its place in national regulations, the norms and standards are regularly violated on the local level. Transferring the responsibility for maintenance to another party can be expected to negatively affect the already low quality of the final products and goods.

CONCLUSION: PREDICTING FUTURE INVESTMENTS

Despite the new investment projects and financing methods, contemporary Chinese investments are part of cycles started in the old command economy. History, however, shows that central planning never works as announced. Even absolute power does not guarantee

full access to all necessary information required to formulate optimal industrial policies. The investment process is determined by the combination of local government power, high economic growth and a philosophy of “catching up” with the developed world:

“Chinese Communist Party leaders’ economic priorities are defined by a different kind of cost-benefit analysis than that familiar to politicians in capitalist democracies” (The Economist 2011).

China is not acting economically rationally with investment in its own country, making its behaviour hard to predict. We cannot expect Chinese behaviour differ in Belarus. As DeWeaver (2012) puts it *“the country is not following a flawless master plan. Its progress is erratic. Investment decision making is no more rational in China than it is on Wall Street”* (p.7). China is not focused on profit maximisation through the projects realised in Belarus which allows it to cat with Keynes’s spontaneous optimism, impulses to act that are not derived from any rational calculations of expected returns (Keynes 1997).

Definite plan is hard to follow due to the great number of Chinese actors involved in investment process. DeWeaver (2012) describes Chinese anarchism being a result of a large number of small self-governing communities. The investments decisions at a greater extent are controlled by the local governments who are not interested in cooperation or collaboration achieving the results, since they are rather rivals whose future depends on the performance of their separate locality. The officials are primarily evaluated on GDP growth within their jurisdictions.

Researchers interested in performance and implications of Chinese investment projects in Belarus will benefit more if they track the regions where investments come from and study political and economic situation of localities that carry out investment projects. In the future research, more attention should be paid to studying Chinese local governments, their needs and patterns of behaviour rather than seeking next possible steps in investment based on political moods of the central government. Looking up to China’s central government will provide little information for prediction. The central government is neither interested in direct involvement in the investment projects’ realisation, nor can it order a construction group to build, for instance, a road in Belarus. Chinese central government has little power to carry

out particular investment projects. The government's role is to create incentives for local companies to go abroad and do their work outside China, which should help the Chinese economy in its suffering from overheating with investment projects inside the country.

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