Analyses OSW

CENTRE FOR EASTERN STUDIES 3.12.2021 www.osw.waw.pl

Belarus: further Western sanctions

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On 2 December, the Council of the European Union announced the decision to adopt another package – the fifth in succession – of sanctions against Belarus to be introduced since the rigged presidential elections on 9 August 2020. The EU's justification emphasised the regime's full responsibility for creating and escalating the migration crisis on the EU/Belarus border, and Minsk's actions have been designated as a 'hybrid attack'. The sanctions also address the continued repression of the Belarusian independent media, social organisations and citizens contesting the rule of Alyaksandr Lukashenka.

The Council decided to extend the current list of 166 Belarusian citizens who are banned from entering the EU by another 17 people, including judges handing out politically motivated sentences; high-ranking officers of the State Border Committee of the Republic of Belarus, including its commander, General Anatol Lapo; the press spokesman of the Ministry of Foreign Affairs, Anatol Glaz; and the director of the state television channel ONT, Marat Markau. The economic sanctions were also extended to include another 11 economic entities, including two large chemical plants, Grodno Azot (together with its branch Grodno Khimvolokno) and Belshina; the oil extraction company and operator of the Belarusian gas station network, Belarusneft; hotels and travel agencies in the capital city (including the state-owned company Tsentrkurort); and the state air carrier Belavia.

A new aspect of the sanctions is their extension to entities based outside the Republic of Belarus which participated in conveying illegal migrants to Belarus: the Syrian airline Cham Wings, and the Turkish VIP Grub visa centre. As a result, 26 entities are currently covered by economic restrictions (including the previous packages): their assets are frozen in the EU, and no business cooperation with their EU partners is possible.

On the same day, further sanctions against Belarus were announced by the US, which expanded the list of people banned from entering the country to include a further 20 representatives of the regime (including Lukashenka's son Dzmitry), and also covered a series of petrochemical plants: the Belarusian Potash Company (Belaruskaliy); its Ukrainian subsidiary Agrorozkvit; and the company Slavkaliy, owned by Russian businessman Mikhail Gutseriev, which is building a new plant in Belarus worth US$2 billion. The security company Gardservis and the Tsentrkurort company, which are linked to the Lukashenka government, have also been subjected to restrictions. The sanctions also affected military-industrial enterprises: AGAT (which produces special means of communication for the armed forces), Kidma Tech (which makes sights for small arms and artillery weapons), Beltekheksport (a state agency with a monopoly position in the export and import of weapons), the 140th Repair Plant (which modernises tanks and produces armoured cars for the institutions of

force) and Peleng (which makes targeting systems for Russian tanks and armoured vehicles). The United Kingdom and Canada also joined the US restrictions.

In response to the new sanctions, the Belarusian Ministry of Foreign Affairs strongly condemned the "short-sighted" restrictions, describing them as a punishment for Belarus for its critical attitude towards the "dark sides of democracy". It said that it would offer an "appropriate", and at the same time "radical" response, which – as Lukashenka's statements show – may include measures affecting the diplomatic corps of Western countries.

Commentary

- The EU and US sanctions packages are a response not only to the migration crisis, but also to the uninterrupted wave of mass repression which the regime has used against its citizens since August 2020. This means that Minsk has not succeeded in marginalising the issue of human rights violations in its conflict with the EU, which Lukashenka had hoped for by triggering the crisis on the EU border in May. The regime has thus been sent a clear signal that just de-escalating the pressure from the migrants will not lead to a return to political dialogue with the West. The key issues in bilateral relations remain the release of political prisoners and the holding of fair presidential elections. The EU and the US have clearly signalled their unity in their critical approach to the regime, despite Lukashenko's suggestions in recent weeks that talks with "more constructive" states could be held.
- This time, unlike the case with the fourth sanctions package in June, the EU has not decided to take sectoral measures to block the export of entire categories of goods. However, the new sanctions will hit the Belarusian economy severely because they will hinder the functioning of important enterprises, and indeed entire industries. This may leave them on the verge of bankruptcy as a result, but are unlikely to lead to such substantial losses that the financial stability of the state would be threatened. Cutting off the EU markets to the large Belarusian producers of tyres (Belshin), synthetic fibres (Grodno Khimvolokno) and nitrogen fertilisers (Grodno Azot) will result in losses of at least US$200 million annually. The imposition of sanctions on Belarusneft, which deals with oil extraction from Belarusian fields, may seriously hinder the export of this product; almost every year it has been sold entirely to Germany (in 2020, the income from the export of 1.2 million tonnes of oil amounted to US$340 million, while in pre-pandemic 2019, 1.6 million tonnes were sold for over US$700 million). As a result of the new sanctions, Belarusian exports to the EU may shrink by US$500 million, which accounts for around 10% of last year's sales to EU markets and 2% of the country's total exports of goods. However, this year's losses may be even greater due to the dynamic rebound of exports after the stagnation in 2020. The current Western restrictions will deepen the recession in the Belarusian economy expected next year, together with the earlier, more painful EU and US sanctions (according to forecasts from the World Bank, among others, Belarus' GDP in 2022 may decline by around 3%).
- Among the entities punished for helping to organise the wave of illegal migration to the EU, Belavia will be most affected by the sanctions, as it will no longer be able to lease aircraft from EU companies. The Belarusian carrier had acquired up to 21 of the 30 aircraft it used, including 15 from Irish and Danish operators. The sanctions mean that

the contracts must be terminated immediately, which is why (even before the restrictions were announced) Belavia had already returned some of the planes, and the rest will be re-registered to other entities (in Kazakhstan and Azerbaijan, according to unofficial reports). Belavia's management has announced that it will start talks with Russian or Chinese companies that could fill the gaps. It is worth noting that the carrier has been forbidden to fly to the EU since 4 June; Belarusian airspace has also been closed to EU carriers. Belavia's monthly losses on this account will fluctuate around US$10 million. The inclusion of the Tsentrkurort office and some of Minsk's hotels on the sanctions list clearly underlines Minsk's full responsibility for organising the wave of migration to the EU.

- The US's restrictions mainly consist of two elements. The first concerns the reinforcement and locking-down of the sanctions adopted this August on the export of Belarusian potassium fertilisers; they come into force on 8 December. Belaruskaliy's sale of these products is one of the pillars of the country's exports, bringing in over US$2 billion annually, or 7–9% of their total value. Although the EU has still not closed its market to Belarusian fertilisers, the US restrictions will probably prevent them from transiting through the port of Klaipėda in Lithuania (Vilnius has already signalled such a possibility), which will significantly reduce Belarus's export opportunities. It is all the more likely as the declarations by the government in Minsk about the possibility of redirecting the transit to Russian ports have so far remained unrealised (due to the lack of available trans-shipment infrastructure in the Russian Federation). In an extreme case, the majority of Belarusian potassium importers may withdraw from cooperation with their Belarusian partners out of fear of the US restrictions, which may also apply to intermediaries. The second component of the sanctions strikes at the sale of Belarusian military equipment and weapons, which will make it difficult (in particular for Beltekheksport) to access its markets in Middle Eastern and Asian countries.
- In addition to Belavia, we may expect the other entities covered by the sanctions to attempt to circumvent them; for example, Grodno Azot, Grodno Khimvolokno and Belshina may sell their products (which themselves are not yet subject to export restrictions) through intermediaries not on the sanctions list. The Belarusian oil exporter Belarusneft and the military companies covered by the US sanctions regime may respond to the restrictions in a similar way.
- The regime's first reactions to the tightening of EU and US sanctions have not gone beyond the standard anti-Western rhetoric, which is based on refusing any dialogue with either the West or the opposition. The threatened retaliation may include a variety of actions, including (but not limited to) striking at Western investors, as well as arranging renewed pressure from the imported migrants and further provocations on the border with the EU.