

Germany's twin-track policy towards Belarus

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The visit by the German foreign minister Guido Westerwelle to Belarus, which he made with his Polish counterpart Radosław Sikorski on 2 November, was the first visit by a German minister of foreign affairs to Belarus in 15 years. This proves that Germany has become more interested in Belarus. Germany, along with Poland and Lithuania, is one of the EU member states to be the most engaged in relations with Belarus. Berlin has adopted a twin-track policy towards Minsk. Officially, the Belarusian government is being criticised for its failure to observe democratic standards and the violation of human rights. At the same time however, Germany has been capitalising on the warming of EU-Belarus relations to implement its main interest: a stronger presence on the Belarusian market. In its preparation for the expected opening up of the Belarusian economy to Western investors, Germany has been trying for two years to strengthen its position in Belarus through an increasingly active institutionalised economic co-operation and more intensive political contacts.

The German goals and strategy towards Belarus...

Economic difficulties in Belarus caused by increasing pressure from Russia and the resulting partial change in Alyaksandr Lukashenka's policy have raised Germany's hopes for a greater opening up of the Belarusian regime to the West and for the liberalisation of the Belarusian economy. This could turn out to be beneficial for German companies. The warming of the European Union's stance on Belarus, which was symbolised by the suspension of EU sanctions in 2008, has made it possible for Germany to revise its previous policy and to implement a strategy of 'change through ties', an approach being implemented in German policy towards Russia so far. This strategy envisages that political and economic co-operation may have a positive effect on the process of the transformation of authoritarian regimes towards democratisation. This strategy does not mean that German politicians may not officially criticise Belarus for failure to respect human rights and civil freedoms; Guido Westerwelle during the visit appealed to the Belarusian government to hold free presidential elections and to carry out democratic reforms. At the same time, this strategy provides for an intensification of political contacts and institutionalised forms of economic co-operation and lobbying for a more open EU policy towards Belarus.

Germany's goal is to stabilise and strengthen its economic position in Belarus, and to capitalise on the expected liberalisation of the Belarusian economy in the future. However, the strengthening of Germany/EU-Belarus economic relations should be done without confrontation with Moscow and in consultation with other EU member states – Poland and Lithuania, which are engaged in the creation of EU policy for Belarus. This has been

reflected in Minister Westerwelle's itinerary; before his joint visit with Minister Sikorski to Minsk, he went to Moscow and Vilnius.

Germany, apart from participation in privatisation in Belarus, is also interested in selling its technologies and products to improve the energy efficiency in the Belarusian economy, and in investing in agriculture. At present, Germany is Belarus's most significant economic partner among EU member states and the second largest EU investor (after Cyprus, from which mainly Russian capital flows in), according to data from 2009. This trend is growing in both trade and investments. When compared with trade turnovers between Belarus and Russia, Germany's share in the Belarusian market is rather modest (see Appendix). Nevertheless, Germany can see opportunities for a more intensive development of economic relations.

...and German instruments

Germany realised a few years ago that the EU's policy of isolating Minsk, which was in place until 2008, was not bringing the desired effects such as democratic transformation and economic reforms. Before the warming of EU-Belarus relations, Germany was trying to keep bilateral contacts at a level which would not violate EU sanctions. Especially active were some German federal states (North Rhine-Westphalia and Brandenburg) and non-governmental organisations (financed from the federal budget): the German Belarusian Society, a co-organisator of the annual Minsk Forum, where representatives of Germany and the Belarusian government and opposition meet, and an agency of the Friedrich Ebert Foundation linked to the SPD, which helps in keeping and establishing contacts between German and Belarusian politicians.

As relations between the EU and Belarus warmed, Germany started intensifying political contacts; since late 2008 German MPs have visited Belarus, and the Belarusian minister of foreign affairs has paid two visits to Germany (in 2009 and 2010). The most recent visits by Guido Westerwelle (2 November) and the chief of staff of the German Chancellery, Ronald Pofalla, (3 November) fit in with this trend. Germany has also embarked on the development of institutionalised German-Belarusian co-operation. After a long break, meetings were resumed by the Belarusian-German Economic Co-operation Council (in 2009 – the last meeting has been in 1996) and the Working Group on Trade and Investments (most recent meeting – July 2010). German Economy Days in Belarus, Belarusian Economy Day in Germany and German-Belarusian energy seminars have been held. Furthermore, the Committee on Eastern European Economic Relations (Ostausschuss), an association of German entrepreneurs who export to and invest in Eastern Europe, which has an influence on the shape of the German Eastern policy, has intensified its activity. Representatives of the Committee organised an economic delegation to Minsk in 2009 and met the most senior Belarusian state officials: President Alyaksandr Lukashenka, the head of the presidential administration Uladzimir Makey, the foreign minister and the minister for industry. The Committee, in co-operation with the Belarusian government, will hold in the middle of November 2010 the Belarusian Investment Forum in Germany to be opened by the Belarusian Prime Minister Syarhey Sidorski.

Appendix

German-Belarusian trade exchange

In 2009, Germany was ranked second (after Russia) among exporter countries, with a share of 7.9% of total exports to Belarus. The value of German exports to Belarus has been regularly increasing since 2000 to reach 1.7 billion euros in 2009 (US\$2.4 billion; for comparison, Russian exports to Belarus in 2009 were worth US\$16.7 billion).

Also in 2009, Germany was the fifth largest importer of Belarusian goods, with a share of 4.6% in Belarusian exports. The value of exports from Belarus to Germany reached 453 million euros (US\$634 million; for comparison, Russian imports reached US\$6.7 billion).

German direct investments in Belarus

In 2009, Germany was ranked fourth among the countries which invest in Belarus (after Russia, Switzerland and Cyprus; the official direct investments from Switzerland and Cyprus are *de facto* predominantly Russian investments), with a share of 1.1% of total Foreign Direct Investments (FDI) in Belarus. According to data from the German Ministry of Foreign Affairs, the value of German direct investments in Belarus reached US\$51.6 million in 2009 (for comparison, the value of Russian direct investments in 2009 was US\$6.5 billion). The amount was lower than in 2008 when German investments reached a level of US\$93.7 million, which accounted for 4.1% of total FDI in Belarus. It is worth noting that the value of German direct investments in Belarus has been growing regularly since 2005, and the reduction in 2009 was most probably an effect of the global economic crisis.

Development co-operation between Germany and Belarus

According to data from the OECD, Germany is placed first among the multilateral and bilateral donors of official developmental aid in Belarus; the average value of this aid in 2007 and 2008 reached US\$20 million. The share of technical co-operation (financing consulting services and sending experts and trainers) has been increasing regularly as part of co-operation on this – from 1.2 million euros (US\$1.68 million) in 2006 to 1.6 million euros (US\$2.2 million) in 2008 (according to data from *Germany Trade & Invest*).