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No Easy Answer on Belarus Sanctions

Autocrats around the world are watching the EU. Tough sanctions against Belarus would send a strong signal about Brussels' resolve.

By Maria Shagina

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Belarus was plunged into crisis last year after strongman leader Alexander Lukashenko claimed a landslide victory in his sixth consecutive election. **Toms Kalnins / EPA / TASS**

The hijacking of a Ryanair flight and the arrest of Belarusian journalist Roman Protasevich on May 23 brought the Belarus crisis back onto front pages around the globe.

The brazen act reignited international outrage which had first flared up following last August's fraudulent elections, and the landslide nationwide protests they sparked — protests which failed to subside despite the regime's violent crackdown and mass repression.

The EU has since imposed three batches of sanctions in response to the "brutality of the Belarusian authorities and in support of the democratic rights of the Belarusian people."

Some 88 individuals and 7 entities were sanctioned, but the measures never extended to systemically important economic targets.

A fourth round of sanctions, already in the works before the incident, was planned to include key Belarusian companies, but Brussels was lukewarm on the idea. The presumption was that the EU lacks effective levers to influence the situation in the country and broader economic sanctions would only hurt ordinary citizens.

Related article: [Roman Protasevich: From Teen Activist to Belarus Bugbear]

The illegal diversion of the Ryanair plane forced the EU to rethink its calculus.

Within 24 hours, European leaders agreed to adopt further targeted economic sanctions on entities supporting and financing Alexander Lukashenko's regime. New measures could ban trading with the country's oil, petrochemicals, and potash fertilizer industries. European leaders also called for a ban on Belarusian airlines flying over EU territory and urged EU-based airlines to avoid Belarusian airspace.

The new measures will exert pressure on the regime's vulnerabilities — mainly its dependence on the export of petrochemicals and fertilizers which bring in much-needed hard currency. Exports of petrochemicals and potash fertilizers to the EU alone brought Belarus more than $1 billion and $200 million in revenue respectively last year. The call to avoid Belarusian airspace could cost an additional $50-70 million per year in lost overflight fees.

Urgent response

The next challenge for the EU is to actually agree on the economic sanctions it will levy on Belarus.

Forging unanimity among the 27 EU governments has been problematic. Diverging national security issues and economic interests have repeatedly slowed down the EU's decision-making, resulting in belated and watered down measures.

Notoriously, the third batch of Belarus sanctions was delayed because of Cyprus which blocked the measures, trying to secure a quid pro quo in the shape of sanctions against Turkey for Ankara's energy-related exploration in disputed waters.

So far, no member state has yet raised any opposition to new economic sanctions against Minsk. But it may be only a matter of time until countries like Hungary or Cyprus will put EU unity at risk again.

The EU will obviously have to gather evidence to justify the new companies to be put on sanctions lists, in order to withstand any potential legal challenge — but prolonged delays will be detrimental. Reports from Brussels suggest that the adoption of sectoral sanctions is unlikely to take place before June 21, the bloc's next scheduled meeting of foreign ministers.

Postponing the decision-making on Belarus sanctions until July or later would kill any sense of urgency and likely lead to half-baked measures and weakened deterrence.

Kiev and Washington

To make the sectoral sanctions more effective, the EU needs to cooperate with Ukraine, a key trade partner for Belarus.

Ukraine is the top destination for Belarus' petrochemicals, petroleum and fertilizers and without coordination with Kiev the impact of sanctions will be weakened. So far Kiev, which pledged to coordinate its sanctions policy with its Western allies, has aligned with the EU's personal sanctions on Belarus, but remained cautious about joining sectoral restrictions. Last year Ukraine's Foreign Minister Dmytro Kuleba said that it is inexpedient for Ukraine to join economic sanctions.

Coordinating measures with the U.S. should be the next step. President Joe Biden joined the EU's calls to launch an international investigation of the "outrageous" incident and said that the administration will "develop appropriate options to hold accountable those responsible".

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The U.S. has even fewer levers than the EU to influence the situation in Belarus, but the hegemony of the U.S. dollar can certainly exert ripple effects on the highly-dollarized Belarusian economy. On April 19, the U.S. announced that it will revoke the General License for nine Belarusian companies, including some of Belarus' key companies like Naftan, Grodno Azot and Belneftekhim — meaning U.S. citizens and entities have a 45-day period to wind down any transactions with them. That deadline expires on June 3.

Although the U.S. sanctions are without extraterritorial reach, their chilling effect was already evident even before the brazen detention of Protasevich. In early May, Belarus experienced problems with petrochemicals exports, as the European banks started refusing dollar-denominated transactions for the country's largest oil refinery Naftan.

Sending a signal

Sanctions alone will not force Lukashenko to release Protasevich and his girlfriend Sofia Sapega.

The kidnapping is a personal vendetta from an autocrat struggling to hold onto power. But as autocrats around the globe are watching the EU's reaction, tough sanctions will send a strong signal to deter such incidents in the future.

This is a case where the signalling function of sanctions isn't just symbolic. The sanctions will also put additional pressure on a regime already under the strain of economic recession and rapidly rising public debt. Even without the EU and U.S. sanctions, the World Bank estimated that Belarus' GDP will drop 2.7% this year.

New measures will force the regime to resort to adaptation and circumvention schemes which are never cost-free. Sanctions should be coupled with support for Belarusian citizens, such as humanitarian visas for those fleeing the regime, legal assistance for those in prison, and financial support for international media and civil society.

The resilience of Lukashenko will depend to a great extent on Russia's willingness and ability to support the regime.

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Acts like showing solidarity with Belarus by refusing requests from Air France and Austrian Airlines to approve a route change on their flights to Moscow in order to avoid Belarusian airspace have a low price. But sustaining the Lukashenka regime over the long term may be financially crippling.

In past sanctions episodes, Russia helped alleviate the impact of sanctions by providing generous energy subsidies and political refuge. But since 2007, the value of Russia's energy subsidies has gradually decreased, thus providing less of a cushion to the increasingly inefficient Belarusian economy.

Russia's new hydrocarbon tax system will have significant negative implications for Belarus, by depriving the country of lucrative export duty exemptions. And with Russia's tax maneuver, the relationship between Moscow and Minsk became more fraught and the issue has remained unresolved.

Previously, disagreements with Moscow were paramount in making Belarus comply with the EU's demands — Brussels should again seek to exploit the existing frictions.

Sectoral sanctions will force Lukashenko to turn towards Russia, but there is a limit to how much the sanctions can push Minsk into Moscow's arms. Losing sovereignty to Russia will make Lukashenko's struggle for power pointless.

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