

Buying Time – Is the Clock on the Lukashenko Regime Running Out?

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This report stems from a graduate research trip to Belarus and Lithuania by students and faculty from The Paul H. Nitze School of Advanced International Studies (SAIS) in January 2011. The findings within it synthesize firsthand experiences and original research, seeking to add to the debate on current policy approaches to Belarus.

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After almost twenty years in power, President Aleksandr Lukashenko has run out of time. His attempts to “buy time” from Russia and the West have run out the clock on his regime, backing him into a corner from which he can’t emerge unscathed. Profligate spending, the loss of Russian subsidies and global macroeconomic events have brought Belarus’s economy to its knees. Lukashenko is forced to choose between Eastern and Western benefactors – chancing the unknown dangers of true democratic change or facing the obvious evils of extensive Russian ownership of strategic assets. Both options threaten the President’s slipping grip on Belarus and are likely to speed up his fall from grace. The current economic crisis represents the culmination of years of “buying time” – living crisis to crisis and enacting reforms only under serious pressure from an economic benefactor. After twenty years, Lukashenko has exhausted both Russian and Western goodwill, and as Belarus stands on the brink of crisis, change is sure to come whether Lukashenko sees it or not.

Introduction:

The 2010 presidential election held on December 19th marked a turning point in Belarus’s political and economic trajectories, as well as the beginning of a backslide into serious economic crisis and political isolation. From 2008 to December 2010, Belarus experienced a period of modest political opening, which included greater space for civil society and a presidential election campaign that was one of the most open in decades. This environment fostered hope in European and American policy establishments, as well as in Belarusian political activists that a policy of greater political engagement could beget the democratic reforms the West had been fighting for since Lukashenko’s first term. The EU, through engagement proponents like the Foreign Ministers of Poland, Germany and Sweden and the Eastern Partnership program (EaP), gave the engagement approach a real voice for the first time in years, traveling to Minsk during the fall of 2010 to meet with the president, civil society groups and members of the political opposition. At the end of this trip, Polish Foreign Minister Radoslaw Sikorski also announced the potential for a \$4 billion aid package should the country hold a free and fair election. This economic incentive looked particularly promising given Belarus’s tense relationship with Russia, which seemed to have created both a political opening and a potential funding shortfall because

the government had engaged in profligate fiscal policy – increasing wages by 54.5% and social spending by 15% – in the year leading up to the election.¹

Despite these positive signs, the election in Belarus was marred by electoral fraud and a brutal crackdown on political activists, civil society and the media following election night protests. This came as a shock to many, as the open pre-election environment had enabled presidential candidates to disseminate their messages more freely and widely than ever before. Unfortunately, strong government pressure for early voting and widespread reports of fraud in the vote counting process were followed by violent suppression on one of Belarus's largest and most vocal political protests to date. The situation seemed to worsen every day, as police and the KGB security forces raided businesses and homes, arresting and threatening individuals and their families in the following month. These events created a culture of fear that had been softened by the relative openness of the pre-election environment.

This election cycle proved to be another manifestation of the Lukashenko regime's strategy of biding time – a pattern that has become clear over time. The regime creates conditions that cater to the interests of its economic benefactor. This frequently involves democratic opening when petitioning to the West or foreign policy subordination when appealing to Russia. However, once the economic incentive is received – a 2008/9 IMF disbursement in this case, the regime will revert back to old habits to ensure minimal change to the regime or challenges to its political power, as was the case following the 2010 presidential election.

Post-election Belarus is the subject of this report, which stemmed from a research trip to Lithuania and Belarus in January 2011 by a group of graduate students led by Professor Mitchell Orenstein from Johns Hopkins School of Advanced International Studies (SAIS) in Washington, DC who were joined by graduate students and faculty from the M.A. program in Eastern and Central European Studies at Vilnius University. This report seeks to provide context for the current policy debate within the U.S. and EU about the most effective approach to the Belarusian government, evaluate the major policy options and draw conclusions about the direction of future policies in the country and the region. The first section will establish a historical context for the

¹ “Belarus to Increase Health Care Spending by 7%” Belarusian Telegraph Agency, October 5, 2009 <<http://news.belta.by/en/news/econom?id=429403>>; and “Belarus's Minimum Wage to Increase 54.7% to Br 400,000 in November,” Belarusian Universal Commodity Exchange, October 2010 <<http://www.butb.by/engl/index.php?page=49&id=25723>>.

current political and economic situations in Belarus, including long-term unsustainability of the regime. The second section will discuss the major policy options available to the U.S. and EU – sanctions and engagement – and evaluate their historical efficacy, the current approach taken by both actors and potential future improvements. The third section will address the current situation in Belarus, focusing on the unfolding economic crisis and the regime’s increasingly close relationship with Russia. The last section will conclude, seeking to draw lessons from the established policy approaches to Belarus and providing recommendations on how to proceed with the aim of creating a more democratic Belarus.

Section I: Postcommunist Stagnation in Belarus

President Aleksandr Lukashenko came to power in 1994, following Belarus’s first democratic election in the Postcommunist period. He ran on a platform that emphasized political stability and promised to maintain the soviet social contract, the comprehensive welfare state. Given Belarus’s relative prosperity during the late Soviet period – it had some of the most positive socioeconomic indicators in the USSR, including the highest per capita income and well developed education, health care and social welfare systems – the vote for stability that millions made in that election was not irrational.²

However, by 1996 Lukashenko had succeeded in reforming the constitution, strengthening the executive and subordinating the parliament. He largely preserved the comprehensive welfare state, and has reformed it reluctantly and ad hoc only in times of crisis or intense pressure from an economic benefactor.³ In addition, Lukashenko maintained the two pillars of the Soviet economy: collective agriculture and collective labor, explaining the high proportion of state-owned enterprises and underdeveloped private sector that characterize the Belarusian economy today. Consequently, elites remained dependent on state subsidies for firms and administrative appointments and the government relied on collective firm managers to deliver the compliance and votes of their subordinates.⁴

² Luba Demidkina, “Belarus,” in *The CIS Handbook: Prospects onto the 21st Century*, Patrick Heenan and Monique Lamontagne eds. (Chicago: FitzroyDearborn, 1999), p. 55.

³ Linda Cook, *Postcommunist Welfare States* (Ithaca, NY: Cornell University Press, 2007), p. 197.

⁴ Linda Cook, *Postcommunist Welfare States* (Ithaca, NY: Cornell University Press, 2007), p. 205.

Belarus also preserved the closest ties with Russia of any former Communist state, largely due to Lukashenko's close personal relationship with Russian President Boris Yeltsin. Lukashenko and Yeltsin's friendship was an important driver in the creation and ratification of the Union State Treaty (1999/2000), the intention of which was to form a federation, similar to the structure formerly achieved in the USSR. Implicit in this agreement was the potential for Lukashenko to become president of the Union State one day. Edward Lucas points out that though this seems laughable today, once must remember that it was a serious possibility at the time that was a defining aspect of Russian-Belarusian relations.⁵ In this context, Vladimir Putin's accession to the Russian presidency in 2000 marked a major change in Russian-Belarusian relations. Putin eliminated Lukashenko's succession option and shelved their relationship as he consolidated domestic political power. Since Putin's presidency, Belarusian-Russian relations have waxed and waned, following a similar pattern of biding time as is true with Belarusian relations to the West. If Belarus leans toward Russia, the government aligns its foreign policy priorities with the Kremlin's, whereas if Belarus leans to the West, the government provides for a period of democratic opening, institutional engagement and decoupling from Russian foreign policy. Lukashenko's refusal to recognize the independence of Georgia's breakaway regions of South Ossetia and Abkhazia following the 2009 Georgian War provides an excellent example of this pattern, as the regime looked to secure additional financial assistance from the IMF in the fall of 2009. This approach was a success and Belarus's exchange rate adjustment and tighter fiscal policy ensured that it could draw another \$700 million from the IMF loan.⁶

Contemporary Belarus

The current political situation in Belarus is complicated and often contradictory. The regime that promised stability in the face of Wild East capitalism has slowly been eroding that promise over time, and the cracks are beginning to show. The political situation has stagnated since Lukashenko's election in 1994, and while the president has won the subsequent three elections handily there is mounting evidence that the government's electoral fraud may now mask deep-seeded, growing discontent at the popular level. This has been magnified by the slow corrosion

⁵ Edward Lucas, "What the West Gets Wrong about Belarus," Central Europe Digest (May 2, 2011) <http://cepa.org/ced/view.aspx?record_id=301>.

⁶ "IMF Approves \$699.5 Million Disbursement to Belarus," Reuters, October 21, 2009 <<http://www.reuters.com/article/2009/10/21/imf-belarus-idUSN2146005920091021>>.

of the social contract, as erratic relations with Russia and the West combined with the increasing pressures of globalization threaten to drag Belarus's economic and social sectors into the 21st century.

Belarus's economic situation has deteriorated sharply in 2011. Though the Belarusian government received financial assistance from both the IMF and Russia in 2008-9 in the wake of the global financial crisis, its balance of payments deteriorated in late 2010 and throughout 2011. Depressed world demand, a reduction in Russian oil subsidies and profligate spending leading up to the December 2010 election created this strain on Belarus's finances, now bringing them to the brink of a serious economic crisis. What started as a balance of payments crisis has become a currency crisis and as the country's foreign exchange reserves dip below \$4 billion, the government will need to secure bridge financing quickly.

In addition, Belarus's large state-owned sector has suffered from a lack of competitiveness and profitability, aided by the unnaturally high rate of employment. According to officials from the Ministry of Information, the official unemployment rate is 1% but the unofficial rate fluctuates up to 3% of the labor force.⁷ These statistics mask a high incidence of underemployment – the immaculate streets and large number of workers removing snow in January were subtle reminders of this throughout Minsk. Still, Belarus's high growth rates since transition have baffled many Western economists, since the country has only modernize its economy in moments of crisis, including due to the drop in world demand following the global financial crisis.⁸

The social sector has remained similarly unreformed in the Postcommunist period. Linda Cook provides describes the “bureaucratic domination” of the social sector, characterized by a high level of state provision and negligible social security markets, creating a system with nearly universal access but low quality social services and social insurance.⁹ Since the global financial crisis, Belarus has shown some willingness to reform due to concerns of unsustainability, over-

⁷ Monica Sendor, Notes from Meeting with the Ministry of Information, Republic of Belarus, January 12, 2011.

⁸ Anna Orthofer, “Belarus's Economic Policies: Heritage, Reforms and Integration into the Global Economy,” December 5, 2010, p. 7-8.

⁹ Linda Cook, *Postcommunist Welfare States* (Ithaca, NY: Cornell University Press, 2007), p. 240.

coverage and the burden on the state.¹⁰ The most recent move to reform provides another piece of evidence in Lukashenko's attempts to bide time, reforming only under duress or outside pressure.

Discontent over the erosion of social benefits and increasing underemployment has begun to trickle down to the political environment – electoral protests in 2006 and 2010 have been the largest the country has seen in decades. The mass protests following the presidential election in December 2010 showed the voting public's growing dissatisfaction and their increasing willingness to agitate for greater political freedom and economic opportunities. However, these protests didn't damage the regime's credibility – rather, it was the regime's violent reprisals against protesters badly damaged its credibility. A volunteer at Belarus Human Rights House noted that the protests were peaceful and likely would have died down in a number of hours had the police not intervened so violently. Instead, the security forces' use of violence to quell the demonstrations has come to represent the regime's weakness. Analysts and activists at Belarus Human Rights House and the International Republican Institute (IRI) posited that early voting numbers were so low, perhaps 30% in favor of Lukashenko, that a fear of a second round election and growing popular discontent led the president to initiate a crackdown on election night protestors, presidential candidates and other political activists.

The international impacts of these actions were enormous: the EU rescinded its multi-billion dollar aid offer almost overnight and reevaluated its travel sanctions policy; meanwhile, the U.S. State Department condemned the regime's actions and promised to strengthen and possibly extend its sanctions policy. Having signed an agreement on Russian oil exports to Belarus only a week prior to the elections, official statements from the Kremlin were limited to referring to the Belarusian elections as an “internal matter,” despite earlier comments by President Dmitry Medvedev in fall 2010 that criticized the Belarusian President for taking advantage of Russian oil subsidies without aligning with its political and foreign policy principles.¹¹

¹⁰ Alexander Chubrik et al., “Social Protection and Social Inclusion in Belarus,” European Commission, 2009, p. 45-6.

¹¹ “Russia's Medvedev: Belarus Vote ‘Internal Matter,’” Reuters, December 20, 2010 <<http://uk.reuters.com/article/2010/12/20/uk-belarus-election-russia-idUKTRE6BJ2C820101220>>; and Fred Weir, “Why Russia's Medvedev is Lashing Out at Belarus's Lukashenko,” Christian Science Monitor, October 6, 2010

Still, the crackdown served its purpose and severely weakened the political opposition. The majority of the presidential candidates were arrested and four, along with 28 other activists, now faces charges that could carry up to 15 years in prison.¹² These arrests dampened the opposition movement considerably and in January 2011 many activists still seemed to be reeling in shock – they were more concerned with ensuring their safety and the safety of their families rather than pushing forward with the opposition movement’s political agenda. In the following months, the movement seems to have regained its footing, taking to the international circuit with vigor. A brave group of activists including family members of 2010 presidential candidates Uladzimir Nikalayeu and Andre Sannikov, along with 2006 presidential candidate Aleksandr Kazulin have been meeting with NGOs, think-tanks and government officials throughout the EU and U.S. hoping to keep Belarus in the news and drum up financial and moral support for the cause.

The 2010 presidential election marked a turning point in popular and diplomatic perceptions of the Lukashenko regime, highlighting its weakness and obstinacy. However, the policy tools available to U.S. and EU officials remain the same as they were before the election: the use of economic and travel sanctions, political engagement and support for civil society and the political opposition in Belarus. The following section will outline and analyze each of these options from the perspective of the U.S. and EU, discussing their tradeoffs and limitations.

II. Western Policy Options since Independence

Sanctions

History of U.S and EU Sanctions on Belarus

The U.S. and EU have long used economic and political sanctions as policy tools to affect domestic change in Belarus, though their results have been mixed at best. The Lukashenko government has proved to be a source of frustration to the U.S and EU since the late 1990s due to human rights abuses, high level corruption and the continued marginalization of the country’s citizens. U.S. and EU sanctions were first imposed in 2002 following the Belarusian

<<http://www.csmonitor.com/World/Europe/2010/1006/Why-Russia-s-Medvedev-is-lashing-out-at-Belarus-s-Lukashenko>>.

¹² Daniel Russell, Testimony, House Foreign Affairs Subcommittee on Europe and Eurasia, April 1, 2011 <<http://www.internationalrelations.house.gov/112/rus040111.pdf>>.

government's decision to expel the OSCE. These travel sanctions were a definitive response to the worsening situation in Belarus that included an obvious power grab by the Lukashenko government in the form of a fraudulent election in 2001, which was preceded by the 1999/2000 Union State Treaty that proclaimed the government's intention to form a union under the Russian constitution with a single government and single parliament. In "The Belarus Buckle: When Sanctions Work," Kramer and Wilson proclaim the success of this policy tool at exacting concessions from the regime without widespread harm to the Belarusian people. However, though the Lukashenko government acquiesced in the short term by re-authorizing the OSCE office and making superficial attempts at improving its human rights record, many of the same issues that existed in 2002 persist today.¹³ In the case of Belarus, it is not necessarily the sanctions policy itself that challenges the efficacy of this option in the current circumstances but rather the long-term effects of American sanctions policy on Belarus in the last decade.

Though sanctions were lifted in 2003 following the re-admittance of the OSCE, the EU imposed travel restrictions once again in 2004 in response to a European Council report outlining the Lukashenko regime's human rights abuses, including its likely connection with the disappearance of four citizens with links to the political opposition in 1999 and 2000. The next trigger event was the spring 2004 national referendum that extended the president's term limits, and an election cycle that produced no opposition representation in parliament – another egregious power grab by the Lukashenko regime.

The protests that followed the parliamentary elections were quashed quickly and brutally, resulting in dozens of arrests. The EU and U.S. responded in kind; the EU extended travel restrictions on members of the regime while the U.S. re-imposed economic sanctions on the government under the Belarus Democracy Act of 2004, as well as a visa ban in accordance with EU actions. The Belarus Democracy Act of 2004 provided for support of civil society in Belarus, radio broadcasts to Belarus and sanctions on any companies looking to do business with Belarus, including the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank.¹⁴

¹³ David J. Kramer and Damon Wilson, "When Sanctions Work: The Belarus Buckle," *The American Interest* (November – December 2010).

¹⁴ Belarus Democracy Act of 2004, U.S. Congress, October 20, 2004, <<http://chris-smith.house.gov/uploadedfiles/pl108347.pdf>>.

The George W. Bush administration placed continued pressure on the Belarusian regime and ratcheted up its rhetoric in 2006 following a congressional report that condemned the regime for weapons sales to Iran and Saudi Arabia, as well as accusing it of large scale corruption. The administration sharply criticized the 2006 presidential elections and a White House spokesman stated that the U.S. did not accept the results of the election. These sentiments were echoed by the EU and the OSCE, which also criticized the lack of transparency in the early voting process and particularly during the vote count. Unsurprisingly, the protests following the presidential election were quickly repressed and resulted in hundreds of arrests in the week after the election.¹⁵ The Belarus Democracy Act of 2006 became law in January 2007. It called for the immediate release of all political prisoners, refused to accept the results of the 2006 presidential elections, supported new presidential elections and refused to accept the results of any referendum that affected the status of Belarus's sovereignty. The bill also provided for an entry ban on senior government officials, economic sanctions on the government of Belarus including but not limited to loans or guarantees, trade assistance and a freeze of any U.S. assets.¹⁶

The following year was incredibly tense, as the U.S. and EU put forward a position of selective engagement in which sanctions would be softened if political prisoners, including 2006 presidential candidate Alexander Kazulin who was jailed following the presidential election, were released. The U.S. increased pressure on the regime in November 2007 by freezing the U.S. assets of state owned oil and petrochemicals company, Belneftekhim and prohibited American businesses from doing business with it. The administration clarified these sanctions in March 2008, stating that they applied to the assets of all firms in which Belneftekhim was the majority stakeholder. In the interim, the Belarusian regime began to release political prisoners; however, the release of Kazulin was delayed until August 2008, after diplomatic tensions came to a head between the two countries, resulting in the withdrawal of both ambassadors, under the declaration of *persona non grata*, and drastic reductions in the sizes of both embassies.¹⁷

¹⁵“OSCE/ODIHR Election Mission Observation Report: Republic of Belarus, Presidential Election 19 March 2006,” OSCE, June 2006, < <http://www.osce.org/odihr/elections/belarus/19395>>, p. 3.

¹⁶ Belarus Democracy Reauthorization Act of 2006 (H.R. 5948), Passed December 2006 < <http://thomas.loc.gov/cgi-bin/bdquery/z?d109:HR05948:@@@D&summ2=m&>>.

¹⁷ Steven Woehrel, “Belarus: Background and U.S. Policy Concerns,” *Congressional Research Service*, February 1, 2011 < <http://www.fas.org/sgp/crs/row/RL32534.pdf>>, p. 9 and David J. Kramer and Damon Wilson, “When Sanctions Work: The Belarus Buckle,” *The American Interest* (November – December 2010).

This historical approach to U.S. and EU sanctions policies illustrates the Lukashenko regime's strategy well, highlighting the cycle of political concessions in anticipation of economic rewards – bridge loans, increased economic assistance or technical expertise. This strategy helps decipher the regime's intentions, crystallizing this “biding time” pattern, but also exposes the reactionary nature of Western policy toward Belarus. Judging from this sanctions/engagement cycle, neither the U.S. nor the EU has had comprehensive strategies to achieve their foreign policy objectives in Belarus since the beginning of the Postcommunist period. Without a concerted effort to identify and prioritize goals and strategies, it is unsurprising that Western policy is floundering in the wake of the 2010 presidential elections, post-election crackdown and serious economic crisis.

The Current Situation

The most recent debate about the viability of sanctions on the Lukashenko regime is closely related to the issue of whether or not the Lukashenko regime is prepared to reform, or if regime change is the only path to a democratic Belarus. The December 2010 presidential elections were preceded by a period of relative openness in Belarus. The pre-election environment was marked by improvements in the playing field, including the chance for opposition presidential candidates to utilize airtime in state-owned television to disseminate their message. Similarly, visits by a number of EU officials reinforced the message that free and fair elections in Belarus would be rewarded with closer relations to the EU and the chance to reach a greater level of cooperation in the Eastern Partnership program. This attitude was epitomized by Polish Foreign Minister Radoslaw Sikorski's offer of 4 billion euro in EU loans and credits should Belarus conduct a free and fair election. This environment in Belarus combined with heightened Western attention to engagement also fostered optimism in the NGO community in Belarus and Lithuania. The result could not have been more different, crushing Western hopes that Belarus would move in a more democratic direction. Though the voting process was relatively fair, the OSCE identified the vote count as one of the most problematic aspects, rating it “bad” or “very bad” in most locations.

Election observers were not given access to areas in which the votes were being counted, or were often forced to stand back from the counting area and were unable to see the process take place.¹⁸

One election observer recalled her experience at Belarusian Human Rights House in Vilnius. She voted at her polling station in Minsk the morning of December 19th, spoiling her ballot. She returned in the afternoon to serve her shift as a monitor and during the vote count, she was told to stand several feet away from the counting table, behind a line, while several members of the Central Election Council stood with their backs to her during the count. Once it was over, they declared that all votes had been cast for Lukashenko but two. She demanded to see the ballots and when neither of them was her spoiled ballot, she revealed that she had spoiled her ballot and requested to see her ballot. When the vote counter finally found it, her spoiled ballot was in the pile for Lukashenko.

In spite of legitimate concerns about the fairness of the electoral process, the most shocking part of the presidential election, for citizens and the international community, was the brutal crackdown that followed the election night protests. Thousands of people took to the streets of Minsk on December 19th and the large crowd remained peaceful until a few protestors began to attack government buildings in October Square. After the vandalism began, riot police descended on the square, beating and arresting hundreds including seven of the nine opposition presidential candidates, four of whom were taken into custody. Other raids were carried out that evening on opposition figures not in the square, including Uladzimir Nikalayeu who was conducting a protest with members of his “Tell the Truth” campaign. Subsequent analysis of the news footage from October Square revealed that the protestors who initiated the attacks on the government buildings were agents of the regime. This evidence, when combined with other police raids and arrests that evening, leads to the conclusion that the crackdown was a coordinated premeditated event.

The crackdown continued well beyond December 19th and raids of businesses and home became commonplace. Citizens with opposition ties were threatened, beaten, detained and interrogated by the KGB. At Belarus Human Rights House based in Vilnius, one young man

¹⁸ “Republic of Belarus: Presidential Election, December 19, 2010, OSCE/ODIHR Election Observation Mission Final Report,” *OSCE Office for Democratic Institutions and Human Rights*, February 22, 2011, p. 1-2 <<http://www.osce.org/odihr/75713>>.

discussed his experience in the days following the election. After having worked for an opposition political candidate during the campaign, and protesting the elections in October Square, he was called in for questioning by the KGB. The security forces threatened to frame him for a crime should he continue to be politically active; they also threatened his family with the repercussions of his actions. Instead of taking this risk, the young man fled the country by train and sought refuge in Vilnius.

In the weeks following the presidential election, the Western diplomatic community expressed their outrage at Lukashenko's decision. The EU and U.S. coordinated their policy responses, issuing joint statements condemning the actions of the Lukashenko regime and calling for the release of all political prisoners. As was the case following the other trigger events, both the U.S. and EU quickly turned to sanctions as the policy tool of choice. The U.S. government vowed to reevaluate its sanctions policy and would likely increase both its travel and economic sanctions on the regime. Though the EU did not initially impose economic sanctions, it expanded travel sanctions on the regime and imposed an asset freeze. EU High Representative for Foreign Affairs, Catherine Ashton has left open the possibility of imposing economic sanctions on Belarus but the EU has not made a final decision on this matter.

Following the 2010 presidential elections, Representative Chris Smith (R-NJ) introduced the Belarus Democracy Reauthorization Act of 2011. The bill was forward from the subcommittee on Africa, Global Health and Human Rights (House Foreign Affairs) to the full committee in April 2011 and is slowly making it through the legislative process. Despite continued media attention to the issue and strong rhetoric by the State Department, the bill has been slow to garner attention and support in Congress. The financial sanctions put forth by the legislation include: revoking the general license that had temporarily authorized U.S. persons to engage in transactions with Lakokraska OAO and Polotsk Steklovolokno OAO, two subsidiaries of Belarus's largest state-owned petroleum and chemical conglomerate, Belneftekhim. Furthermore, all transactions with Belneftekhim and its subsidiaries are now blocked pursuant to Executive Order 13405. The U.S. is also working to impose financial sanctions on additional individuals and entities pursuant to Executive Order 13405. The criteria for inclusion on these lists are participation in "actions or policies that undermine democratic processes or institutions, or responsibility for human rights abuses related to political repression." The legislation also

calls for the U.S. to expand significantly the list of Belarusian officials subject to travel restrictions. The government will “enforce those restrictions to prevent the entry into the U.S. of individuals (and their family members) that are responsible for actions or policies related to the crackdown that began December 19, [2010].”¹⁹

At the donors’ conference in Warsaw, Poland in early February 2011, the U.S. government announced its commitment to provide an additional \$4 million to support democracy-related programs in Belarus in the coming fiscal year. This funding is in addition to the over \$11 million the U.S. government provided for 2010. The money will be used to promote the free expression of political views, civil society development, media freedom, access to information, and the ability of citizens to expand their contact with open societies.²⁰

The EU’s response centered on its decision to re-impose travel sanctions and an asset freeze for many government officials in response to the fraudulent elections, continued crackdown and the regime’s refusal to release political prisoners. The creation of the list was coordinated with the U.S. to ensure that both countries agree on the participants, which number about 2,000 including members of the regime and their families.²¹ The EU continues to leave open the possibility of imposing economic sanctions on Belarus.²²

Arguably the most important policy change in response to the post-election crackdown has been several countries’ decisions to reduce visa fees for Belarusian citizens looking to enter European countries. Poland, along with Germany and others have implemented reduced fees but there is no comprehensive regime that dictates this policy as of yet.²³ The donor’s conference held in Warsaw, Poland in February 2011 also reinforced the West’s focus on aiding civil society and political opposition groups in Belarus, as well as working to find ways to expose more Belarusians to the Western way of life. The conference, organized by the Polish government, brought together representatives from over 40 nations from Europe and North America and

¹⁹ Phillip J. Crowley, “Press Statement: Belarus Sanctions,” *United States Department of State*, January 31, 2011, <<http://www.state.gov/r/pa/prs/ps/2011/01/155640.htm>>.

²⁰ <http://www.internationalrelations.house.gov/112/rus040111.pdf>

²¹ Reuters, “Belarus Releases Detainees as EU Reverses Sanctions”, January 29, 2011 <<http://www.reuters.com/article/2011/01/29/us-belarus-release-idUSTRE70S3IC20110129>>.

²² “EU Prepares New Sanctions against Belarus,” RIA Novosti, March 10, 2011, <<http://en.rian.ru/world/20110310/162939742.html>>.

²³ “Germany Eased Visa Regime for Belarusian Children,” Office for a Democratic Belarus, April 5, 2011, <<http://www.democraticbelarus.eu/node/12098>>; “Poland Waives Visa Fees for Belarusian Nationals,” Voice of America, December 29, 2010, <<http://www.voanews.com/english/news/europe/Poland-Waives-Visa-Fees-for-Belarus-Nationals-112619869.html>>.

succeeded in gathering pledges totaling over \$100 million to assist the people of Belarus. The U.S. and EU are coordinating assistance efforts in order to maximize impact.²⁴

Policy Impacts of the Current Sanctions Regimes

The most important question in the current debate is: will these sanctions be effective at weakening the Lukashenko regime and incentivizing democratic reform? From 2007 to 2009, the U.S. government's decision to impose targeted sanctions on state-owned company Belneftekhim, and subsequently its majority-owned subsidiaries, led to a drop in Belarusian exports to the U.S. from \$1.1 billion to \$170 million, and in 2008 the Belarusian government released all of its political prisoners. This stance is held by the U.S. government, as well as longtime sanctions-advocates David Kramer and Damon Wilson whose article, "When Sanctions Work: The Belarus Buckle," has been a rallying point for supporters of economic sanctions.

Though economic sanctions have been a longtime U.S. policy tool in its dealings with Belarus, the economic argument against sanctions should be noted here as well. Traditionally, economic studies cite alternative sources of goods and/or markets as an important negative factor, as well as emphasizing sanctions' adverse effects on a country's citizens rather than the political regime. Moreover, scholars point out the high costs of maintaining sanctions regimes and their potentially deleterious effects on American businesses, increasing costs and decreasing efficiency. As Richard Haass notes, targeted economic sanctions are more effective than comprehensive ones, because they have a greater chance of directly affecting their target.²⁵ In this respect, the U.S. sanctions on Belarus are as economically impactful as possible, given that they target specific state-owned enterprises that conduct business with the U.S.

Coordinated travel sanctions and an asset freeze will be effective at tarnishing Lukashenko's image and will prevent him and other members of the regime from travelling to Europe and accessing their accounts abroad, sending clear political signals that the U.S. and EU will not normalize relations until all political prisoners are released. Still, the EU's inability to make a decision on economic sanctions weakens the current approach, highlighting the EU's internal divisions rather than the concerted efforts of the U.S. and EU. In a quantitative sense, the

²⁴ Daniel Russell Testimony, House Foreign Affairs Subcommittee on Europe and Eurasia, April 1, 2011 <<http://www.internationalrelations.house.gov/112/rus040111.pdf>>.

²⁵ Richard Haass, "Sanctioning Madness," *Foreign Affairs* (November-December, 1997).

addition of EU economic sanctions would place greater pressure on Belarus, given the relatively high volume of trade between the two, particularly in refined oil products that are exported to the Netherlands (about 17% of Belarusian exports) and then put on the European market. The UK is another large consumer of Belarusian oil products – it represents 3.75% of Belarusian exports, 96% of which are mineral fuels and refined oil products.²⁶ To Haass’s point, targeted economic sanctions will underperform without Russian involvement, as the Belarusian government will substitute by re-orienting its markets.

Engagement

Multifaceted Policies from Independence through December 2010

Engagement has been an important element of U.S. and European policies toward Belarus throughout the Postcommunist period. The relationship began on a positive note, under the interim Sushkevich government and this relationship remained solid through Belarus’s initial period of reform leading up to the 1994 presidential election. However, Lukashenko’s victory and his promise to reinstate the Soviet social contract began to chafe at the relationship. Subsequent attempts to consolidate political power and the regime’s disregard for human rights challenged the engagement policy approach and initiated the current cycle of sanctions. Still, limited, conditional engagement has been the underlying policy for most of the Lukashenko regime’s tenure.

The lead up to the December 2010 presidential election in Belarus was characterized by reinvigorated engagement policies in both the U.S. and Europe. The EU’s Eastern Partnership (EaP) program provided a venue for limited political engagement, which European leaders used as a jumping off point for this new strategy. The foundation document for the Eastern Partnership program with Belarus expresses the EU’s wish to deepen relations with Belarus by increasing person-to-person contact, increasing business opportunities and strengthening economic and trade relations. However, the policies of Lukashenko’s authoritarian regime prevented the EU from engaging Belarus in the full scope of EaP, including the bilateral engagement policies. It was invited to take part in the multilateral engagement track, but could

²⁶ “Belarus,” United Nations Trade Commission (UN Comtrade), 2009, p. 2.

not be engaged further until basic requirements such as free elections, freedom of the press and expression and an end to gross human rights abuses were addressed by the regime.²⁷

Though the formal policy of EU engagement was limited, bilateral engagement experienced a boost during this period as Foreign Ministers Radoslaw Sikorski, Guido Westerwelle and Carl Bildt saw a chance to engage the regime and the opposition in the months leading up to the presidential election. The logic for the policy of engagement stems from the ineffectiveness of the current sanctions policy. Coordinated U.S. and EU engagement can provide a strong incentive to improve diplomatic relations by offering political and economic incentives; however, engagement should remain conditional upon specific improvements in the areas of electoral integrity, human rights and corruption undertaken by the Lukashenko regime.

In a show of diplomatic outreach, Foreign Ministers Sikorski and Westerwelle visited Minsk in November 2010. They held meetings with President Lukashenko and his Foreign Minister Simon Martynau to discuss the upcoming elections and the prospects for greater bilateral cooperation between Belarus and the EU. Following the meetings, Minister Sikorski held a press conference announcing that the Belarusian government would receive 3 billion euro in from the EU over three years, if they held free and fair elections. The Foreign Ministers also met with members of the political opposition, including several presidential candidates to emphasize the EU's strong support for civil society in Belarus.

Economic engagement is also a key to this strategy, as the EU's soft power – the promise of its prosperous social model – is an important point of attraction. And while economic engagement indirectly supports the regime, particularly given the high percentage of state-owned enterprises, as Orenstein notes it may also be necessary for the emergence of a democratic Belarus.²⁸ The potential for economic engagement is becoming increasingly important as Belarus slips deeper and deeper into economic crisis. Though World Bank IMF programs predate the current economic crisis, their presence in Belarus has the ability to provide the regime with solutions to stabilize the situation and carry out a slow, negotiated program to privatize state-owned assets, which account for the majority of Belarus's economy.

²⁷ "What the EU Can Bring to Belarus," *European Union*, <http://eeas.europa.eu/delegations/belarus/documents/eu_belarus/non_paper_1106.pdf>.

²⁸ Mitchell Orenstein, "Cracks Deepen in Belarus's Repressive Regime," *UK Guardian*, February 9, 2011, <<http://www.guardian.co.uk/commentisfree/2011/feb/09/belarus-lukashenko-turning-point>>.

The World Bank's privatization program is in place, has identified unprofitable state-owned enterprises and has established a process through which to privatize these enterprises. In addition, the IMF came into Belarus at the government's behest following the financial crisis. It provided \$2.5 billion in 2008 and increased that sum to \$3.5 billion in 2009 due to the country's continued economic hardship as a result of low global demand for exports and currency volatility; however, this increased support came with a new adjustment strategy that provided for greater exchange rate flexibility and tight fiscal and monetary policy.²⁹ These programs have established both a program framework and a rapport between officials that could be essential in helping Belarus navigate this crisis without a high degree of Russian involvement.

Western economic engagement can play a transformative role in Belarus's future. Given its dwindling foreign exchange reserves, Belarus is looking to loans from Russia and the sale of strategic state-owned assets to Russia as ways to keep the country afloat. However, the influence of international financial organizations on the privatization process could prevent Belarus from sliding into Russian-style oligarchic capitalism.

Current Engagement Policy – Defining New Roles for Political and Economic Engagement

The brutality of the crackdown precipitated by the election night protests deeply undermined the engagement approach. Proponents such as Radoslaw Sikorski, Guido Westerwelle and Carl Bildt were sorely disappointed with the results of the election, as the crackdown signaled the Lukashenko regime's dismissal of the 4 billion euro offered by the EU, in the form of aid and loans to the regime, should they hold a free and fair election. The subtext of this refusal was that they had received a better offer – a deal on oil imports that included a price renegotiation and a customs union with Russia and Kazakhstan.³⁰

Significant credence was given to the engagement approach in the lead-up to the December 2010 elections, as the relatively open pre-election environment led many policymakers to believe that given the right set of incentives, Lukashenko would consent to having a relatively free and fair election. The brutal crackdown that followed the election was a

²⁹ "IMF Executive Board Completes First Review under Stand-By Arrangement with Belarus, Approves \$679.2 Million Disbursement, and Increases Financial Support to US \$3.52 Billion," *International Monetary Fund (IMF)* <<http://www.imf.org/external/np/sec/pr/2009/pr09241.htm>>.

³⁰ Judy Dempsey, "European Engagement with Belarus Takes a Blow," *The New York Times*, December 23, 2010.

harsh reminder of the Lukashenko regime's objectives, undermining the engagement argument. Though the strong response of the U.S and EU policymakers who had supported the engagement approach prevented the argument from losing all ground, the longer the crackdown has continued, the more this position has eroded.

European proponents like Sikorski moved quickly to mobilize the international community to support the Belarusian opposition; the Warsaw donor's conference in early February was an important first response to the Lukashenko regime's crackdown but can't suffice for a new policy strategy. The Obama administration's policy of "principled engagement" represents the strongest strain of engagement rhetoric in the current debate. As Deputy Assistant Secretary of State for European and Eurasian Affairs, Daniel Russell stated, the U.S.'s current policy focuses on engagement that centers on democracy and human rights, a continuation of a longstanding U.S. policy.³¹

The Current Policy Debate – Is Reform Possible under the Current Regime?

The current debate is coalescing around the question of whether or not the Lukashenko regime will reform or whether regime change is the only path to democratic reform in Belarus, and what regime change could look like. Vitali Silitski articulated this point well, lauding the U.S. and EU policies that supported civil society and the political opposition, which created the conditions for Belarus-EU dialogue. He also points to the comparatively open atmosphere at the end of 2010 as a pre-condition for helping the opposition enter into the public sphere. However, drawing a parallel to Franco's Spain, he notes that the strategy of inclusion has probably exhausted the regime's capacity for democratic change.³² Thus, the policy sea change underway in the U.S. and EU is not necessarily the result of a policy failure, but rather its exhaustion given the changing environment in Belarus.

Since the 2010 elections, the supporters of regime change have become increasingly vocal: after a decade of tussling over human rights and Belarus's relationship with Russia in the face of both travel and economic sanctions, the calls for regime change are increasing. This illuminates the realization of many that, despite the best efforts of U.S. and European

³¹ Daniel Russell, "Testimony to the House Foreign Affairs Committee," U.S. Department of State, April 1, 2011.

³² Vitali Silitski, "The Wrong Model for Belarus," European Voice, February 17, 2011.

policymakers, the Lukashenko regime has no intention of enacting the democratic reforms the West demands, and is only concerned with buying time until the regime can solve the problem at hand – conditionality has failed in Belarus.

Unresolved Questions – Economic Engagement and Sanctions, Evaluating the Tradeoffs

Both the U.S. and EU have continued to approach Belarus using a strategy of conditional political engagement, seeking to support civil society and political opposition initiatives while limiting contact with official government personnel until certain conditions are met, specifically the release of all political prisoners. Though there is widespread agreement on the aforementioned issue, economic engagement and targeted economic sanctions persist as points of debate within and between the U.S. and EU.

Economic engagement remains contentious, particularly with hard liners within the U.S., because of the tradeoffs between indirect economic support for the regime through trade and fostering relationships that have the potential to help topple the regime. In his op-ed “Cracks Deepen in Belarus’s Repressive Regime,” Mitchell Orenstein favors economic engagement, under the right political conditions, because of its central role in promoting the emergence of a democratic Belarus.³³ Edward Lucas comes to a similar conclusion, citing the reorientation of trade from Russia to the EU as the West’s greatest success in Belarus during the Postcommunist period. He emphasizes the broad social and economic impacts of this change and suggests low level initiatives that could improve people to people contact and facilitate trade – translating the EU rulebook into Russian and establishing a Fulbright-style program for Belarusian students.³⁴ These initiatives highlight the nexus of the social and economic spheres, and illustrating the potential for positive spillover effects from economic engagement policies.

The large state-owned sector in Belarus complicates the question of outside economic engagement. Closer trade and business relations have the potential to strengthen the regime at a systemic level, by improving economic performance, while undermining the economic model at the worker level through exposure to a different economic model. More importantly, economic

³³ Mitchell Orenstein, “Cracks Deepen in Belarus’s Repressive Regime,” UK Guardian, February 9, 2011, <<http://www.guardian.co.uk/commentisfree/2011/feb/09/belarus-lukashenko-turning-point>>.

³⁴ Edward Lucas, “What the West Gets Wrong about Belarus,” Central Europe Digest (May 2, 2011) <http://cepa.org/ced/view.aspx?record_id=301>.

engagement policies have the potential to provide valuable outside experience for firms, which will eventually need to compete in the world market; this will ease the future transition from a heavily managed economy to a market-based one. This point is particularly relevant given the history of chaotic mass privatization efforts in Central and Eastern Europe during the 1990s, and the Ministry of Foreign Affairs' stated fear of repeating the Russian experience with privatization.³⁵

Economic sanctions remain another matter of serious debate within the EU. Catherine Ashton, EU High Representative for Foreign Affairs has kept the policy options for Belarus under frequent review since January 2011. However, her refusal to offer any information on this issue has fueled speculation about the nature of disagreements between member states, undermining the EU's intention to speak with one voice. The latest official position comes from the April 2011 meeting of the Foreign Affairs Council which concluded with a commitment to work on "options for further measures."³⁶ However, subsequent inklings of a plan for economic sanctions developed in May 2011, including a list of potential target companies which named petroleum products companies Belneftekhim and Triple, as well as arms exporter Beltechexport and fertilizer maker Belaruskalii. If harsh enough, these sanctions would have an important national economic impact, but would be limited in their effectiveness to constrict Lukashenko's fortune; a concerted attempt at that would require an intelligence operation that no EU member state is willing to undertake at the moment.³⁷

Despite these rumors, economic sanctions remain complicated by the large commercial relationship between Belarus and the EU 27, which spans from transit, to cross-border trade, finance and banking. The breadth and depth of the economic relationship creates a concrete downside for European business interests operating with or in Belarus. The Netherlands is Belarus's second largest single-country export market following Russia, with 98.6% of those exports classified as "mineral fuels, lubricants and related materials" in 2009. Exports from Belarus to the Netherlands that year totaled \$3.68 billion. Though the Netherlands primarily serves as a market for these refined fuel products, it still represents about 17% of Belarus's total

³⁵ Katherine Weber, Notes from Ministry of Foreign Affairs Meeting, Republic of Belarus, January 13, 2011.

³⁶ "Press Release: Foreign Affairs," Council of the European Union, April 12, 2011
<http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/121506.pdf>, p. 14.

³⁷ Andrew Rettman, "EU Fine-Tuning Next Round of Belarus Sanctions," EU Observer, May 16, 2011
<<http://euobserver.com/9/32338>>.

exports. Furthermore, the total share of EU countries that comprise Belarus's major export partners is about 39% of its world exports. Section three commodities, mineral fuels, lubricants and related materials also represent the largest share of Belarusian exports to its principal EU export markets.³⁸ This clearly shows the direction of trade flows and the sector in which they are most important, providing a clear opportunity for targeted sanctions should the EU come to a consensus on the issue.

The Current State of Play

The results of the December 2010 election and continuing crackdown on political activists and the foreign and domestic media illustrate the ineffectiveness of the current EU and U.S. policies toward Belarus. The current policy framework is outdated, and intermittent sanctions will not continue to extract meaningful concessions from the Lukashenko regime. The cycle of Belarusian and Western policies has become clear over time; the EU and U.S. seek to punish the Lukashenko regime for bad behavior, on everything from continued human rights abuses to lack of political freedom, using a combination of political and economic sanctions and asset freezes. Though these policies may be effective in the short-term, once the Lukashenko regime develops a need for funding, aid or loans, but they have not provided long-term successes with regard to democratic opening in Belarus.

These policies are further weakened by the stagnation of EU policy toward Belarus in the last decade; the asset freeze and travel sanctions in place today are not much different from the same policies first put in place over a decade ago. The prolonged debate within the EU about economic sanctions continues to weaken its political position by displaying its major structural weakness – indecision. Despite the EU's willingness to offer economic incentives, including deeper and broader trade cooperation and \$4 billion in additional economic aid for holding a free and fair presidential election in December 2010, Belarus has repeatedly spurned these offers in favor of the Lukashenko regime's perceived interests. Lukashenko has only complied with EU demands in the attempt to buy time, forestalling an imminent crisis so the regime can wait to make its next move. Given the Lukashenko regime's strategy, a new policy approach is imperative in order to break the cycle of reactionary EU policy toward Belarus.

³⁸ "Belarus," United Nations Trade Commission (UN Comtrade), 2009, p. 1-2.

Section III: Moving Forward – From a Turbulent Present to What?

Belarus has gone through a turbulent period since the beginning of 2011, as the crackdown against political and civil society groups spread to the media; the country's balance of payments has continued to deteriorate prompting negotiations with Russia about a short-term loan; and unknown terrorists perpetrated a lethal bombing at a subway station in central Minsk. The country's serious economic crisis will be the next catalyst for change, as the EU continues to contemplate economic sanctions on state-owned enterprises including Belneftekhim, Triple, Beltechexport and Belaruskalii and negotiations with Russia intensify. Lukashenko is in a position where he needs to buy time, but the post-election crackdown has left Russia as his primary economic benefactor. The trajectory of the economic crisis is relatively clear, as it transitions from a balance of payments to a currency crisis, but the high price for Russian assistance remains undetermined. The mysterious subway bombing adds another element of dynamism and uncertainty to this situation, opening speculation about the perpetrators of the lethal bombing.

Economic Crisis – On the Brink

The severity of Belarus's economic crisis seems to increase daily, though the regime remains reticent to mitigate its effects without secure funding from Russia. Balance of payments problems have worsened throughout 2011, as Russia maintained its promise to phase out subsidies on oil exports to Belarus. The country's current account deficit is estimated at 16% of GDP, while its reserves have dipped below \$4 billion since March 2011. In early May, the Belarusian government sought to alleviate some pressure on the exchange rate by moving to parallel exchange rates; it allowed the interbank rate to float freely, precipitating a 30% depreciation of the ruble that seems to deepen daily; recent estimates put the ruble/dollar exchange rate at BYR 8,000 to USD 1, nearly double the official exchange rate.³⁹ Though the government has not officially devalued the ruble against the currency basket, this seems to be an increasingly viable option given the Central Bank's low reserve base and mounting pressure from international markets that question the credibility of the currency peg. Though devaluation would improve Belarus's competitiveness it would further damage living standards, challenging

³⁹ "Belarus Rouble Falls, Eyes Support from Russia," Reuters, May 19, 2011
<<http://www.reuters.com/article/2011/05/19/belarus-rouble-idUSLDE74I0HR20110519>>.

Lukashenko's already eroding social contract, and exacerbate increasing import prices.⁴⁰ This crisis has been further exacerbated by downgrades in Belarus's debt rating from both Standard & Poor's and Moody's to a B, five steps below investment grade, in March this year. The downgrades severely hampered Belarus's ability to borrow cheaply on the world market, increasing the necessity to reach out to Russia and other former Soviet states through Eurasec to garner financing.⁴¹

Negotiations with Russia and Eurasec have drawn out for months, as Belarus seeks \$3 billion in bridge financing to create a temporary solution for the current crisis. Though talks looked positive by late April 2011, the announcement that Belarus would not be able to secure more than \$1 billion in financing from Eurasec's regional fund came as a major blow, which was further exacerbated by Russia's refusal to cooperate in early May. Prime Minister Putin's visit to Minsk in mid-May solidified the prospect of Russian financing for Belarus, but the conditions remain outstanding.⁴² Most policymakers speculate that the Belarusian government will be forced to sell or "privatize" state assets for the benefit of Russian buyers, particularly natural gas transit infrastructure that runs between Belarus and Russia. In this scenario, Belarus would lose greater autonomy over its most important strategic assets, weakening its leverage with Russia with regard to price disputes for natural gas.⁴³ The geopolitical implications of greater Russian ownership of Belarusian strategic assets are important and long lasting. Not only will Belarus lose key access to its own transit infrastructure, including potentially lucrative assets, but it will tie itself to Russia inextricably. This greater closeness, and the establishment of a pattern in which Belarus is willing to relinquish such assets, brings it more tightly into Russia's orbit and further constraining the regime's future policy choices.

Minsk Metro Bombing – A Failure of Western Policy

⁴⁰ Jan Cienski, "Belarus – on the Brink?" Beyond Brics blog, *The Financial Times*, May 18, 2011 <<http://blogs.ft.com/beyond-brics/2011/05/18/belarus-on-the-brink/>>.

⁴¹ Scott Rose, "Belarus Debt Rating Cut at S&P on 'External Vulnerability,'" *Bloomberg*, March 15, 2011, <<http://www.bloomberg.com/news/2011-03-15/belarus-debt-rating-cut-at-s-p-on-external-vulnerability-1-.html>> and Daniel Bases, "Moody's Cuts Belarus Debt Rating to B2 from B1," *Reuters*, March 29, 2011 <<http://www.reuters.com/article/2011/03/29/belarus-moodys-downgrade-idUSN2928650020110329>>.

⁴² "Belarus to Get 'Russian Bail-Out' Worth \$3bn," *BBC News*, May 19, 2011 <<http://www.bbc.co.uk/news/world-europe-13462560>>.

⁴³ "Rebuffed by Russia, Belarus's Economic Crisis Deepens," *Radio Free Europe/Radio Liberty*, May 12, 2011 <http://www.rferl.org/content/belarus_rebuffed_by_russia_as_crisis_worsens/24099417.html> and Jan Cienski, "Belarus – on the Brink?" Beyond Brics blog, *The Financial Times*, May 18, 2011 <<http://blogs.ft.com/beyond-brics/2011/05/18/belarus-on-the-brink/>>.

The subway bombing in Minsk has further increased uncertainty about Belarus's future, largely because it remains so mysterious to Western observers and policymakers. Edward Lucas rightly describes this as a major failure of Western policy – analysts have no information about the terrorist group said to have perpetrated the attack, policymakers can't pinpoint factions within the regime that could be responsible and wouldn't know how to search for potential Russian involvement. He concludes that this event illustrates that “we know embarrassingly little about the real content of Russian-Belarusian relations.”⁴⁴

Regional Context – Russian Rapprochement and Fragile Stability in the Borderlands

Given the tumultuous situation in Belarus, U.S. and EU policymakers are faced with a number of difficult decisions regarding future policy in Belarus and the region. The deterioration in relations with Belarus in 2011 has come during a period of rapprochement between Poland and Russia and the U.S-Russian reset. Thus, diplomatic pushback against Russian involvement in Belarus has been relatively mild. Though Polish officials have acknowledged that their goals in Belarus and Russia will ultimately conflict, Poland in particular, has been pursuing both of these avenues avidly. Noted scholar Angela Stent crystallized this point when she noted that Russian foreign policy objectives include no expansion of Euro-Atlantic institutions, including NATO and the EU; the current leadership is trying to maintain the status quo.⁴⁵ Still, Western policymakers and some Belarusian political activists have encouraged Russian inclusion in discussions about policy toward Belarus, noting the truism that no change will come to Belarus without Russian acknowledgement and support.

Belarus's geographical situation is a manifestation of regional instability, as the borderlands between Russia and the EU seem to be caught between a rock and a hard place. Ukraine under President Viktor Yanukovich has exhibited increasingly pro-Russian tendencies, though it remains mired in a conflict between the EU and Russia over a forthcoming Deep and Comprehensive Free Trade Agreement with the EU and strong diplomatic posturing from Russia to the contrary. Meanwhile, the situation in Moldova has stagnated as domestic coalition politics have prevented the election of a new President since 2009. The question of Transnistria remains

⁴⁴ Edward Lucas, “What the West Gets Wrong about Belarus,” Central Europe Digest (May 2, 2011) <http://cepa.org/ced/view.aspx?record_id=301>.

⁴⁵ Katherine Weber, Notes from SAIS Conference on Eurasian Affairs, April 14, 2011.

open as well, as neither Russia nor the EU has moved to resolve the situation in the wake of political gridlock in the Moldovan government. The fragile stability of Belarus's geographic neighbors magnifies its situation, as strong Russian inroads into Belarus could precipitate a larger movement of this region closer to Russia. Certainly, these geopolitical implications aren't lost on the West or the Lukashenko regime but both seem to be biding time. The West is waiting to make a policy change until it becomes absolutely necessary, while the Lukashenko regime is buying time in order to maintain political power. However, with the serious economic crisis unfolding, the President may have finally run out of time, as he is forced to make a difficult decision with few options and few upsides.

Section IV: Conclusion and Policy Recommendations

Aleksandr Lukashenko's ability to buy time is finite; Belarus sits on the precipice of a severe economic crisis and the country's funding options are limited. Due to the brutal post-election crackdown, Western policymakers are wary of Belarusian advances and would require strict contingencies before providing any economic assistance. In addition, Lukashenko's longtime policy of playing the EU and Russia off of each other has caused the Kremlin to sour on him as well. Though Russia seems poised to offer Belarus the \$3 billion in bridge financing it seeks, the negotiations have dragged on for months as the Belarusian economy has continued to deteriorate; foreign exchange reserves now stand below \$4 billion and the ruble is trading on the interbank market at nearly double the official exchange rate. The price of Russian assistance will likely include strategic assets, most importantly natural gas transit infrastructure, eliminating any future price disputes between the two states and depriving Belarus of one of its most valuable state assets. Russian Prime Minister Vladimir Putin's most recent visit to Minsk in mid-May 2011 secured the prospect of funding but negotiations are continuing over the price of the assets and the terms of the loan.

The option for Western financing remains open, and the IMF has called for Belarus to seek its assistance, but it seems unlikely that Lukashenko would take this option so late in the game. Following his last bout with Western financing, \$3.44 billion in loans from the IMF over two years, Lukashenko appears reluctant to go through the effort to meet the necessary conditions over a period of several years. This is magnified by Belarus's decision to throw IMF recommendations to the wind following the final disbursement of its last loan, emphasizing the

regime's total disinterest in real reform. Given Belarus's turnaround in late 2010 and its gross human rights abuses following the presidential election, IMF conditions will be significantly stricter if Belarus seeks assistance in the future. However, the conditions attached to EU financing would likely be even more stringent, requiring deep democratic reforms and a sustained period of political opening. Again, Lukashenko's decision to dismiss the EU's \$4 billion economic incentive has hardened the position of many Western diplomats. As the situation has progressed, Lukashenko has made it clear that he prefers the known evils attached to Russian financing, rather than the unknowns associated with Western political and economic provisions.

This turbulent period for Belarus has also illustrated the failure of Western policy in the Postcommunist period. The West has largely been caught flat-footed in the wake of the brutal post-election crackdown, falling back on old policy tools and demonstrating the lack of a comprehensive strategy towards Belarus. The EU's failure to make a decision, positively or negatively, regarding economic sanctions has illustrated its weakness and the lack of consensus on these issues. The "Arab Spring" throughout the Middle East and North Africa has demonstrated how quickly change can come to a regime, particularly those perceived to be immutable, and the necessity of forming diplomatic contingency plans and comprehensive foreign policy strategies for even the most stable situations. Both the U.S. and EU have failed to accomplish this task, but the time to act is now, before Belarus falls off the precipice into economic free-fall or Russian conservatorship.

Western policymakers should consider a number of different factors when approaching the current situation in Belarus, including:

- Better coordination at the senior staff and policy planning levels between the State Department and the EU External Action Service in order facilitate joint contingency planning and strategy sessions regarding future political and economic developments in Belarus.
- Low level engagement policies that facilitate people-to-people contact and expose larger swaths of the Belarusian population to Western culture and values.
- Concerted efforts to expose Belarusian citizens to non-state media sources, including financial support for foreign radio and TV stations broadcasting to Belarus.

- A continuation of the approach of conditional political engagement, demanding the release of all political prisoners before initiating discussions on other political or economic issues, but not taking the option of future political engagement off of the table.
- The imposition of short-term targeted economic sanctions conditional on political improvements, with the goal of moving to a framework of economic engagement in the medium- to long-term.
- Greater communication about the EU's ongoing debate over economic sanctions, whether the outcome proves to be positive or negative, thereby turning the perceived weakness into a strength through an emphasis on transparency and the democratic process.

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