Foreign Trade of the Republic of Belarus in the International Business Environment

Olena Hrechyshkina¹, CDFMR, Maryia Samakhavets², CDFMR

¹Polessky State University, Economic Faculty, Historical and Cultural Heritage Department, Kulikova Street, 27, Pinsk, 225710, Belarus; phone: +375444738943, e-mail: L_grechishkina@mail.ru (corresponding author); ²Polessky State University, Banking Faculty, Finance Department, Kirova Street, 24, Pinsk, 225710, Belarus; phone: +375299139249, e-mail: samkhvec@rambler.ru

How to cite:

Abstract. The aim of the paper is to assess the current state, problems and prospects for the development of foreign trade in the Republic of Belarus in the international business environment. The evaluation of foreign trade indicators is based on information from different sources and on comparative economic analysis research methods. Our results indicate the export-oriented economy of the Republic of Belarus, and its dependence on the state of foreign markets and the international business environment. The identified problems in the development of Belarusian merchandise exports are due to the orientation towards primary products, and to poor diversification of products and geographical destination. Particular attention is paid to the internal and external factors restraining exports from the Republic of Belarus. Further development requires the full use of the Belarusian export potential and the implementation of measures to promptly resolve the export difficulties on international markets that stem from internal and external factors.

Contents:
1. Introduction ................................................................. 48
2. Literature review .......................................................... 48
3. Research methodology ................................................... 49
4. Research results ............................................................ 49
5. Conclusions ................................................................. 53
References ........................................................................ 54
1. Introduction

The importance of foreign economic activity is steadily increasing in the international business environment, which is characterised by expanding global economic ties, the entry of business entities to external markets, increasing government borrowing in international financial markets, and strengthening integration processes in the world. Government trade policy can affect business by making it easier or more difficult to trade across international borders (Stanford, 2019). The development of export–import relations and the volume of foreign trade directly affect Belarusian market saturation and foreign currency inflow; they ensure the financial efficiency of business activity. In this regard, a theoretical understanding of foreign trade transactions and their government regulation acquires a special role in view of the impact of foreign trade on the country’s economic development. It is of equal importance to determine the main directions for improving foreign trade activities, which are subject to constant changes in the international business environment.

According to the WTO data portal (2019) global trade is developing quite rapidly. World merchandise exports in 2017 increased by 68% compared to 2005. There was a rapid and sustained growth in services exports, which increased 103% from 2005 to 2017. In addition, according to the World Bank Open Data (2019), exports and imports occupy an increasing share of global GDP every year. The share of exports in global GDP accounted for 23% in 1997, but it was 37% in 2017.

The importance of foreign trade in the economy of Belarus is confirmed by world ratings. Thus, in Doing Business 2019, Belarus ranks 25th out of 190 countries in terms of “Trading across Borders”. This indicator has improved by five places since 2017 (Doing Business, 2019). The position of Belarus in terms of the “Trading across Borders” indicator is quite strong among countries of the post-Soviet space and Eastern Europe, which constitute a dynamically changing international business environment (for example, Kyrgyzstan ranks 70th, the Russian Federation – 99th, Uzbekistan – 165th).

The relevance of the study depends on the modern development tendencies of the Belarusian economic system in the international business environment. These tendencies are aimed at building a market economy, creating innovative industries and strengthening economic ties with other countries. The results of foreign trade affect the development of the country’s economy significantly, including the stability of the national currency and the accumulation of international reserves. Identifying the development features of the country’s foreign trade is important for the effective management of the foreign economic activity of the Republic of Belarus. The aim of the paper is to assess the current state, problems and prospects for the development of foreign trade in the Republic of Belarus in the international business environment.

2. Literature review

A vast number of publications concerning foreign trade in the international business environment is now available. Richard N. Cooper (1972) proposed and discussed the category of foreign trade policy concerning matters of national security. Anne O. Krueger (1980) confirmed the importance of access to international markets “in providing a means of permitting more rapid growth than would otherwise be feasible” (Krueger, 1980:292); for example, export promotion is useful for permitting rapid expansion of profitable activities.


Many other authors studied applied aspects of foreign trade in the international business environment. Theodore Draper (1972) studied American politics and international communication and tried to understand the business community, and political behaviour in foreign policy. Morris Goldstein and Mohsin S. Khan (1985) focused on income and price effects in foreign trade. Peter Buckley (2003) presented an overview of international business management and the intra-organisational challeng-
es of international business. The long-term links between imports, exports and economic growth are examined by Manuchehr Irandoust (2017). Nica Maria and Stoian Mirela (2018) analysed external trade in agro-food products from several perspectives.

In papers, with regard to Belarus, the topic of foreign trade is often examined in the context of socio-economic development. Such economists as A. E. Dayneko (2011), V. F. Medvedev and K. L. Kurilinok (2005), H. A. Shmarlouskaya and N. S. Shalupayeva (2018), E. L. Davydenko (2012) and others are engaged in the study of the integration of the Republic of Belarus into the world economy and foreign trade development.

The studies of Russian authors are interesting because the Russian Federation is the main foreign trade partner of the Republic of Belarus. Russian scientists recognise the importance of foreign trade for economic growth, consider the characteristics of foreign trade relations in dynamics, and highlight their features and offer directions for their development in the future (V. P. Obolenskiy, I. S. Gladkov, E. A. Likhachev, etc.). The development of foreign trade in the context of integration intensification is also a common subject of research by Russian scientists (V. I. Rusakovich, L. V. Shkvarya). A significant contribution to the study of foreign trade is made by the experts of the World Trade Organization (WTO).

3. Research methodology

In this paper, our intention is to consider foreign trade as a key factor in the economic development of the Republic of Belarus in the international business environment. The raw data is extracted for processing by the authors from the databases of state institutions, such as the National Statistical Committee of the Republic of Belarus, the National Bank of the Republic of Belarus, the Ministry of Economy of the Republic of Belarus and the Ministry of Finance of the Republic of Belarus. The main quantities in foreign trade are exports, imports, balance and turnover, and the share of exports and imports in the GDP of Belarus. This paper draws from comparative economic analysis research methods, though some statistical data related to spatial distribution are shown. The paper presents an analysis of exports and imports of merchandise and services, an analysis of the geographical structure of foreign trade, and an analysis of the structure of merchandise exports of the Republic of Belarus.

4. Research results

Traditionally, the foreign economic activity of most countries of the world is based on foreign trade in merchandise, services and objects of intellectual property. The share of exports amounted to 53.3% of the GDP of Belarus in 2018. This indicates that Belarusian industry has a high export orientation. For the period January–November 2018, the balance of merchandise trade at current prices was negative and amounted to US$ 4,119.9 million. At the same time, merchandise exports amounted to US$ 30,779.8 million, which is 16.5% more than for the same period of 2017. The main reason for the increase in the value of exports was the increase in the level of average export prices by 10.8% in 2018 while the physical volumes of exports increased by 5.2% (National Statistical Committee of the Republic of Belarus, 2019a). In FOB prices, the negative balance was estimated at US$ 2,281.4 million, and merchandise exports amounted to US$ 30,334.5 million, which was 17% more than in 2017 (National Bank of the Republic of Belarus, 2019).

The share of imports in the GDP of Belarus exceeded the share of exports, and amounted to 59.2% in 2018. This shows that the economy is largely dependent on the state and conditions of foreign markets. In 2018, merchandise imports amounted to US$ 34,899.7 million and increased by 13.9% compared with 2017 as a result of average import prices increasing by 8.1% and the physical volume of supplies by 5.4%. In FOB prices, merchandise imports amounted to US$ 32,615.9 million, which is 15.6% more than in 2017. A much faster rise in exports than in imports is a positive development, but it is not sufficient to equalise the balance of merchandise trade. Experts believe the rise in energy prices (oil) was the main reason for the negative merchandise trade balance in the Republic of Belarus in 2018. Compared to 2016, these changes were very signif-
icant. Turnover increased by 28% in 2018 compared to 2016, including exports by 31%, and imports by 26%. This indicates the intensity of foreign trade activity of Belarusian business entities.

Belarus conducts trade with 185 countries. The Russian Federation supplies the bulk of energy resources and raw materials for industry and is the buyer of Belarusian industrial and agricultural products. The structure of trade with trading-partner countries is presented in Fig. 1.

There is a high level of geographical concentration of exports, which indicates the significant dependence of Belarusian exports on the economies of the countries that are the main buyers of Belarusian products (Fig. 2). In 2018, 60% of all export products were supplied to the markets of three countries: the Russian Federation (38.4%), Ukraine (12.3%) and Great Britain (9.3%) (National Statistical Committee of the Republic of Belarus, 2019a).

The Russian Federation provided 59.31% of imports, China – 8.22%, and Germany – 4.75%. The geography of exports and imports indicates a significant dependence on the Russian Federation. Diversification of export and import markets was weak, because 83.70% of total merchandise exports and 81.00% of total merchandise imports were accounted for by 11 countries. In addition, China ranked 9th in the merchandise exports (share 1.42%), but 2nd in the merchandise imports (share 8.22%). In absolute terms, the import volume from China is 6.55 times as great as export volume to China. This suggests that foreign trade is still developing in favour of China, despite its large market (Dayneko, Beresnev, 2019).

Under “Services” there has been a surplus in recent years. The positive balance of foreign trade in services increased by 9.9% in January–November 2018 compared with 2017 and amounted to US$ 3,064.0 million. Services exports increased by 12% to US$ 7,888.4 million in 2018. Services imports increased by 13.3% to US$ 4,824.4 million.

Table 1 shows data on the foreign trade of the Republic of Belarus over the past seven years. The balance of foreign trade was positive in 2012 (US$ 2,834 million), in 2015 (US$ 100.7 million), in 2017 (US$ 149.3 million) and in 2018 (US$ 782.6 million). The positive balance of foreign trade was 61.9% more in 2018 than in the previous year. Merchandise and services exports amounted to US$ 38,222.9 million and increased by 16% compared to 2017. Merchandise and services imports increased by 15.3% and amounted to US$ 37,440.3 million (National Bank of the Republic of Belarus, 2019).

Exports are of particular importance in foreign trade and one of the national economic priorities of the Republic of Belarus. Exports traditionally take more than 50% in the structure of the GDP (Ministry of Foreign Affairs of the Republic of Belarus, 2019; Ministry of Economy of the Republic of Belarus, 2019), which indicates the high export orientation of the Belarusian economy. In addition, the share of income from foreign economic activity accounts for about 11% (Ministry of Finance of the Republic of Belarus, 2019) in the structure of the Republic’s budget revenues. It indicates the dependence of the Republic’s budget on the results of foreign trade activities. In accordance with the Decree of the President of the Republic of Belarus (Ministry of Economy of the Republic of Belarus, 2018) the growth in merchandise and services exports is forecast at 5.4% in 2019 compared to 2018.

The authors highlight a number of internal and external factors that have a negative impact on Belarusian export development. Internal factors include high merchandise and geographic export concentration; slow entry into new markets; poor competitiveness of energy- and material-intensive products; focus of industrial production on the purchase of external resources; and the lack of a wide range of export products (including innovative ones).

External factors include: deteriorating external environment and greater international competition in major foreign markets in recent years; devaluation of the currencies of major trading partners, leading to a decrease in the value of exports; danger of reducing the representation of national producers in traditional markets; increase in leadership struggles for technological leadership and new niches in the global market for high-tech products.

The export potential of the Republic of Belarus has over a thousand items, including oil products, potash and nitrogen fertilisers, rolled metal, tractors, trucks, buses, chemical fibres and threads, and so on. Table 2 shows the dynamics and structure of key export products of the Republic of Belarus for 2016–2018. In general, export products are commodities, and are poorly diversified.
Thus, in the last two years, an increase in merchandise exports has been observed. This is dictated by globalisation, economic growth and the opening up of new markets to Belarusian goods. Considerable importance is also attached to the increasing purchasing power of traditional consumers of Belarusian products in CIS countries.

An important task in foreign trade is the realisation of the export potential of services. Transport services, telecommunications, computer and information services, construction services and services related to travel of non-residents to the Republic of Belarus take a significant share in services exports. The most promising are engineering, tourism and construction services. Table 1 shows that the balance of trade in services was positive and had a tendency to increase. Note that FDI flows were con-
Table 1. Dynamics of foreign trade indicators of the Republic of Belarus

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise and services exports, US$ million</td>
<td>51,886.0</td>
<td>44,046.1</td>
<td>43,302.9</td>
<td>32,797.8</td>
<td>29,926.9</td>
<td>36,522.5</td>
<td>38,222.9</td>
</tr>
<tr>
<td>to the same period of the previous year, %</td>
<td>111.5</td>
<td>84.9</td>
<td>98.3</td>
<td>75.7</td>
<td>91.2</td>
<td>122.0</td>
<td>104.7</td>
</tr>
<tr>
<td>Merchandise and services imports, US$ million</td>
<td>49,052.0</td>
<td>46,387.0</td>
<td>43,791.8</td>
<td>32,697.1</td>
<td>29,958.9</td>
<td>36,373.2</td>
<td>37,440.3</td>
</tr>
<tr>
<td>to the same period of the previous year, %</td>
<td>102.7</td>
<td>94.6</td>
<td>94.4</td>
<td>74.7</td>
<td>91.6</td>
<td>121.4</td>
<td>102.9</td>
</tr>
<tr>
<td>Merchandise and services balance, US$ million</td>
<td>2,834.0</td>
<td>-2,340.9</td>
<td>-488.9</td>
<td>100.7</td>
<td>32.0</td>
<td>149.3</td>
<td>782.6</td>
</tr>
<tr>
<td>Merchandise exports (in FOB prices), US$ million</td>
<td>45,574.3</td>
<td>36,540.1</td>
<td>35,423.3</td>
<td>26,164.3</td>
<td>23,099.8</td>
<td>28,680.9</td>
<td>30,334.5</td>
</tr>
<tr>
<td>to the same period of the previous year, %</td>
<td>111.4</td>
<td>80.2</td>
<td>96.9</td>
<td>73.9</td>
<td>88.3</td>
<td>124.2</td>
<td>105.8</td>
</tr>
<tr>
<td>Merchandise imports (in FOB prices), US$ million</td>
<td>45,008.9</td>
<td>41,133.5</td>
<td>38,058.7</td>
<td>28,306.8</td>
<td>25,611.1</td>
<td>31,575.4</td>
<td>32,615.9</td>
</tr>
<tr>
<td>to the same period of the previous year, %</td>
<td>101.4</td>
<td>91.4</td>
<td>92.5</td>
<td>74.4</td>
<td>90.5</td>
<td>123.3</td>
<td>103.3</td>
</tr>
<tr>
<td>Merchandise balance, US$ million</td>
<td>565.4</td>
<td>-4,593.4</td>
<td>-2,635.4</td>
<td>-2,142.5</td>
<td>-2,511.3</td>
<td>-2,894.5</td>
<td>-2,281.4</td>
</tr>
<tr>
<td>Services exports, US$ million</td>
<td>6,311.7</td>
<td>7,506.0</td>
<td>7,879.6</td>
<td>6,633.5</td>
<td>6,827.1</td>
<td>7,841.6</td>
<td>7,888.4</td>
</tr>
<tr>
<td>to the same period of the previous year, %</td>
<td>112.5</td>
<td>118.9</td>
<td>105.0</td>
<td>84.2</td>
<td>102.9</td>
<td>114.9</td>
<td>100.6</td>
</tr>
<tr>
<td>Services imports, US$ million</td>
<td>4,043.1</td>
<td>5,253.5</td>
<td>5,733.1</td>
<td>4,390.3</td>
<td>4,347.8</td>
<td>4,797.8</td>
<td>4,824.4</td>
</tr>
<tr>
<td>to the same period of the previous year, %</td>
<td>120.6</td>
<td>129.9</td>
<td>109.1</td>
<td>76.6</td>
<td>99.0</td>
<td>110.4</td>
<td>100.6</td>
</tr>
<tr>
<td>Services balance, US$ million</td>
<td>2,268.6</td>
<td>2,252.5</td>
<td>2,146.5</td>
<td>2,243.2</td>
<td>2,479.3</td>
<td>3,043.8</td>
<td>3,064.0</td>
</tr>
</tbody>
</table>

Explanation: Data for January–November, 2018
Source: own study based on the National Bank of the Republic of Belarus (2019)

Table 2. Export products of the Republic of Belarus

<table>
<thead>
<tr>
<th>Products</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$ million</td>
<td>share, %</td>
<td>US$ million</td>
</tr>
<tr>
<td>Mineral products</td>
<td>5,053.8</td>
<td>21.5</td>
<td>7,160.8</td>
</tr>
<tr>
<td>Food and agricultural commodities</td>
<td>4,164.1</td>
<td>17.7</td>
<td>4,904.3</td>
</tr>
<tr>
<td>Chemical products, rubber</td>
<td>4,736.0</td>
<td>20.1</td>
<td>5,386.0</td>
</tr>
<tr>
<td>Machines, equipment and vehicles</td>
<td>4,354.7</td>
<td>18.5</td>
<td>5,298.2</td>
</tr>
<tr>
<td>Ferrous, non-ferrous metals and products from them</td>
<td>1,614.5</td>
<td>6.9</td>
<td>2,056.9</td>
</tr>
<tr>
<td>Wood, pulp and paper products</td>
<td>1,013.0</td>
<td>4.3</td>
<td>1,319.2</td>
</tr>
<tr>
<td>Textiles and textile products</td>
<td>780.8</td>
<td>3.3</td>
<td>849.3</td>
</tr>
<tr>
<td>Others</td>
<td>1,820.4</td>
<td>7.7</td>
<td>2,265.3</td>
</tr>
<tr>
<td>Total</td>
<td>23,537.3</td>
<td>100.0</td>
<td>29,240.0</td>
</tr>
</tbody>
</table>

Source: own study based on the National Statistical Committee of the Republic of Belarus (2019a; 2019b)
centrered mainly in the service infrastructure sector (Hrechyshkina, Samakhavets, 2018).

In our opinion, from this point of view, it is necessary to use the export strengths of the Republic of Belarus more effectively, such as its favourable geographical position, the existence of a state export support system, and expansion of the accessible sales market within the EAEU.

We believe that the main trends in the foreign trade of the Republic of Belarus in the context of increasing competition in the international business environment at the present stage should be:

• The export of products with a high share of value added in the price, i.e. high-tech products;
• Seeking out new markets, i.e. export diversification;
• Expansion of participation in integration associations in the post-Soviet space;
• Fulfilment of conditions for entry into the WTO;
• Further development of distribution networks of the Ministry of Foreign Affairs of the Republic of Belarus abroad.

Thus, foreign trade and export issues in the Republic of Belarus should be considered in the context of the socio-economic development of the republic due to its significant role in macro-economic processes. For this purpose, a comprehensive export support system at the state level has been created and is functioning (Samakhavets, Hrechyshkina, 2018). There are conditions for the development of Belarusian foreign trade and export potential that ensure the competitiveness of domestic merchandise and services in world markets. At the same time, the implementation of measures to promptly resolve the rising difficulties with merchandise exports in world markets due to internal and external factors should be a priority task. This will determine the achievement of a positive current account of the Balance of Payments, ensure the external balance of the economy, and fully use the export potential of the Republic of Belarus in the international business environment.

5. Conclusions

The study provides an analysis and assessment of the foreign trade of the Republic of Belarus in a dynamically changing international business environment. In Belarus, exports of merchandise and services decreased by 26%, and imports by 24%, in 2018 compared with 2012. This decrease is mainly due to a reduction in merchandise exports and imports (by 33% and 28%, respectively). However, because these were outpaced by the growth rates in services exports (an increase of 25%) it was possible to ensure a positive balance of foreign trade in 2017–2018. The stable economic development of the Republic of Belarus largely depends on the development of exports. Exports account for more than 50% of the GDP, and revenues from foreign trade account for about 11% of the Republican budget revenues. Nevertheless, the development of the Belarusian merchandise exports in the international business environment is hindered by a number of limiting factors, which stem from the low level of product diversification (commodity-dependent exports have been identified) and geographical diversification (the Russian Federation remains the dominant foreign trade partner, although its share is decreasing). Therefore, we consider it advisable to intensify government support for export-oriented enterprises to expand their export geography, increase the attractiveness of sales conditions, grow sales, accelerate product turnover, decrease in accounts receivable, etc. We believe that the set of government supporting measures should include export financing and export risk insurance, with loss compensation to banks and insurance companies and incentive taxation.

References


