



## GCRF COMPASS Policy Brief

# SANCTIONS FOR, AND COUNTER-SANCTIONS BY, BELARUS: WHAT IS THE GAME-CHANGER?

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[OST Research Centre](#): OST Research Centre is a department of the [Office of Sviatlana Tsikhanouskaya \(OST\)](#). The OST is a democratic representative body of the Belarusian people aiming to achieve a national dialogue, ensure a peaceful transfer of power, and hold new democratic elections. The Office promotes and advocates for democratic changes in Belarus. OST Research Centre conducts a range of analytical activities, including expert discussions, research on the Belarusian agenda, and data analysis.

[Oxford Belarus Observatory](#): The Oxford Belarus Observatory (OBO) seeks to raise awareness and knowledge of contemporary issues and challenges facing Belarus today, including those related to the specifics of the COVID-19 pandemic and its enduring consequences. Most specifically, employing the insights unique to Area Studies, OBO will support and promote evidence-based policymaking, knowledge brokering and stakeholder interaction through:

- the comprehensive and rigorous analysis of the impact of and responses to COVID-19 in Belarus;
- the analysis of social, economic, political, cultural and historical issues which shape contemporary Belarus and which can inform external understanding;
- engagement, wherever possible, with domestic stakeholders;

- the production of timely and reliable evidence in response to both real domestic policy needs but also external stakeholder initiatives; and
- the communication of evidence in ways that are useful to, and usable by, policy-makers, national and international civil society, the media and other non-academic stakeholders.

[GCRF COMPASS Project](#) (ES/P010849/1, 2017-21) is an ambitious UK government capacity-building funding initiative, aiming to extend UK research globally and to address the challenges of growth and sustainability in developing countries. Notably, the COMPASS project, led by the University of Kent, in partnership with the University of Cambridge, seeks to establish the ‘hubs of excellence’ at the top-level Higher Education Institutions in Azerbaijan, Belarus, Tajikistan and Uzbekistan, to enable them to become the centres for knowledge-sharing and transfer for *research integration, impact governance, and sustainable communities*. In 2021, the COMPASS project was HIGHLY COMMENDED under the category of the best international collaboration of the year, by the Times Higher Education, widely known to be ‘[The OSCARS of Higher Education in the UK](#)’.

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# Sanctions for, and counter-sanctions by, Belarus: what is the game-changer?

## Executive Summary

This policy brief offers a recap of the discussion held on 3 February 2022, at the webinar conjointly organised by the Oxford Belarus Observatory (OBO) and the Research Centre of the Office of Sviatlana Tsikhanouskaya (OST), with the support of the Global Challenges Research Fund (GCRF) COMPASS project. The discussion focused on the sanctions implemented by the Western powers against the Belarusian government and the counter-response of the regime. This policy brief argues that certain sanctions seem to work - contrary to the claims of the Belarusian government. The policy brief also covers the most important of those sanctions and develops further recommendations to support democratic forces in the country.

**Keywords:** Belarus, sanctions, counter-sanctions, Belarusian society, European Union, US, Russia

**Abbreviations:** EU- European Union; US - United States; UK - United Kingdom

## Background

On 2 December 2021, the European Union (EU) adopted the 5th package of sanctions towards Belarus' regime. Restrictions were extended to more entities and individuals supporting the regime, targeting prominent members of the judiciary, transport, and tourism. In return, Belarus retaliated with a food embargo and an undisclosed list of entry limitations for some individuals.

Since August 2020, several packages of sanctions have been imposed on the regime by the EU, US, UK, Canada and other pro-democratic countries. How is this tug-of-war affecting Belarus? What challenges have the democratic forces and their partners and allies faced? How effective are the sanctions, and how can the pressure they exert on the regime be enhanced? These and other related questions were discussed at the expert webinar jointly convened by the Research Centre of [Sviatlana Tsikhanouskaya Office](#) (OST Research Centre) and the [Oxford Belarus Observatory](#) (OBO) in support of the [GCRF COMPASS project](#).

Prof. **Elena Korosteleva** moderated the event, and the speakers included **Aleś Alachnovič**; Representative on Economic Reforms, Office of Sviatlana Tsikhanouskaya; **Dr Alena Vieira**, Assistant Professor, University of Minho; **Miriam Lexmann**, MEP for Slovakia, Member of the FAC, with a focus on Belarus; and **H.E. Dirk Schuebel**, European External Action Service (EEAS), EU Ambassador to Belarus. Below is a recap of the discussion, including the analysis of the critical issues and recommendations on the situation of sanctions on both sides.

## Analysis of the issue

### EU sanctions on Belarus and Belarus' counter-sanctions: a brief overview

At the time of the webinar, the EU had issued five rounds of sanctions towards Belarus, covering a total of 183 individuals and 26 entities. The latest package of sanctions included those who were involved and contributed to the activities by the regime, including facilitation of the migrant crisis and illegal EU border crossing. These measures implicated Belarus' national airlines (BELAVIA), travel agencies and also other intermediaries involved in human trafficking and instigation of the migrant crisis. The EU has also imposed targeted economic sanctions against the regime, which encompassed the telecommunications sector, trade in certain goods and access to capital markets.<sup>1</sup> This presents a considerable expansion of the EU restrictive measures against Belarus, first introduced in October 2020 in response to the fraudulent nature of the August 2020 presidential elections. The individuals and entities covered by the sanctions, including Alexander Lukashenka, are subject to an **asset freeze**, and EU citizens and companies are forbidden from making funds available to them. Moreover, natural persons are also subject to a **travel ban**, which prevents them from entering or transiting through EU territories.<sup>2</sup>

In response, the Belarusian government adopted **Directive No. 700** titled "On special measures to certain types of commodities" which set restrictions on imports and sales of goods originating from the EU, US, UK and some other European countries, with a possibility of tariff and quota exemptions. The Directive targeted only agricultural products. However, these counter-sanctions on the EU food products only affect 12.6 percent of the EU exports to Belarus, and Belarus is mentioned as 33 on the list of the EU market of agri-food exporters representing no more than 0.4 per cent of the EU agricultural import share in total.<sup>3</sup> This effect has had limited impact on EU economic development, and in fact increased opportunities for other producers - both in the EU and beyond - to step in.

### Belarus' economic development: recent indicators

In 2021, the total exports of goods from Belarus to the world was 40 billion dollars. It is the 3rd largest export in the history of Belarus, after 2011 and 2012, when Belarus was using Russian crude oil to sell abroad. Compared to the previous year, in 2021 exports of goods increased by 37 per cent. Out of these 40 billion US dollars, 27 per cent of exports of goods came to countries that introduced sanctions against Belarus, including: 27 EU countries, 4 FTA countries – Lichtenstein, Iceland, Norway and Switzerland - , the UK, US, Canada and several Balkan countries, aspiring to join the EU, including Serbia, North Macedonia and Albania. These countries (around 40 in total) were responsible for 27 per cent of Belarusian GDP. To compare, Russia was responsible for 41 per cent of Belarusian exports. In addition, the exports of Belarusian goods to these Western countries almost doubled compared to 2011.<sup>4</sup>

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<sup>1</sup><https://www.consilium.europa.eu/en/press/press-releases/2021/12/02/belarus-eu-adopts-5th-package-of-sanctions-over-continued-human-rights-abuses-and-the-instrumentalisation-of-migrants/>

<sup>2</sup> Ibid.

<sup>3</sup> For more information see: [https://ec.europa.eu/trade/policy/countries-and-regions/countries/belarus/index\\_en.htm#:~:text=The%20EU%20is%20Belarus'%20second,%25%20of%20Belarus'%20international%20trade.](https://ec.europa.eu/trade/policy/countries-and-regions/countries/belarus/index_en.htm#:~:text=The%20EU%20is%20Belarus'%20second,%25%20of%20Belarus'%20international%20trade.)

<sup>4</sup> Ibid

## The EU rationale behind the sanctions' policy

For the EU, restrictive measures are only one of many tools of state-craft diplomacy, and it is not an end in itself. The objective of these sanctions was not to undermine the Belarusian economy or to lead to a regime change, but to fire “a warning shot”; a signal for the urgent need **to change behaviour** and to signal that the EU stands by its values and requires implementation of international norms and rules by its partners. It is also a message of EU support for the democratic right of the Belarusian people to have free and fair elections, and condemnation of the repressions and violence that have been used by Belarusian authorities to thwart dissent. Sanctions come in various forms, including asset freezes; travel bans; prohibition of relations with targeted economic entities, and personal sanctions. The latter aim to ‘name & shame’ and prohibit interaction with those people and companies which are directly responsible for human rights breaches. Economic sanctions target entities which are close to the regime, sponsoring its activities.

In addition to the economic consequences, sanctions also have a **reputational impact**. There is evidence that they influence the decisions of non-EU operators when engaging in business activities in Belarus. Some third countries would be hesitant to go into business with the sanctioned parties, especially if they are under embargo by the US, which strictly monitors the implementation of sanctions. It is important to note, that the EU sanctions are reversible. It means that in the case of a meaningful democratic change in Belarus (for instance, the release of all political prisoners, the halt of all human rights abuses and the genuine dialogue with the democratic opposition and with the civil society) the EU stands ready to gradually or fully lift them. In contrast, the EU intends to retain the prospect of increasing sanctions if needed and if the regime refuses to change its behaviour. Equally, the EU is willing to reduce the sanctions at the first substantive sign of dialogue and engagement. In designing its policy the EU cooperates with many partners, including the US. However, the EU and the US can't impose the same sanctions because of the differences in juridical and political systems. There is also coordination with other partners (the UK, Canada and others) in terms of the time, scale, and longevity.

In sum, the EU has a twofold approach to Belarus: this includes solidarity and support for the Belarusian society and democratic forces; and further sanctions and restrictions for the regime until it observes meaningful behaviour change.

## Game changers in sanctions' policy towards Belarus

Although Belarusian state propaganda claims sanctions do not work, it is not true. At least two game changers could be named. The **first one** is the hijacking of the Ryanair plane in June 2021. Before this, sanctions against the Belarusian regime were relatively symbolic, mainly personal and targeted against enterprises that were neither important for the economy, nor had strong relations with the West. After the incident, for the first time in Belarusian history the EU introduced sectoral sanctions against Belarus, on several sectors, including petroleum products, fertilisers (in part), tobacco industry, financial industry, and military industry.

**The second game changer** was the migrant crisis, instigated by the Belarusian regime in the second half of 2021 on the EU border. After this, EU member states and other Western countries became more consistent in adopting sanctions policy and decided to forfeit some of their own business interests for national security and to offer a more unified response to the regime, to show solidarity with the Belarusian people, and to the regime - that business as usual will not be possible any longer.

We can see at least **four examples** of how these triggers changed the situation. **First**, the policy of the US is indicative in its impact: 63 percent of the American imports from Belarus include Belarusian fertilisers

from Belaruskali, and the US decided to target the goods ‘where it hurts the most’ by first, introducing sanctions against Belaruskali, and then expanding these sanctions against Belarusian Potash Company, the seller of Belarusian fertilisers. So, the US chose to use smart sanctions on the main product that is imported by the US from Belarus.

The **second example** is Lithuania. The end of 2021 nearly resulted in an internal political crisis for the country, because investigative journalists exposed Lithuanian Railroads for continuing to transit Belarusian fertilisers to the Lithuanian port in Klaipeda. After several weeks of investigation, the Lithuanian government decided that Lithuanian Railways should terminate the multi-year contract that was signed in 2018, because it was against the national interests and national security of Lithuania.

The **third example** is Yara Company, a Norwegian company in the fertilisers industry, one of the key buyers of Belarusian fertilisers. Following one and a half years of mass protests and repressions in Belarus, it decided to terminate the contract with Belaruskali and Belarusian Potash Company. The reason behind was not because it wanted to do it, but because it found no other legal option to buy and to transit Belarusian fertilisers from Belarus to Norway. It also demonstrates that many other companies for whom legal mechanisms and public opinion is important will also start terminating business arrangements with Belarusian counterparts affiliated to the government or state-owned enterprises.

The **fourth example** is from Estonia. Belarusian and Estonian investigative journalists showed that some companies in Estonia were allowing for avoidance of sanctions and Belarusian petroleum products were assigned with a different classification code to sell them to Estonia. Once this investigation was published, the next day the Prime Minister of Estonia explained that the situation is important for the country and Estonia announced that it would introduce national sanctions which will make it impossible for Belarusian petroleum products to be imported to Estonia under different codes that are not under, at least, EU sanctions.

## What are the effects of the EU sanctions in Belarus? Do the sanctions work?

There is a lot of discussion as to whether the European sanctions work, how efficient they are and what outcomes they have. One of the concerns is that economic sanctions will negatively influence the Belarusian people and their well-being first of all. To address this issue, it should be mentioned that these are not the economic sanctions that made Belarus one of the poorest countries in Europe. This reality stems from 27 years of rule by Alexander Lukashenka’s government. Just before the introduction of the economic sanctions the average salaries in Belarus were just 10 per cent higher than salaries in Ukraine and Moldova, two of the poorest countries in Europe.

In terms of the sanctions’ efficiency, although the sanctions have certain limitations in some economic sectors, in others they fulfil the functions of limitation of the businesses and people close to the nondemocratic regime but also raise reputational concerns for them. For example, in the financial sector, sanctions function well. Many international financial institutions (including the European Investment Bank) terminated their cooperation with the Belarusian public sector. International financial markets are closed for new sovereign bonds of the Belarusian regime and international commercial banks stopped financing Belarusian state-owned banks.

## Limitations and loopholes in the sanctions’ policy

There are certain limits and loopholes in the EU sanctions towards Belarus that need to be addressed. At the moment, unlike the US, the EU doesn’t have a mechanism of sanctions’ control to avoid companies circumventing the sanctions through third parties. In the EU case, most of the circumvention of sanctions

were uncovered by the media and not by agencies whose role would be to detect this. This media watchdogging resulted in cases where Lithuania and Estonia have banned the transport of oil products and Lithuania has also banned transport of potash products. However, this takes time after the sanctions are put in place.

In terms of the potash products, there is also a loophole due to the pressure from some EU member states. Specifically, the current sanctions include only about 20 percent of the potash products entering the EU market because the sanctions practically include products which have less than 40 and more than 60 percent of potash. This is a strategic way of making sure that the most of the products will still be allowed to the EU market.

One of the reasons for Belarus' growth of exports into the EU in 2021 despite sanctions, is the problem with the infrastructure of delivery of products between China and Europe. Belarus has been profiting out of it by putting more furniture, especially machinery, on the markets. Practically the COVID-19 pandemic has helped Belarus to increase their presence in the markets of certain products.

## **Belarusian authorities on sanctions and counter-sanctions**

Belarusian authorities promote three visions on western sanctions.

The first one is that sanctions are basically ineffective and their implications can largely be ignored. This was the original position of the Belarusian regime, which however, led to the rearrangement of some logistical ties by the regime, with which they were uncomfortable, but the overall effect was said to be minimal.<sup>5</sup> This position changed after the 5th package of sanctions, but the state discourse has maintained that Belarus always lived under sanctions, and survived.<sup>6</sup> Some of the measures affected very technical depoliticized issues, for instance, when Lithuanian railways stopped the transit of the Belarus potash fertilisers it was framed as “it is an unpleasant measure, but we have a set of measures prepared in advance, we are prepared, we have an adequate response to this”.<sup>7</sup> Although, the reality demonstrated later that the Belarusian authorities were not prepared for these sanctions and are still in the process of searching for other viable ways to transit their goods abroad and, according to some estimations, may potentially suffer significant losses.<sup>8</sup>

The second position might be called deontological. It is a position of principled non-negotiable matters being discussed. It states that, independently from all the implications, sanctions are illegitimate, constitute interference into domestic affairs, amount to injustice, represent hybrid warfare etc. However, indirectly this position confirms that in reality sanctions matter and they work, but it highlights the non-economic implications. To illustrate this position we may see the cases when authorities were collecting signatures among workers of large state enterprises under petitions to revoke sanctions directed at the individual Western companies or states or introduction of criminal liability for appealing to sanctions. Sanctions are

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<sup>5</sup> <https://www.belta.by/economics/view/otsutstvie-effekta-ot-sanktsij-golovchenko-nazval-glavnuju-kontrsanksiju-belarusi-449221-2021/>

<sup>6</sup> <https://www.belta.by/president/view/lukashenko-kak-by-ni-skladyvalas-obstanovka-v-mire-iran-i-belarus-vsegda-nahodili-puti-k-uspehu-460177-2021/>

<sup>7</sup> <https://politring.com/country/49716-golovchenko-prigozil-otvetom-na-prekraschenie-tranzita-belorusskih-udobreniy-cherez-litvu.html>

<sup>8</sup> <https://gazetaby.com/post/lvovskij-esli-za-polgoda-ne-poluchitsya-nachat-tra/183365/>



viewed existentially, they are intrinsically wrong, and any demand associated with sanctions, such as the release of political prisoners, is going to be perceived in the same manner. In this position, Belarus counter-sanctions do not have to be symmetrical and/or proportionate. Belarusian authorities claim the right to retaliate when appropriate and with means they find appropriate (including the threat of hosting super-nuclear weapons and the Russian army on its territory indefinitely)<sup>9</sup>. Paradoxically, these threats demonstrate the regime's weakness, and the need to negotiate using extreme measures.

The third position is utilitarian, within which sanctions are viewed in terms of their effects and losses. And since they cannot be lifted, they should be mitigated. As a result, one should always keep in mind against who, when and under what conditions they are going to be implemented. This position is reflected in counter-sanctions, when Belarusian authorities do not exclude the revision of them at any moment. This might explain why some of the counter-sanctions are being revised so quickly. From February 2022, these measures are seen as truly harmful for the national economy of Belarus.

## Sanctions on Belarus: a Russian perspective.

The position of Belarusian authorities that sanctions are basically illegitimate, and an interference into their domestic affairs have implications for Russia-Belarus relations. This position is strongly shared by Russia: the Kremlin calls sanctions against Belarus inhuman, an illegitimate interference into Belarus affairs, and offers strong rhetorical support to the regime, especially during the migration crisis. However, Russia carefully avoids the idea of unlimited economic mitigation of sanctions.

Such a common position of the official Kremlin and Minsk have important implications including legitimising Russia's aggressive policy against Ukraine, and undermining Belarus' sovereignty, by claiming a united front on sanctions. The former means *de jure* recognition of Crimea as Russian and taking sides in the possible conflict with Ukraine, and the West.

In terms of the implications for Russia-Belarus relations, Russia has the potential to mitigate the sanctions and all the sanctions effects on Belarus. Meanwhile, the resources of Russia are not unlimited and are required by Russia itself. This means some serious trade-offs expected from Belarus, for the Russian support, in which integration is critical.

It is important however to highlight the divergence between Russia and Belarus in terms of their economic interests. They are not identical, and there is also a history of exploiting the sanctions regime by both countries. In other words, mitigation of the sanctions towards Belarus by Russia is by no means something that could be taken for granted.

## Conclusions

Sanctions may not necessarily be the most effective tool, but they could be a very good signal to the regime that change is needed. For this, there have to be specific sanctions, not just any sanctions, to make it perhaps the most effective instrument of the last resort. The sanctions are represented in the Belarusian official discourse as something that is going to undermine Belarusian sovereignty and that they are the direct consequence of the actions of the Belarusian opposition in exile. However, in reality sanctions are a by-product of Lukashenka's regime. This is obvious and needs to be clearly stated to avoid pinning blame on

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<sup>9</sup><https://www.euronews.com/2022/02/17/belarus-ready-to-host-nuclear-weapons-in-case-of-western-threat-says-lukashenko>

the country, and its democratic forces. Counter-sanctions by the regime do not have legs to stand on, and potentially may harm Belarusian sovereignty in the future.

## **Policy recommendations**

- The international community should not have allowed the boosting of the Belarusian economy with the money of international organisations as happened with the International Monetary Fund (IMF) who provided the Belarusian Government with national foreign currency reserves of \$1 billion.
- When it comes to the sanctions' policy the EU should try to work even closer together with partners in other countries, with the US, UK, Canada, Switzerland and other democratic countries.
- If the situation in Belarus does not change, then the EU has to look for further measures, to target more Belarusian officials and entities as being responsible, and to increase the severity of the measures.
- The coordination between the EU and other countries is on the ground, but there is still room for improvement. The coordination should take place not only within the 40 countries that introduced sanctions, but also with third countries, e.g. Israel, South Korea etc, where some of the affiliated businesses keep their money.
- There is a need to develop improved sanctions enforcement mechanisms in Europe which will clearly follow the actual implementation of sanctions and will not only help to measure the impact of the sanctions, but will also deepen the revision of sanctions' policy among the member states.
- Special tools for controlling the implementation of sanctions in the EU should be created with a focus on Belarus.
- If the EU and other democratic countries impose sanctions on judges or sanctions on people in the judiciary, or who are part of court cases and high officials who are practically part of the human rights breaches, that will make others more wary of continuing with potential or actual human rights breaches because they will see that there will be impacts on them.
- Apart from sticks, carrots should also be applied. For example, in addition to support for the democratic society, which already happens, support to Belarusian business is needed, both inside Belarus, but also abroad.
- The EU and Belarusian democratic forces along with other interested stakeholders should work together to find, on the one hand, the best approach and balance to the sanctions, but also to communicate to the Belarusian people what sanctions' policy is and how it works; and whom to blame for it. Expectations should be managed effectively.

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