



**LibMod Policy Paper**  
October 2019

# Belarus: Danger ahead – EU response needed

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# Foreword

## Why we should be paying attention to Belarus

Belarus fell largely off the radar European public after the pro-democracy movement foundered there in 2010. It shouldn't have. The country has become the latest stage for Russia's great-power ambitions. Putin has ratcheted up the pressure on Belarus to integrate into a state union. This would put an end to Belarusian independence and would have serious consequences for the strategic situation in Central and Eastern Europe. As it happens, a union of states might well open a convenient path to a new presidency for Putin when his current term runs out.

Moscow's most powerful leverage over the Belarusian regime lies in the economic dependency of the latter. The message: the preferential terms for its oil and natural gas supplies and loans will only continue if Belarus sacrifices its sovereignty. Meanwhile, the Kremlin is ramping up the activities of its political networks in Belarus as well.

Dragging his feet, Lukashenka has managed to resist so far. While he has not called the union treaty into question, he nonetheless insists on Belarus sovereignty. Lukashenka has no desire to become a governor serving at Putin's pleasure, and he wants to keep Belarus well out of Russia's conflict with the West.

The aim of fending off the Kremlin's embrace is one on which the interests of the regime and the country's national interests coincide. A large majority of the Belarusian population wants an independent Belarusian state with good relations with both Russia and the EU.

An independent Belarus lies in the EU's strategic interest as well. Should Putin succeed in gobbling up this little neighbour, this would be a serious blow to all hopes for democratic change. The extension of the deployment zone of the Russian military – including for the deployment of nuclear missiles – right up to the borders of Poland and Lithuania would be another consequence, of no minor importance.

The disparity in the political, economic and military power of the two states will make it nearly impossible for Lukashenka to continue resisting the pressure from the Kremlin indefinitely, unless, that is, the West creates some alternative breathing space for him. Possible options include a partnership agreement, improved access to the European internal market, energy-sector cooperation and the promotion of medium-sized enterprises. Membership in the Council of Europe should also be considered, provided that Lukashenka is willing to eliminate the death penalty and recognise the jurisdiction of the European Court of Human Rights.

The EU must find a way to strengthen Belarusian independence without lending legitimacy to Lukashenka's dictatorial reign. It cannot and must not guarantee him lifelong rule. But it could offer him the prospect of improved relations with the West that are not tied to conditions that would lead straight to his resignation. At a minimum, the EU would have to insist that Lukashenka allow civil society to breathe. Democracy grows from the bottom up.

We should not treat Belarus like a forecourt of the Kremlin. There are many there who see themselves as Europeans. Visa-free travel, scholarship programmes and cultural exchange would be oxygen for democratic civil society in Belarus. The promotion of small- and medium-sized enterprises would reduce dependency on a too-powerful state. The EU should concentrate on these catalysts for change in its policy towards Belarus.

This policy paper by John Lough, a British expert on Eastern Europe, analyses the tensions between Belarus, Russia and the EU and discusses political measures that might help to strengthen Belarusian independence. In view of the pressure being exerted Russia, it is high time that the EU pursued an active policy towards Belarus.

Berlin, in October 2019

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## Executive summary

- Many EU capitals regard Belarus as an extension of Russia and take little interest in it. EU leaders are also uncomfortable dealing with its long-time autocratic leader, Alexander Lukashenka. Such attitudes make it hard for the EU to see the danger from Moscow's efforts to pull the country into a closer embrace. These could easily de-stabilise the situation in Belarus with serious consequences for European security.
  - Belarus is Russia's closest and most important ally after the 'loss' of Ukraine and the Kremlin appears determined to stop it gravitating towards Europe beyond Russia's control. Different constituencies in Moscow appear to agree that Belarus has to give more in return for receiving generous levels of subsidies from Russia that sustain its unreformed economy and social welfare system.
  - Belarus is currently facing unprecedented pressure from Moscow as uncertainty increases about what will happen in Russia after 2024 when Putin is due to leave office. A 'Crimean' scenario leading to full incorporation of the country into the Russian Federation is very unlikely. Although Moscow is seeking greater integration between the two countries as part of their 'Union State' project begun in the 1990s, it faces clear constraints because of its own stagnating economy.
  - Over 25 years, Lukashenka has learned to play a weak hand in relations with Moscow with considerable skill. He has closed down the space for political opposition, depriving Russia of alternative options. He has also occasionally put down markers of Belarusian sovereignty that have irritated Moscow.
  - Lukashenka has stated that he will run for a sixth presidential term in 2020. Presidential elections held after 1994 when Lukashenka was first elected have been neither free nor fair. In 2006 and again in 2010, the authorities clamped down hard on protests against vote-rigging. The EU's principled policy position of calling on the Belarusian authorities to ensure freedom of assembly and create space for civil society poses a direct challenge to Lukashenka's authority.
  - The structure of the Belarusian economy reflects Lukashenka's efforts to protect his rule. He scrupulously avoided the 'oligarch' privatisations seen across most of the rest of the former Soviet Union because they would have created interest groups that would have undercut his power. State-owned companies account for nearly 75% of GDP and employ the bulk of the work force. The economy remains heavily dependent on cheap Russian energy supplies and other largesse.
- From 2005 to 2015, this was worth nearly \$10bn a year. The IMF forecasts medium-term growth of the Belarusian economy of around 2%.
- Belarus is a textbook authoritarian state with power concentrated in the hands of a single individual who ensures that the state's law enforcement agencies and judicial system function as instruments of repression to suppress dissent. The death penalty is still in force. Around 400 executions have reportedly taken place since 1991.
  - There are signs that some non-political NGOs may be able to play a more prominent role in helping to address, for example, social and environmental issues
  - The warming of relations between the EU and Belarus since 2014 has so far brought few tangible results. The two sides have still not signed off on the EU-Belarus Partnership Priorities, a roadmap for cooperation in 2019 and 2020. The Partnership and Cooperation Agreement concluded with Belarus in 1995 still awaits ratification. However, the two sides recently completed negotiations on a Visa Facilitation and Readmission Agreement. One bright spot in the relationship is the EU's support for Belarusian companies seeking to access new markets. In addition, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) are increasingly active in Belarus. People to people contacts remain relatively limited.
  - The outlook over the next five years is for Belarus to become poorer and social discontent to grow. At the same time, Russia is likely to remain distracted by its own internal problems and trapped in a confrontational relationship with the West. This situation carries serious dangers for the stability of Belarus and the surrounding region. The EU needs to recognise that it could face a potentially explosive situation in Belarus if an outbreak of unrest persuades Moscow to abandon Lukashenka while blaming the West for destabilising the country.
  - To guard against these scenarios, the EU needs to put in place a set of policies that can support Belarusian sovereignty by reducing its economic dependence on Russia, diversifying its relations and preparing the ground for inevitable reforms. Without determined engagement by the EU, Belarus could implode because of the brittle nature of the current system.
  - The EU must look beyond its values agenda to see the issues at stake in Belarus and the forces at play. With a carefully calibrated approach, the EU can help Belarus avoid the implosion scenario and set it on a track of internal renewal. In the process, it can contribute to consolidating Belarus as a sovereign, independent country that can find an identity and role for itself in the international community.

# Belarus: Danger ahead – EU response needed

by John Lough

Bordering three EU states, Ukraine and Russia, Belarus straddles one of Europe's civilisational fault lines. For many European capitals, it has voluntarily made itself part of a Russian-zone of interest and merits little attention. Few regional studies experts take an interest in the country. Beyond its relations with Lithuania, Latvia and Poland, it has poor connections with the rest of Europe. Contacts between governments are weak, trade is underdeveloped and there are only minimal links with civil society.

The Belarusian authorities bear heavy responsibility for the country's isolation. The autocratic regime of Alexander Lukashenka that has ruled Belarus since 1994 consolidated its power through a combination of curbing civic freedoms, manipulating elections and violently suppressing dissent. It also aligned itself closely with Russia to ensure the provision of generous subsidies and credits. These propped up an unreformed economy together with much of the old Soviet welfare system. At the same time, this approach limited the entry of Russian business into the country, ensuring that Minsk remained in control of most of the country's main economic assets.

The price of this alliance was a tendency on the part of EU countries to treat Belarus as an extension of Russia best handled through Moscow. This reduced the need for them to dirty their hands by dealing directly with the problematic figure of Lukashenka himself.<sup>1</sup> He became the subject of EU sanctions in 2006 after a flawed presidential election and a violent crackdown on his opponents. Russia's intervention in Georgia in 2008 led to a thaw in relations with the EU. Yet this ended abruptly two years later when the regime resumed its usual practice of rigging the presidential election and persecuting its opponents.

After Vladimir Putin came back to the Kremlin in 2012, Belarus found itself more isolated as Russia evolved towards greater authoritarianism and distanced itself from Europe. However, Russia's actions in Crimea in 2014 led to a shift of policy on the part of both the EU and Minsk towards a cautious re-opening of channels.

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<sup>1</sup> The unexplained disappearances in 1999-2000 of four individuals, including a former Minister of the Interior and a Vice-Chairman of Parliament, have cast a shadow over relations with western countries for nearly two decades.

An out-and-out populist, Lukashenka has demonstrated considerable skill and ruthlessness in sustaining his system over two decades. The result has been a fragile form of stability dependent on Lukashenka personally and on continued Russian largesse. Although some Belarusian commentators characterise this as an unavoidable phase necessary to anchor the country's sovereignty, it has clearly delayed the process of building capacity for the long-term political, economic and cultural development of Belarus as an independent country.

Consequently, Belarus has still not fully emerged from the wreckage of the USSR. Its identity is weak, its sovereignty limited and the Belarusian language marginalised. It is still far from able to stand on its own two feet and establish a distinct position in Europe.

This paper argues that the EU must pay much greater attention to developments in Belarus as a matter of urgency. The Russian-sponsored Lukashenka system appears increasingly unsustainable as the cost of supporting its outdated economy grows amid greater pressure on resources in Russia itself. Just as in Russia today and in the USSR before it, it is impossible to reform the Belarusian system of governance without undermining its foundations. In other words, to reform the system requires de-personalising the system of power. If in Kazakhstan the process of transferring power from the long-time president to a successor has begun, the issue is not even on the agenda in Belarus even though Lukashenka is 65 and has been in power for 25 years.

**It is important for the EU and its national capitals to view relations between Belarus and Russia in their broad context and not just in terms of the latest dispute.**

This situation poses a challenge for the Russian leadership because it is excessively dependent on Lukashenka personally. If his authority were to erode, the spectre of uncontrolled change in Belarus could tempt the siloviki bloc to integrate Belarus more deeply into a Russian zone of influence. Such integration could take different forms: from a relatively benign version where Belarus remains a nominally independent state to its full incorporation into a Russian-controlled 'Union' state. In the latter case, there could be serious implications for European security.

The EU at large and especially its member states located close to Belarus cannot afford to ignore this danger. Belarus is currently facing unprecedented pressure from Moscow as uncertainty increases about what will happen in Russia after 2024 when Putin is due to leave office. At the same time, the EU must look beyond the chequered past of relations with Minsk and the failed attempts to strengthen relations.

The current Russian pressure on Belarus is of a qualitatively different nature from the past when the two sides have regularly squabbled over energy prices and engaged in mini trade wars. In and around the Kremlin there are different views of Belarus and its importance for Russia. Yet for now, there appears to be a firm consensus that Russia should gain more from Belarus in return for keeping the Lukashenka system afloat. Moscow is pushing Lukashenka down a path of much closer integration with Russia that he is struggling to resist.

Paradoxically, Lukashenka and Putin both need the other to preserve their systems, albeit to different degrees. Lukashenka needs Russia's subsidies and Putin needs to keep Belarus in the Russian fold as part of the stand-off with the West. The 'besieged fortress' mentality that the Kremlin has developed in recent years continues to play a critical role in consolidating society and legitimising its rule.

Despite the mutual dependency, the balance and atmosphere of the relationship have noticeably changed over the past year. Although Moscow and Minsk have a record of arguing at length and finding at least temporary solutions to their problems, the stakes are now much higher for both parties and the contradictions more apparent. In this situation, the players are more prone to miscalculations with potentially serious consequences. For example, clumsy Russian policy could easily destabilise the Lukashenka system.

It is important for the EU and its national capitals to view relations between Belarus and Russia in their broad context and not just in terms of the latest dispute. As Russia's closest ally and a buffer on its western border, Belarus plays an important role in the thinking of Russian defence planners since it provides the Russian Armed Forces with strategic depth. The country transits around

25% of Russia's pipeline gas supplies to Europe and carries around a million barrels a day of Russian crude oil to European refineries via the Druzhba pipeline. It is also a transit route for Russian gas from Siberia to Germany via the Yamal pipeline (capacity of 33 billion cubic metres per annum) and has a spur through Lithuania that supplies Kaliningrad Region (capacity of 2.5 billion cubic metres per annum). Once Nord Stream 2 is functioning, Gazprom may have the option of reducing gas transit through Belarus depending on the volumes it sends via Ukraine.

Allied to Russia through its membership of the Eurasian Economic Union (EEU) and the Collective Treaty Security Organization (CSTO), Belarus is also formally part of a Union State together with Russia. Until December 2018, this latter project established in the 1990s had never been more than a set of intentions that neither side seriously wanted to implement.

At that point, Russia unexpectedly expressed interest in reviving the concept and hinted that it would tie future financial support to a commitment by Belarus to move down a path of much deeper integration, including a common currency, a common legal space and a common border management system.<sup>2</sup>

This gave rise to speculation that the Kremlin might be looking at the option of Vladimir Putin becoming the President of the Union State to prolong his rule. For now, this scenario appears unlikely because of the complications in creating a large number of common institutions, including a Union Central Bank and common tax agency, as well as agreeing a host of other new economic arrangements. The negotiation process between the two sides has proved agonisingly slow over the past two decades on a wide range of issues. There would also be the need to neutralise Lukashenka as a potentially significant political figure on the Russian stage with strong appeal to the Communist Party's electorate.

In theory, an easier route for Putin would be simply to follow Lukashenka's example and abolish the constitutional restriction on serving more than two consecutive terms. Nevertheless, given that Moscow thinks of Belarus as Russia's closest and most important ally, the EU must take seriously the possibility that Moscow will strong-arm Belarus into a closer relationship with Russia that will undercut its sovereignty and affect the regional balance of power.

There has been speculation over the past year among both Russian and western commentators that Belarus could be the next Crimea. This ignores the fact that after 28 years of living in a separate state, Belarusians feel increasingly distinct from Russians and show no appetite for becoming part of Russia. In addition, if Russia were to absorb Belarus, it would have to take responsibility for another 9.5 million people with per capita GDP around 50% of Russia's and an economy and social security system in urgent need of reform. Even if this would not be beyond Russia's means at current income levels in Belarus, it could easily become a heavy burden.

The annexation of Belarus on a Crimean model would also severely aggravate Russia's relations with the EU and NATO and damage its ties with Kazakhstan and other CSTO members that fear Russia could encroach on their sovereignty to restore its power. Of all the future scenarios for Belarus, this appears the least likely.

For the purpose of this paper, the EU's interests are defined as ensuring:

- Preservation of Belarus as a sovereign state
- Political and economic stability in Belarus based on rule of law and economic modernisation rather than maintenance of the status quo
- Secure transit of energy supplies across Belarusian territory
- A functioning border regime in Belarus to protect the EU from the smuggling of arms, drugs and counterfeit goods as well as human trafficking
- The prevention of a large-scale exodus of Belarusians to EU countries that could hollow out the Belarusian workforce
- The continuation of Belarusian 'situational neutrality' on Ukraine and its efforts to position itself as a forum for regional peace initiatives
- The avoidance of misunderstanding on the part of Russia about the EU's intentions towards Belarus

As part of a longer-term policy planning exercise, the EU needs to consider the factors below that are shaping developments in Belarus. The challenge is to devise a set of policies to contribute to enhancing the sovereignty of Belarus over the short, medium and longer term, and enabling the country to modernise.

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<sup>2</sup> Meeting of the Council of Ministers of the Union State, 13 December 2018, <http://government.ru/news/35083/>

## Geopolitical context

Minsk's latest effort to 'reset' relations with Europe and the US began in 2015 after Russia's annexation of Crimea a year earlier and its attempts to spark a counter-revolution by destabilising south-eastern Ukraine. Russia's actions in Ukraine were deeply alarming for the Lukashenka regime for four reasons. First, they showed how Russia could treat a 'brotherly' people, the same category in which Moscow classified Belarusians. Second, they made clear that Moscow no longer cared about its relations with the West and was prepared to violate the principles of security agreed at the end of the Cold War without regard for the consequences. Third, they created fears that with the breakdown of state authority in Ukraine, instability and violence could spread across their common border. Fourth, they increased the prospect that Moscow would increase integration with Belarus on its terms to keep the country firmly in Russia's orbit. As Lukashenka remarked at a meeting of the Security Council in April 2014, "only an idiot will not draw conclusions from the events happening around (Belarus)".<sup>3</sup>

The 'reset' so far remains tentative on all sides because of the very low levels of mutual trust. While Lukashenka is adept at knowing the limits of what Moscow will allow, he is also constrained by his suspicion of western intentions towards Belarus. The EU's commitment to the values of rule of law, human rights and civil society in its relations with third countries poses an obvious challenge to an authoritarian regime. For its part, the US has not fully restored relations with Belarus after the dramatic breakdown of relations with western countries in 2008. This led to the expulsion of the Ambassador and most of the Embassy's diplomatic staff. However, relations have been improving since 2015 and in August this year, National Security Advisor John Bolton became the highest-level US official to visit Minsk in over 25 years.

Yet this time, Lukashenka needs relations with western countries and institutions more than before to counter a stronger form of Russian influence. The latter threatens his personal power and by extension the country's sovereignty and independence.<sup>4</sup> The EU has partially responded to Lukashenka's predicament by continuing to suspend most of the sanctions introduced after the 2010 presidential election but relations are still based on a document that pre-dates the collapse of the USSR.

The Eastern Partnership framework offers little value at present because of the differences between Minsk and Brussels over a range of human rights and rule of law issues.

Lukashenka's room for manoeuvre in foreign and defence policy is highly restricted. However, Belarus has not recognised de jure Russia's annexation of Crimea. Nevertheless, Lukashenka irritated Kyiv by recognising de facto that Crimea is part of Russia and Belarus has voted with Russia against a number of resolutions on Crimea in the UN General Assembly.<sup>5</sup> Belarusian diplomats argue that it is significant that Lukashenka has spoken consistently of Ukraine's territorial integrity. In fact, Lukashenka has taken a range of positions on the issue in order to try to find ground that offends neither Moscow nor Kyiv.<sup>6</sup>

Nevertheless, despite his criticism of the Euromaidan, he met with Acting President Turchynov and attended the inauguration of Petro Poroshenko. Together with Kazakhstan, Belarus also vetoed a Russian proposal for the EEU to adopt sanctions against Ukraine in response to its signing of the Association Agreement with the EU in 2014. Lukashenka also angered Moscow with the introduction in 2017 of a visa-free regime for visitors to Belarus from 80 countries. This set back the timetable for implementing a system of mutual visa recognition and forced Russia to establish a border zone with Belarus. Since July 2018, visitors arriving at Minsk airport are able to stay for up to 30 days, an increase from five days when the new system initially took effect. This has boosted the number of visitors, in particular from EU countries.<sup>7</sup>

4 In response to proposed changes to the price that Belarus will pay for Russian supplies of crude oil, Lukashenka stated in December 2018: "I understand those hints: here's your oil, but you must destroy your country and join Russia." He claimed that some Russian officials said 'directly' that they wanted to incorporate Belarus into Russia in return for financial assistance. <https://www.bloomberg.com/news/articles/2019-04-24/putin-s-succession-dilemma-has-closest-ally-fearing-a-bear-hug>

5 [http://mfa.gov.by/press/news\\_mfa/d1f178801e66b9373.html](http://mfa.gov.by/press/news_mfa/d1f178801e66b9373.html)

6 For a summary of how the position of Belarus has moved backward and forward on the issue of Crimea, see Schraibman A, The Lukashenko Formula: Belarus's Crimea Flip-Flops, 1 June 2016.

7 The Ministry of Sport and Tourism reported that from January 1 to June 6 2019, nearly 244,000 visitors had entered the country visa-free, <https://belstat.eu/ru/news/stalo-izvestno-skolko-inostrantsev-priehali-v-belarus-po-bezvizu/>. In the first six months of 2017, the figure was 37,500, <https://minsknews.by/pochti-2-mln-inostrantsev-posetili-belarus-v-pervom-polugodii/>

Lukashenka has shown some unexpected streaks of independence from Moscow: Belarus has not recognised the independence of Abkhazia and South Ossetia and nor has it recognised the separatist regimes in the occupied territories of Eastern Ukraine. Importantly, Lukashenka also managed to halt Russia's plan to establish a military base in Belarus in 2015<sup>8</sup> beyond its two current facilities, a radar station and a naval communications centre linking the Russian General Staff with its nuclear submarine fleet.

Lukashenka further irritated Moscow by inviting western military observers to the Zapad 2017 exercise, part of which took place on Belarusian territory. There was intense speculation at the time in western military circles that some Russian military units might stay in Belarus after the exercise. Russia's establishment of a Western Military District makes Belarus more rather than less militarily important for Moscow since it signals a belief that the military danger to Russia on its western flank has increased. Russian military thinking places a high premium on conducting defensive operations outside Russian territory.

In addition, the integrated air defence system operated by Russia and Belarus provides important interdiction capabilities for the Russian Armed Forces as part of their counterweight to NATO's enhanced forward presence in Poland and the Baltic states. Belarusian defence planners worry that the deployment of larger numbers of US troops to Poland could make it much harder for Belarus to continue to resist a Russian military base in Belarus.

Lukashenka needs relations with western countries and institutions more than before to counter a stronger form of Russian influence.

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<sup>8</sup> The plan discussed with Lukashenka in 2013 was to establish an air base 25 km from the Lithuanian border and 120 km from the Polish border, Belarusian Foreign Policy 360°, The Centre for East European Policy Studies, University of Latvia Press, Riga (2017) pp. 96–97 [http://appc.lv/wp-content/uploads/2017/05/book\\_Belarusian\\_360-www-2.pdf](http://appc.lv/wp-content/uploads/2017/05/book_Belarusian_360-www-2.pdf)

## Political situation

At present, Belarus is politically stable and there is no reason to assume that the situation will change in the short term given Lukashenka's total subordination of the country's institutions to the Presidential Administration. Unlike in Russia, there is a genuinely functioning 'vertical of power'. Parliamentary elections are due to take place in mid-November this year followed by presidential elections in 2020. Lukashenka has confirmed that he will run for a sixth presidential term. Within the system of power, the different constituencies appear loyal and united in the need to preserve the status quo. Lukashenka regularly re-shuffles senior personnel in the government and security services to guard against the formation of clusters of power beyond his control.

Opposition parties remain marginalised because of long-standing intimidation and other forms of pressure on individual politicians, independent media and the politicised part of civil society. However, there is still at present some limited space for NGOs engaged in non-political activity helpful to the government such as improvement of social services.

A relative thaw in Belarus between 2015 and 2017 led to the election of two opposition members of parliament in 2016. The previous parliament had no representatives of the opposition. Former political prisoners such as Andrei Sannikov and Nikolai Statkevich dismissed the election of members of the opposition as window dressing.<sup>9</sup> As the OSCE noted in its election observation report: 'The limitations on freedom of association have resulted in denials of registration of new political parties since 2000'.<sup>10</sup> A brief period of unrest in 2017 occurred in several major cities after the authorities tried to implement a 'social parasites law' requiring people working less than half the year to reimburse the state for lost taxes. They later cancelled the law but clamped down hard on the protestors with over one thousand arrests and more than 150 jail sentences for public order offences. Journalists who covered the protests were in some cases fined.

These protests were a rare occurrence in Belarus but they were economic in nature rather than political. There is no evidence so far that the paternalist social contract between Lukashenka and the population has run its course. Negligible unemployment, lower corruption levels than in Russia and Ukraine, together with healthcare and social benefits on a Soviet model clearly still command support.

Technocrats in government and managers in both the state and private sectors are careful not to criticise Lukashenka or his policies in public for fear of losing their positions and imprisonment. With limited independent media and 'political' civil society cowed, there is currently very restricted space for the discussion of ideas let alone the establishment of political forces that could have mass appeal.

Presidential elections in authoritarian systems inevitably create nervousness on the part of the authorities. Previous experience shows that Belarus is no exception. Therefore, there is no reason to assume that the playing field at the next presidential election will be any more even than it was in 2015. Current restrictions on freedom of association, assembly and expression make it impossible for genuine opposition to Lukashenka to emerge. Lukashenka's victory in the last election with a supposed 83.5% of the vote with no other candidate gaining more than 5% is an indication of how effectively this system works.

<sup>9</sup> <https://www.theguardian.com/world/2016/sep/12/belarus-activists-unmoved-election-two-opposition-mps-lukashenko>

<sup>10</sup> OSCE/ODIHR Election Observation Mission Final Report, p. 6  
<https://www.osce.org/odihr/elections/287486?download=true>

The OSCE's election observers noted in 2015 that the legal framework for the election remained 'essentially unchanged' since the 2010 election assessing the performance of 30% of polling stations in counting the vote as 'bad' or 'very bad'.<sup>11</sup> In 2010, there had been protests against vote-rigging after Lukashenka allegedly won 79% of the vote. The authorities intervened violently to suppress the demonstrations and jailed the ringleaders.

For the EU, the implications are clear. Lukashenka is not going to give ground on human rights issues or freedom of association as long as he believes that by opening the public space he will threaten his rule. Some modest improvements of basic freedoms that began in 2015 stopped in 2017 after the anti-government protests referred to above. A stronger Russian embrace with reduced financial support will still be preferable to opening the system and risking his personal rule. Lukashenka has lived through all the 'colour revolutions' in the post-Soviet states and has almost certainly learned from them. For now, he still controls the instruments to prevent public dissatisfaction leading to a pre-revolutionary situation. As the election approaches, the likelihood increases that the EU's relations with Belarus will once again go into a downward spiral as the authorities prioritise delivering another Lukashenka re-election victory over relations with Europe.

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<sup>11</sup> Belarus Presidential Election, 11 October 2015, OSCE/ODIHR Election Observation Mission Final Report, p 3, <https://www.osce.org/odihr/elections/belarus/218981?download=true>

## Economy

After the collapse of the USSR, Belarus inherited a relatively modern and well-developed industrial base, including some of the hi-tech parts of the defence industry. Known as the ‘assembly shop of the USSR’, it had benefited from post-war reconstruction. This Soviet legacy together with a combination of Russian subsidies, soft loans and preferential access to the Russian market has allowed the economy to survive in the absence of structural reforms since Lukashenka came to power in 1994.

Belarus is distinct from the majority of other post-Soviet countries because it did not adopt a rapid privatisation programme in the 1990s. Unlike in Russia and Ukraine, oligopolies did not take root and oligarchs never appeared. Lukashenka had no interest in promoting reforms of this kind because they would have undercut his power. As a result, Belarus still has a dominant state sector. Around 80% of industry is state-owned and is a vitally important source of employment. State-owned entities account for nearly 75% of GDP, with state banks making up 75% of the banking sector.<sup>12</sup> Some changes in the structure of GDP have become visible in the last few years with the services sector becoming the leading contributor in 2015 for the first time since independence.<sup>13</sup> This reflects the strong organic growth of the private sector over the past decade. The authorities’ focus on providing full employment has artificially extended the life of some industries and restricted the allocation of capital and labour to more productive sectors. Nevertheless, the government has made considerable efforts to support the growth of a burgeoning IT industry. In 2018, it accounted for 5% of GDP with one leading Belarusian IT entrepreneur predicting that it could grow to 20% and employ 10% of the workforce in 10–15 years time.<sup>14</sup>

GDP in 2018 was nearly US-\$ 60 bn at the official exchange rate after continued modest growth. The Belarusian economy was hit hard by the contraction of the Russian market in 2014 and the devaluation of the Russian ruble that led to a nearly 40% devaluation of the Belarusian ruble. The economy has still not returned to its pre-2014 level. Per capita GDP of around US-\$ 6,700 in 2018 contrasted with \$ 17,700 in Lithuania, \$ 16,600 in Poland, \$ 11,700 in Russia and \$ 3,100 in Ukraine.<sup>15</sup>

Belarus has a surprisingly high ranking in the World Bank’s Doing Business index. In 37th place out of 190 countries, it is only four spaces behind Poland.<sup>16</sup> It scores particularly well in areas such as registering property (ranked 5th), getting electricity (ranked 20th) and trading across borders (ranked 25th). In the category ‘enforcing contracts’ it ranked 29th. The Belarusian civil service has a reputation for competence and discipline.

For all the significant improvements of the regulatory system in recent years, there has been only limited foreign direct investment. Standards of corporate governance in state-owned enterprises are low and a source of corruption. In Transparency International’s Corruption Perceptions Index, Belarus came 70th out of 180 countries, behind Poland in 36th place and ahead of Ukraine in 120th place and Russia in 138.<sup>17</sup> The balance of foreign direct investment stocks in Belarus in 2018 was US-\$ 21 bn compared to \$ 18 bn in neighbouring Lithuania<sup>18</sup> with a population less than a third of that of Belarus.

Russia is Belarus’ most important trade partner accounting for 38.4% of exports and 58.9% of imports in 2018, according to official data.<sup>19</sup> Although it is an indispensable source of economic assistance, Lukashenka occasionally feels able to criticise the Russian government forcefully, even if he never singles out Putin. In 2017, his outspoken attack on ‘certain forces in the Russian establishment’ over alleged failures to honour economic commitments led the Kremlin to issue a press release stating that from 2011 to 2015, support for Belarus had cost the Russian budget US-\$ 22.3 bn.<sup>20</sup>

The IMF calculates that from 2005 to 2015, Russian support to Belarus was worth US-\$ 106 bn, around \$ 9.7 bn per year.<sup>21</sup> Foreign direct investment over the period 2016–2019 was \$ 6.25 bn with nearly 50% of this amount coming from Russia.<sup>22</sup> At the same time, the Russian economy has been stagnating and the cost of investment in defence and support of Crimea are clearly a burden in conditions of economic sanctions. So it is hardly surprising that some policy makers in Moscow described by Lukashenka as ‘opponents’ are questioning the wisdom of continuing to provide such generous terms to Minsk.

12 <https://www.cia.gov/library/publications/the-world-factbook/geos/bel.html>

13 Doing Business in Belarus, EY Report (January 2019) p 10, [https://www.ey.com/Publication/vwLUAssets/ey-db-belarus-2019-eng/\\$FILE/ey-db-belarus-2019-eng.pdf](https://www.ey.com/Publication/vwLUAssets/ey-db-belarus-2019-eng/$FILE/ey-db-belarus-2019-eng.pdf)

14 Daneyko Ye, IT-сфера станет мотором белорусской экономики?, Deutsche Welle, 6 November 2018

15 Data from <https://tradingeconomics.com/>

16 <https://www.doingbusiness.org/content/dam/doingsBusiness/country/belarus/BLR.pdf>

17 <https://www.transparency.org/cpi2018>

18 <https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx>

19 <http://mfa.gov.by/export/>

20 <https://www.rbc.ru/economics/02/04/2017/58e026879a79471d6c8aef30>

21 Ibid

22 National Statistical Committee of the Republic of Belarus, <http://www.economy.gov.by/en/FIGURES-en/>

Russia also holds investments in critical infrastructure such as the Mozr oil refinery and the Transneft pipeline. Gazprom wholly owns Transgaz Belarus, the company operating the trunk pipeline exporting Russian gas to Europe. Russia also extended a \$ 10 bn soft loan in 2014 for the construction of the nuclear power plant at Astravets due to come on stream in 2019 / 2020. Minsk has been trying to reduce the interest rate of the loan and to extend its terms.

At the same time, Russia is dependent on Belarusian industry for delivery of a range of hi-tech goods and services. Belarus is home to a number of defence plants that service the needs of the Russian Armed Forces, including a manufacturer that supplies chassis for Iskander, Bastion and Buk missiles among others as well as some strategic weapons systems. It also has a facility that repairs Russian fighter jets. However, after the breakdown of links with Ukrainian defence plants in 2014, Russia is reportedly seeking to reduce its dependence on Belarusian suppliers, forcing them to seek alternative markets.<sup>23</sup>

A critical shortage of highly qualified labour is a constraint on the development of new industries, including the IT sector that benefits from a highly attractive tax regime. Increasing numbers of Belarusians working abroad and a deterioration of the education system are contributory factors.

The IMF projects growth in 2019 at 1.8% and medium-term growth of around 2%. It believes this to be 'below what is needed to raise living standards measurably and for Belarus to converge to its rich regional peers'.<sup>24</sup> While inflation remains low at 5–6%, the Fund has sounded a warning over public debt (expected to rise to 60% of GDP in the medium term) and the need to address the problem of inefficient state-owned enterprises. It also notes uncertainty over Minsk's efforts to seek compensation for changes to Russia's taxation of the oil industry. The close links to the Russian market continue to make the Belarusian economy vulnerable if Russia's economy continues to stagnate. From 2014 to 2018, it grew on average 0.4% a year while incomes declined by over 10%.<sup>25</sup> As the depth of recession over the period 2014–2016 shows, if Russia sneezes, Belarus can catch pneumonia.

The EU is the second largest trade partner for Belarus accounting for 30.2 % of its exports and 20 % of its imports. However, this figure should not disguise the fact that the main sources of export revenues in EU markets are oil products and chemicals.<sup>26</sup> These industries rely heavily on Russian inputs of oil and gas for which there are no ready alternatives.

In the immediate aftermath of events in Ukraine in 2014, Lukashenka signed a treaty creating together with Russia and Kazakhstan the Eurasian Economic Union (EEU) that came into force in January 2015. From Moscow's perspective, the Treaty tied in Belarus at a critical moment when its efforts to forge integration in the post-Soviet space were stumbling after Ukraine's turn away from Russia. For Minsk, it came at the cost of making Belarus more dependent on Russia by limiting its room for manoeuvre in its foreign relations. The main attraction of the Union framework for Belarus was that it could theoretically gain from the removal of obstacles to bilateral trade with Russia (although most of these still exist), while it could build positions together with Kazakhstan to resist Russian pressure. For example, like Belarus, Kazakhstan has not de jure recognised the Russian annexation of Crimea.

Yet in economic terms, the EEU has brought neither advantages nor disadvantages to Belarus. 96 % of its exports within the Union go to Russia, so it has hardly increased its market reach. In any case, it already had free trade agreements with Armenia, Kazakhstan and Kyrgyzstan.<sup>27</sup>

Lukashenka has made energetic efforts to develop economic links with China and Turkey as part of an economic diversification strategy that foresees balancing foreign trade equally between Russia, Europe and Asia, Africa and the Americas. Exports of food and agricultural products to China more than quadrupled in 2018<sup>28</sup> and Belarus has tried to promote Chinese tourism resulting in visa-free travel between the two countries. At the same time, China is showing appetite for significant investment in Belarus. It is a convenient economic partner for Lukashenka as he seeks to reduce his dependence on Russia. Beijing does not criticise the repressive nature of his regime like western countries and nor does it seek control of the country's prize industrial assets like Russia.

23 Asakhov S, Belorussia and Russia: Co-operation in the Military Sphere, Russia and the New States of Eurasia, 2018. № 1, p 185, [https://www.imemo.ru/files/File/magazines/rossia\\_i\\_novay/2018\\_01\\_Astakhova\\_181-190.pdf](https://www.imemo.ru/files/File/magazines/rossia_i_novay/2018_01_Astakhova_181-190.pdf)

24 <https://www.imf.org/en/News/Articles/2018/11/28/mcs-112818-republic-of-belarus-staff-concluding-statement-of-the-2018-article-iv-mission>

25 Inozemtsev, V, 'Putin Doesn't Care About Economic Growth', 27 June 2019, <https://www.project-syndicate.org/commentary/russia-economic-stagnation-prospects-by-vladislav-inozemtsev-2019-06>

26 Fuels, mining products and chemicals made up 41% of the EU's imports from Belarus in 2018 [https://webgate.ec.europa.eu/isdb\\_results/factsheets/country/details\\_belarus\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_belarus_en.pdf)

27 Giucci R, The EEU, Analysis from a trade policy perspective, Event organised by the German Embassy, 29 May 2018, [https://berlin-economics.com/wp-content/uploads/2018-05-29\\_Presentation-EAEU-Moscow.pdf](https://berlin-economics.com/wp-content/uploads/2018-05-29_Presentation-EAEU-Moscow.pdf)

28 <https://eng.belta.by/economics/view/belarus-to-supply-600m-worth-of-foodstuffs-to-china-within-four-years-122980-2019/>

Instead, China views Belarus as ‘a gateway to Europe’ that forms part of its Belt and Road initiative. It is investing in an industrial park outside Minsk, the biggest project of this kind abroad.<sup>29</sup> It has also provided loans for the construction of roads, power plants, a luxury hotel and, controversially, has invested in a lead acid factory near Brest. Protests by local activists concerned about the environment have delayed the opening of the plant. China is a source of large-scale financing to Belarus reducing some of its dependency on Russia, although it ties much of its lending to projects that use Chinese labour and equipment. In 2009, it opened a \$ 15 million line of credit. The two governments agreed a further \$ 18 billion worth of commitments with Beijing in 2015 and 2016 even though only roughly half of the overall amount was employed capital at the end of 2017.<sup>30</sup> Further loan negotiations have been underway in 2019 for an additional \$ 600 m.<sup>31</sup>

As the depth of recession over the period 2014–2016 shows, if Russia sneezes, Belarus can catch pneumonia.

29 Higgins A Shunned by West and Wary of Russia, Belarus Gets Help From China, 20 July 2019, <https://www.nytimes.com/2019/07/20/world/europe/china-belarus-battery-protests.html>

30 Sender W, Forced marriage rather than strategic partnership, Konrad Adenauer Foundation Country Report, December 2017, [https://www.kas.de/documents/252038/253252/7\\_dokument\\_dok\\_pdf\\_51190\\_2.pdf/2f958444-d2d6-21aa-74ec-63f4fb984ce2?version=1.0&t=1539648070988](https://www.kas.de/documents/252038/253252/7_dokument_dok_pdf_51190_2.pdf/2f958444-d2d6-21aa-74ec-63f4fb984ce2?version=1.0&t=1539648070988)

31 <https://belsat.eu/en/news/belarus-counts-on-500-mln-chinese-loan/>

To deal with Belarus, the EU must find a smart approach that allows it to speak to Lukashenka without compromising its values.

## Human rights

Belarus is a textbook authoritarian state with power concentrated in the hands of a single individual who ensures that the state's law enforcement agencies and judicial system function as instruments of repression to suppress dissent and prevent the formation of genuine political opposition. The last free election was in 1994 when Lukashenka came to power. All subsequent elections have fallen far below international standards.

As the US State Department noted in its 2018 Country Report on Human Rights Practices in Belarus:

“ Human rights issues included torture; arbitrary arrest and detention; life-threatening prison conditions; arbitrary or unlawful interference with privacy; undue restrictions on free expression, the press and the internet, including censorship, site blocking, and criminal libel and defamation of government officials; violence against and detention of journalists; severe restrictions on freedoms of assembly and association, including by imposing criminal penalties for calling for a peaceful demonstration and laws criminalizing the activities and funding of groups not approved by the authorities; restrictions on freedom of movement, in particular of former political prisoners whose civil rights remained largely restricted; failure to account for longstanding cases of politically motivated disappearances; restrictions on political participation; corruption in all branches of government; allegations of pressuring women to have abortions; and trafficking in persons. Authorities at all levels operated with impunity and failed to take steps to prosecute or punish officials in the government or security forces who committed human rights abuses.”

The EU has continually objected to the use of the death penalty in Belarus and has demanded a moratorium on its use as a first step towards its abolition. Belarusian human rights groups claim that Minsk carried out three executions in 2018.<sup>32</sup> A further execution reportedly took place in June this year even though the convict had filed a complaint with UNHCR against the death sentence that was still under consideration.<sup>33</sup> In total 400 executions are believed to have taken place since 1991.<sup>34</sup> Belarus is the only country of the former USSR that applies the death penalty. It is striking that Lukashenka has not so far acceded to the EU request for a moratorium.

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32 <https://www.rferl.org/a/eu-calls-on-belarus-to-abolish-death-penalty-after-latest-sentencing/29705162.html>

33 <https://www.rferl.org/a/european-council-strongly-condemns-secret-execution-in-belarus/30004120.html>

34 Ibid

This small step would almost certainly provide him with disproportionate gain given the sensitivity to the issue in EU countries. For example, a moratorium could further unlock relations with the Council of Europe. While there are no legal obstacles to the abolition of the death penalty<sup>35</sup>, the Belarusian authorities point to the legitimacy of the 1996 referendum on the issue when 80% of the electorate voted against abolition. As a result of efforts to educate the public, support may have fallen to 50 – 65%.<sup>36</sup>

A moratorium on the death penalty appears to be an achievable goal. In the case of drug trafficking, parliament in June this year softened previously draconian sentences introduced in 2015 for a range of offences. This was possibly a response to a campaign by a group of mothers of prisoners convicted of selling drugs. The harsh sentencing has had no apparent impact on the availability of drugs.<sup>37</sup>

Encouragingly, the EU and Belarus now have an annual forum for discussing human rights issues. After the latest meeting in June this year, Belarusian human rights groups issued a statement welcoming the dialogue but noted that ‘despite some positive steps by the government, there have been no significant changes’.<sup>38</sup> They issued a number of recommendations to the EU, including the need to include representatives of the Belarusian human rights community in the dialogue.

They also highlighted the practice of forced labour. Medical labour centres for individuals suffering from drug and/or alcohol addiction are a source of concern.

As the State Department’s 2018 report notes:

“In 2010 the government enforced procedures for placing individuals suffering from chronic alcohol, drug or other substance abuse in so-called medical labor centers when they have been found guilty of committing criminal violations while under the influence of alcohol, narcotics and psychotropic, toxic or other intoxicating substances. Such offenders may be held in these centers by court orders for 12 to 18 months. They are mandated to work and if they refuse, they may be placed in solitary confinement for up to 10 days. In July 2017 the deputy head of the Supreme Court, Valer Kalinkovich, justified operations of the medical labor centers, saying there was no alternative for alcohol addicts who also ‘violated rights of other people’.”<sup>39</sup>

<sup>35</sup> Speech by Termacic T, Directorate General of Human Rights and Rule of Law, Council of Europe, Minsk, 27 August 2019,  
<https://rm.coe.int/opening-remarks-minsk-27-august-2019/168096fe3d>

<sup>36</sup> Bachega H, Belarus: The secret executions in Europe’s ‘last dictatorship’, BBC News, 15 May 2018,  
<https://www.bbc.co.uk/news/world-europe-43799280>

<sup>37</sup> Burakov A, Почему объявили голодовку матери осуждённых в Беларусь за наркотики, Deutsche Welle, 11 June 2019,

<sup>38</sup> <https://humanrightshouse.org/articles/eu-belarus-dialogue-human-rights-organisations-issue-joint-position/>

<sup>39</sup> Ibid, p. 40

The gulf between the EU’s aspirations is apparent in the European Council’s Conclusions on Belarus from February 2016 that remain the EU’s guiding policy document on relations with Minsk. It states in the second paragraph that:

“The Council remains concerned with the situation of human rights in Belarus and recalls that EU-Belarus relations should be based on common values, especially respect for human rights, democracy and the rule of law”.

It goes on to emphasise the need to:

“ensure freedom of association and assembly, including by allowing the registration of political and civil society organisations. The Council stresses the importance of a vibrant civil society to the social and economic well-being of a country, and calls on the Belarusian authorities to allow civil society to be more involved in the discussions on government policy. The Council further urges the Belarusian authorities to eliminate all obstacles to the exercise of a free and independent media, including through the registration of new media outlets and the accreditation of journalists.”

Laudable objectives as they are, it is obvious that they can only be read one way by Lukashenka. “We expect you to dismantle your system of control and leave office.” To deal with Belarus, the EU must find a smart approach that allows it to speak to Lukashenka without compromising its values.

## Relations with Russia

Despite Moscow's dominant position in the relationship with Belarus, it has an Achilles heel: it has no choice but to work with Lukashenka because he has so effectively restricted the space for other potential leaders to whom Moscow could transfer its allegiance. This makes for a complicated personal relationship between Lukashenka and Putin involving remarkably frequent bilateral meetings sometimes lasting several days to keep the alignment between the two countries.

Against this background, the two governments work hard to influence each other's position, often trading tough language and, in the case of Russia, resorting to economic sanctions. This year, for example, Russia closed its market to Belarusian exports of apples and pears because Belarus was allegedly allowing the shipment of fruit to Russia from EU countries in defiance of Russian sanctions introduced in 2014. Not surprisingly, Lukashenka uses relations with the West as a bargaining chip to seek concessions from Putin. Although much less sophisticated than Kazakhstan's former President Nursultan Nazarbayev in developing a multi-vector foreign policy<sup>40</sup>, he has a remarkable record of emerging the victor from a succession of trade disputes and other disagreements with Russia over 25 years.

However, the relationship has changed since 2014 because of the level of Russia's confrontation with the West and fears in Minsk that the post-Crimean reality is leading to new rules of the game in bilateral relations. These threaten to reduce Belarus to satellite status and undermine Lukashenka's power. As he noted tellingly in December 2018, he had stopped speaking about Russia as a brotherly state since there were 'new people' on the Russian side who found this 'unacceptable'. He said that he would instead just speak of Russia and Belarus being 'partners'.<sup>41</sup>

Moscow can see that while Lukashenka's popularity has waned over the years, the Belarusian electorate is among the most conservative in the whole of the former USSR and it still prioritises economic stability over freedom of choice. Keeping as much as possible of the Soviet system functioning shielded the population from the economic shocks associated with radical reform and the emergence along the lines seen in the 1990s in Russia and Ukraine of a powerful rentier class. Nevertheless, it will also be clear to some Russian policy makers at least that, regardless of Russian subsidies, the current Belarusian economic model is living on borrowed time as industrial plant wears out and its products become increasingly uncompetitive.

<sup>40</sup> Like Kazakhstan, Belarus seeks to diversify its relationships beyond Russia by building ties with the EU, US and China. It has also become a competitor of Kazakhstan in positioning itself as a country suited to diplomatic mediation in conflicts

<sup>41</sup> <https://naviny.by/new/20181225/1545723172-lukashenko-ya-uzhe-ne-govoryu-o-bratstve-potomu-chto-v-rossii-eto-ne>

Part of Moscow's new terms for economic support to Belarus relate to a reform of the taxation system for its oil industry. The so-called 'tax manoeuvre' has potentially severe consequences for the Belarusian oil refining business that is a source of around 20% of export revenues. Russia is phasing out crude oil export duty for Russian oil producers by 5% per year up until 2024 and replacing it with a tax on profits to stimulate investment in oil production. The measure removes a previous tax advantage enjoyed by Russian refiners that the government will partially offset with a tax refund to stimulate refinery modernisation.

Minsk claims that the changes to the Russian tax system will disadvantage its refiners because they will no longer enjoy a preferential price for Russian crude and that the cost will rise from US-\$ 400 m in 2019 to \$ 2bn in 2024 (nearly 4 % of GDP).<sup>42</sup> In theory, in 2025, a single oil and gas market in the EEU will address Minsk's concerns by creating a level playing field for industry in both countries, but Belarusian policy makers fear that Moscow could delay the establishment of the single market.

In addition, Moscow has cut the export of most oil products to Belarus until the end of 2019 since it alleges that Belarus has been abusing the privilege of importing oil products duty free by re-exporting them.<sup>43</sup> The losses to Belarus are estimated at \$ 300 m in 2019 rising to a total of \$ 2bn (4 % of GDP) in 2024).<sup>44</sup> The problem with subsidies of this kind from Moscow is that they come with strings attached that can limit economic sovereignty.

At the same time, Minsk and Moscow are trying to agree a new gas supply contract for the period 2020 to 2024. Belarus imports 100 % of its gas from Russia and gas is almost exclusively the source of its power generation. Minsk continues to argue that it is charged an unfair price. It pays \$ 127 per thousand cubic metres while the cost on the Russian side of the border is only \$ 70 because of regulated prices. Moscow had said prior to 2015 it would raise these to export netback levels. A cocktail of falling oil prices, a slowdown of the Russian economy and western sanctions put paid to these plans. Lukashenka caused irritation in Moscow when he argued publicly with Putin about the issue at a Summit of the EEU in December 2018.

While Lukashenka has stated that he will not sell Belarusian sovereignty for 'a barrel of oil', it is clear that he will have to accept at least some of Russia's terms to continue receiving subsidies. With the 2020 presidential election on the horizon, he has every reason to avoid economic problems that could reduce his popularity and undermine his authority.

<sup>42</sup> <https://www.osw.waw.pl/en/publikacje/osw-commentary/2019-03-07/are-reforms-unavoidable-belaruss-economy-facing-a-reduction>

<sup>43</sup> <https://www.interfax.by/news/belarus/1253311>

<sup>44</sup> <https://www.osw.waw.pl/en/publikacje/analyses/2018-12-14/russia-puts-pressure-belarus>

The last independent polling carried out in 2016 estimated that Lukashenka's rating had fallen to 27% because of a decline in living standards.<sup>45</sup> There is little reason to believe that the number has increased significantly even though the economy has since then returned to growth and state media continue to depict Belarus as an island of stability compared to Ukraine where real incomes are significantly lower.

It is fair to assume that Russia has penetrated Belarusian intelligence, security and defence structures to a high degree, albeit not to the extent that it did in Ukraine prior to 2014 because of Lukashenka's personal control of them. However, this does not necessarily mean that the Russian leadership has a strong grasp of the mood of Belarusian society and, in particular, its attitude towards Russia. In the case of Ukraine, Moscow has repeatedly shown a remarkable blind spot, with a tendency to stick to an outdated view of the country and its citizens that it is at odds with reality. In the case of Ukraine, this has led to major policy miscalculations and it is fair to assume that the same could happen in Belarus. Recent polling data together with anecdotal evidence suggests that while Belarusians appear to support Russia's intervention in Donbas thanks to the very strong influence of Russian media and social media, they have little enthusiasm for surrendering the country's sovereignty to Russia. According to a poll conducted by the Independent Institute of Socio-Economic and Political Research<sup>46</sup> in June 2014, only 16.5% said they would welcome unification of part or the whole of the country.<sup>47</sup> 54.8% were opposed.

A poll conducted by another group of sociologists in December 2018 indicated that support for unification with Russia had shrunk to 10%.<sup>48</sup> The appointment in 2018 of Mikhail Babich as Russian Ambassador to Minsk is an example of how Moscow could misread the situation in Belarus. A former Presidential Representative in the Volga Federal District, he acted with remarkable insensitivity towards the Belarusian authorities, publicly castigating Lukashenka and meeting with pro-Russian opposition groups. He lasted less than a year before the Russian authorities withdrew him in May this year after vigorous complaints from Minsk. There was speculation that his departure was connected with the arrest shortly before of the Deputy Head of the Security Council who had also been Lukashenka's personal bodyguard for seven years.

## It is clear that Lukashenka will have to accept at least some of Russia's terms to continue receiving subsidies.

Putin stated in June that there were "no plans to unite Russia and Belarus in a single state", but adding that there was "a plan to create a so-called Union State".<sup>49</sup> He meant by this that Russia wished to put flesh on the bones of the embryonic union structure created in the 1990s. For Lukashenka, this was scarcely a reassuring message since Russia has reportedly presented Minsk with a very tough draft integration plan. At their meeting in July, the two Presidents agreed that they should aim to resolve all problems in bilateral relations ahead of the 20th anniversary of the signing of the Union Treaty in December. While it will be impossible to settle all the differences, it is nevertheless likely that Moscow will use this date as a deadline for wringing a set of concessions from Lukashenka before the start of his re-election year.

In September, the Russian newspaper *Kommersant* published leaked details of the draft 'integration plan' negotiated by the two countries' Economy Ministers.<sup>50</sup> These fall far short of establishing a single monetary, banking and customs system as foreseen in the original Union State Treaty. The draft agreement outlines instead a less ambitious range of economic integration measures including a single tax code, a single regulator for the energy markets and deepening of common customs policies. Even putting these into practice promises to be a major challenge in view of endless disagreements between the two sides over many years related to energy prices as well as unresolved customs issues within the Eurasian Economic Union despite the introduction of a single customs tariff in 2010.<sup>51</sup> It appears that the Belarusian side was able to resist Russian attempts to create a number of new supranational institutions beyond those defined in the original Treaty. Foreign Minister Makey called Moscow's proposals unacceptable.<sup>52</sup>

45 [https://www.bbc.com/russian/international/2016/03/160325\\_belarus\\_lukashenko\\_falling\\_rating](https://www.bbc.com/russian/international/2016/03/160325_belarus_lukashenko_falling_rating)

46 The Belarusian authorities closed down the well-respected Institute in 2005 forcing it to re-base in Lithuania. In August 2016, they targeted its network of interviewers across the country threatening them with criminal investigations. The Institute was unable to continue its polling work

47 <http://www.iiseps.org/?p=1438>

48 <https://newizv.ru/news/politics/07-01-2019/opros-belorusy-ne-hotyat-prisoedinyatsya-k-rossii>

49 <http://kremlin.ru/events/president/news/60707>

50 *Kommersant*, 16 September 2019, <https://www.kommersant.ru/doc/4094365>

51 Lough J, Moscow Has Limited Options in Belarus, 29 September 2019, <https://www.chathamhouse.org/expert/comment/moscow-has-limited-options-belarus>

52 Стенограмма интервью Министра иностранных дел Республики Беларусь Владимира Макея информационному агентству "РБК" (27 сентября, Нью-Йорк), <http://mfa.gov.by/press/smi/e10b3b4ae2218f5a.html>

## The EU's relations with Belarus

The warming of relations between the EU and Belarus since 2014 has so far brought few tangible results. The two sides have still not signed off on the EU-Belarus Partnership Priorities, a roadmap for cooperation in 2019 and 2020. Lithuania has blocked the process to protest its concerns about the safety of the new nuclear power plant at Astravets. It claims it is a geopolitical project located in an area of heightened seismic risk. Minsk argues that inspections by the International Atomic Energy Agency (IAEA) and stress tests conducted together with EU authorities demonstrate that the plant will operate safely.

The Partnership and Cooperation Agreement concluded with Belarus in 1995 has still to be ratified after the EU shelved it in response to Lukashenka's encroachments on democratic and civil rights. As a result, trade relations are still covered by a Trade and Cooperation Agreement signed with the USSR in 1989 and later endorsed by Belarus. In 2007, the EU withdrew trade preferences for Belarus in response to its refusal to allow independent trade unions.<sup>53</sup> A visa and re-admission agreement has under negotiation since 2014 has been agreed and is going through the ratification process on both sides. Once implemented, this will significantly reduce the cost of Schengen visas for Belarusians. In 2018, over 675,000 Schengen visas were issued in Belarus, 75% of them for Lithuania and Poland.<sup>54</sup> Efforts are also underway to conclude an agreement on a 'mobility partnership' to improve border cooperation to deal with migration issues, including the prevention of smuggling of migrants and human trafficking.

EU support for businesses in Belarus is one notable success of renewed relations. The EU has assisted 4,500 companies with support to access new markets, and claims that it has helped create 4,000 new jobs in the SME sector.<sup>55</sup> The expansion of the mandate of the

European Bank for Reconstruction and Development (EBRD) in Belarus and the establishment of relations between Belarus and the European Investment Bank (EIB) are important steps towards supporting economic modernisation and improving standards of corporate governance. The EBRD currently has investments in Belarus worth €683m. To put this figure in context, its current portfolio in Ukraine is €3,858m. The EIB has disbursed its first loans to support infrastructure development projects as well as SMEs.

At the same time, the EU has started to support efforts to increase Belarus' energy efficiency. Although the authorities have made significant progress in recent years in reducing energy intensity, adopting additional measures remains a priority. Small projects are also in place to improve parts of the road and rail networks. By comparison, roads in Belarus are in far better condition than in Ukraine. Human exchanges, including under the Erasmus+ programme, are taking place but the numbers involved remain relatively small. 3,000 Belarusian students and academic staff have participated in the Erasmus+ programme since 2009<sup>56</sup>, an average of 300 per year. By contrast, in the last three years alone, over 7,250 Ukrainian students and staff have spent time at universities in EU countries.<sup>57</sup>

**The warming of relations between the EU and Belarus since 2014 has so far brought few tangible results.**

53 A number of European trade unions have taken up the case of two Belarusian independent trade union leaders who were convicted of tax evasion for offences allegedly committed in 2011-12 and received fines amounting to \$25,000 as well as four-year suspended jail sentences and a ban on holding senior positions for five years. A court upheld the verdicts in November 2019. [http://admin.industriall-union.org/sites/default/files/uploads/documents/2019/BELARUS/industriall\\_global\\_union\\_and\\_ituc\\_letter\\_to\\_eu\\_high\\_commissioner\\_federic.pdf](http://admin.industriall-union.org/sites/default/files/uploads/documents/2019/BELARUS/industriall_global_union_and_ituc_letter_to_eu_high_commissioner_federic.pdf)

54 <https://belarusfeed.com/belarus-schengen-visa-applications-down-2018/>

55 [https://eeas.europa.eu/sites/eeas/files/eap\\_factsheet\\_belarus\\_eng.pdf](https://eeas.europa.eu/sites/eeas/files/eap_factsheet_belarus_eng.pdf)

56 [https://eeas.europa.eu/sites/eeas/files/eap\\_factsheet\\_belarus\\_eng.pdf](https://eeas.europa.eu/sites/eeas/files/eap_factsheet_belarus_eng.pdf)  
57 [https://ec.europa.eu/programmes/erasmus-plus/sites/erasmusplus2/files/erasmusplus\\_ukraine\\_2018.pdf](https://ec.europa.eu/programmes/erasmus-plus/sites/erasmusplus2/files/erasmusplus_ukraine_2018.pdf)

## Conclusions

The EU needs to recognise that Moscow currently has a strong motivation to lock Belarus into a firmer embrace to prevent the possibility of it acquiring a stronger sense of national identity and independence.

A series of interconnected factors is at play related to the Kremlin's understanding of Russia's security interests together with its own self-preservation instincts. To lose influence in Belarus would impede its efforts to change the balance of power in Europe to Russia's advantage. This in turn would reduce the possibilities for countering the competitive pressure from the West and increase the vulnerability of a system that is visibly losing legitimacy.

Ukraine is an additional factor; the refusal of Ukrainians to be part of a 'Russian World' has not just deeply offended the amour propre of Russia's policy makers, it has left them bewildered and almost certainly increased their resolve to stand their ground in Belarus. Putin still speaks of Russians, Belarusians and Ukrainians as being 'one people'.<sup>58</sup>

The Kremlin's approach to Belarus only serves to accentuate its dependence on Lukashenka. The Belarusian President continues to play his long-established game of opening a window to the West in the belief that by doing so, he can extract concessions from Moscow. At the same time, he keeps western capitals interested in the possibility that the Belarusian system might be genuinely diversifying its relationships away from Moscow.

Lukashenka is understandably nervous about Moscow's intentions and the fact that Moscow might not compromise as easily as in the past. Russia's siloviki policy makers with their tendency to think in terms of worst-case scenarios<sup>59</sup> worry that western influence might turn Belarus into an unreliable ally and deprive them of a strategic buffer that has taken on additional importance as confrontation with NATO has grown.

The problem facing the EU is that Lukashenka's room for manoeuvre is sharply constrained. Put simply, Moscow is expecting Belarus to give up more of its sovereignty and make do with reduced financial support. Ultimately, the two sides will find a compromise but it will be on less advantageous terms for Belarus than in the past. This will increase Minsk's dependence on Moscow and further delay any prospects for structural reforms. It will also have a negative impact on living standards in Belarus. Much as Russian policy makers may believe reforms are long overdue, they are not going to want to create the possibility for large-scale social discontent in Belarus as long as they can buy time. To this extent, their agenda overlaps with Lukashenka's. Both sides have short-term time horizons.

The outlook over the next five years is for Belarus to become poorer and social discontent to grow with Russia distracted by its own internal problems and trapped in a confrontational relationship with the West. This situation carries serious dangers for the stability of Belarus and the surrounding region.

The EU needs to recognise that it could face a potentially explosive situation in Belarus if an outbreak of unrest persuades Moscow to abandon Lukashenka while blaming the West for destabilising the country. In this scenario, large numbers of Belarusians could decide to leave for the safety of EU countries. This is not fanciful thinking. In different forms, recent Zapad military exercises have dealt with a threat to Russia's security emanating from the territory of Belarus. The Russian intelligence services clearly believe that the current western rapprochement with Minsk is part of a strategy to uncouple Belarus from Russia.<sup>60</sup>

To guard against a crisis related to the breakdown of Lukashenka's authority, the EU needs to put in place a set of policies that can support Belarusian sovereignty by reducing its economic dependence on Russia, diversifying its relations and preparing the ground for inevitable reforms. Without determined engagement by the EU, Belarus could implode because of the brittle nature of the current system. This might give a much stronger reason for decision-makers in Moscow to consider absorbing the country into the Russian Federation.

The EU must look beyond its instinctive values agenda to see the issues at stake in Belarus and the forces at play. With a carefully calibrated approach, the EU can help Belarus avoid this worst-case scenario and set it on a track of internal renewal. In the process, it can contribute to consolidating Belarus as a sovereign, independent country that can find an identity and role for itself between the EU and Russia.

<sup>58</sup> For example, Putin's statement at the Petersburg International Economic Forum on 7 June 2019 <https://rg.ru/2019/06/07/putin-ne-podtverdil-plany-obedineniya-rossii-i-belorussii.html>

<sup>59</sup> The Secretary of Russia's Security Council Nikolay Patrushev regularly speaks about western efforts to foment a 'colour revolution' in Russia. In 2005, when he was Director of the FSB, he told the Russian parliament that he had evidence of a western effort to support a 'velvet revolution' in Belarus. <https://rg.ru/2005/05/12/barhat-anons.html>

<sup>60</sup> Sivitsky A, Russian Foreign Intelligence Service Is Alarmed by Belarusian-Western Normalization, Eurasian Daily Monitor, Volume 16, Issue 110, 31 July 2019

## Recommendations

The EU needs to take measures now to stabilise Belarus over the longer term. The main dilemma facing it is how to support Belarusian sovereignty and independence and the welfare of its citizens without propping up the Lukashenka system and inadvertently advancing a Russian agenda that runs counter to its interests.

To address the problem, the EU should start to think now of what a post-Lukashenka scenario will look like, taking a flexible view on when it might begin. It should adopt a wide-ranging approach along the following lines:

### Policy issues

- Mandate the incoming High Representative for Foreign Affairs and Security Policy to conduct a review of relations with Belarus focusing on the country's short-, medium- and long-term development prospects
- Appoint one or more countries to work with Lithuania to address its concerns about Astravets and ways to mitigate them
- Set a deadline to unblock the signing of the Agreement on Partnership Priorities
- Establish a Belarus task force comprising the EU countries with the closest links to Belarus (Poland, Lithuania, Latvia, Germany) to develop specific proposals for Belarus-EU cooperation. It should be noted that these four countries have in some cases differing views on Belarus
- Study ways of expanding dialogue with the Belarusian authorities, including Lukashenka
- Establish a timetable for the conclusion of an updated Partnership and Cooperation Agreement (PCA)
- Encourage member states that are also members of NATO to expand opportunities for mutual observation of exercises and to investigate other confidence-building mechanisms within the NATO framework as well as expanded language training.

## **Economy**

- Review the experience of the EBRD and EIB in Belarus and consider significantly upgrading their resources to expand their lending portfolios
- Investigate the feasibility of a joint review conducted by Belarusian and EU specialists of state-owned enterprises (SOEs) to develop a strategy for reform of the sector, including improvement of corporate governance practices
- Examine possibilities for further work to reduce energy intensity and address environmental issues of mutual concern
- Examine possibilities for expanding business-to-business links in the SME sector and developing trade.

## **Civil society**

- Conduct a review of current engagement programmes with Belarusian civil society with the aim of diversifying contacts. These should embrace larger numbers of grass roots NGOs
- Examine funding mechanisms to simplify grant-giving with a view to rapidly increasing the interaction of similarly focused NGOs in EU countries with counterparts in Belarus to include internships, training programmes and exchanges aimed at increasing the capacity of civil society across the board.

## **Education**

- Review current educational exchange programmes with a view to substantially expanding them to place greater emphasis on study of languages, intra-cultural communication and transmission of best management practices. Urgent efforts are necessary to improve the standard of teaching in Belarusian universities and slow down the 'brain drain'
- Develop a programme for cooperation of regional studies experts in EU countries with counterparts in Belarus to include seminars, conferences and joint publications
- Review the possibilities for promoting the study of Belarus in universities and think tanks in EU countries to cover history, culture, contemporary politics, economics, foreign policy and social issues
- Consider opportunities for increased people-to-people contacts, including new twinning programmes at town and city levels and also between educational establishments, particularly technical universities.

In taking these steps, the EU must master the art of the possible, taking a more subtle and non-antagonistic approach than it has done up to now. It must keep its eye on the strategic goal of the long-term independence of Belarus and the likelihood that the country will see major change over the next ten years for which both it and Russia are poorly prepared.

## About the author

John Lough is an Associate Fellow of the Russia & Eurasia Programme at Chatham House (since 2009). He has 30 years' experience of studying Russia and Eastern Europe. He was the first NATO official to be based in Moscow (1995-1998) and later worked as an international manager at TNK-BP (2003-2008). He runs his own consultancy business advising clients on investment risk in post-Soviet countries. He studied German and Russian literature at Cambridge University and has a diploma in international relations from the Johns Hopkins University Bologna Center.

Bordering three EU states, Ukraine and Russia, Belarus straddles one of Europe's civilisational fault lines. For many European capitals, it has voluntarily made itself part of a Russian-zone of interest. This paper argues that the EU must pay much greater attention to developments in Belarus as a matter of urgency.

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