

A stylized world map composed of a grid of dots in various shades of gray, with several dots highlighted in red to represent specific countries.

# The European Union and Belarus

Time for a New Policy

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- Belarus today is neither looking to the West nor seeking accession to the European Union. This sets it clearly apart from Ukraine, Moldova and Georgia. If the European Union is to avoid permanent self-delusion and disappointment it must now find a change of course.
- For structural, historical/cultural and geopolitical reasons, Belarus has very little leeway for a Western alignment. And Belarusian society shows scant enthusiasm for throwing itself into »European experiments« of uncertain outcome. Nonetheless, the latest developments in the region and Belarusian foreign policy's traditional focus on the economic offer starting points for the EU to pursue a policy of incrementalism.
- Instead of pursuing externally-driven regime change – a venture doomed from the outset – it would make sense to build a stable infrastructure for dialogue with Belarus across the broadest range of issues. These could include selected areas of the economy, rule of law, social welfare, education policy, and the active inclusion of Belarus in EU negotiations with the Eurasian Economic Union. The European Union should also include civil society actors in the dialogue.

The European Union's relations with Belarus have been tense ever since President Alexander Lukashenka came to power more than twenty years ago. A long phase of political alienation began in the 1990s, with sanctions, »naming and shaming« Lukashenka as »Europe's last dictator« and the winding down of all official contacts. A brief thaw in the run-up to the December 2010 presidential election culminated in a joint visit to Minsk by the German and Polish foreign ministers, before a clamp-down by the Belarusian security forces immediately after the ballot led to another freeze in bilateral relations. Now, since mid-2014, events in Ukraine have unexpectedly drawn Minsk into the focus of European foreign policy as the venue for peace talks. Moreover, on the sidelines of the conflict, Minsk has been making cautious overtures towards the West. All the same, political and economic dependency on Russia is and remains the undeniable central vector of Belarusian foreign policy. The question now is how the European Union should respond to these recent signs of new openness.

## 1. New premises needed – Belarus not seeking EU integration

German Ostpolitik began with Egon Bahr's observation that one must begin by acknowledging the reality one wishes to change. If that holds true, a realignment of the European Union's policy towards Belarus is a matter of urgency. For a large part of the European Union's disappointment with Belarus appears to stem from a comparison with developments in the other countries of East-Central Europe since 1990/91. The latter rapidly re-structured their centrally planned economies and Soviet-style political systems into liberal market democracies. A clear political will on the part of political leaders was backed by the wishes of their populations to »return to the West« by joining the European Union and NATO.

Of course it was an obvious initial choice to apply that experience to developments in Belarus. But the Belarusian elites failed to act as expected. For twenty years now there have been no incisive changes in domestic or foreign policy. Minsk resolutely resists Western advice on economic policy, especially the »shock therapy« that once found a hearing in Warsaw and Moscow. Sometimes they speak of a Belarusian »market socialism«, sometimes of a »third way«. What can be said with certainty is that even in 2015 large parts of the economy remain

in state ownership; according to EBRD the private sector's share of GDP in 2010 was just 30 percent, and about 22 percent of the workforce are employed in state-owned industrial enterprises. To this day Belarusian society lacks any significant political force capable of injecting vigour into relations between Belarus and the rest of Europe. To that extent, seen from Berlin or Brussels, Belarus will always compare poorly to its western neighbours.

If, on the other hand, we prefer not to wallow in permanent disappointment, it is high time to accept that the implicit Western premise is false: Belarus is simply not looking towards the West of its own volition, and is not seeking to join the European Union either now or later. As such, it is clearly different to other post-Soviet states such as Ukraine, Georgia and Moldova. This assessment applies not only to the government, but also – and here we should harbour no illusions – to most of the population. The influence of history plays an important role: the close alliance with Russia, economic pragmatism, and a desire for stability, especially in light of the developments in Ukraine. German and European foreign policy must acknowledge this reality as the starting point for all ensuing action.

## 2. Why is Belarus different? The constants of Belarusian politics

The special features of Belarus that explain Minsk's scepticism towards EU integration and require a different political approach by the European Union can be summarised in the following seven points:

**a) An industrial state:** Many of the peculiarities of the Belarusian transformation path stem from its economic structure. Once one of the manufacturing centres of the Soviet Union, Belarus has remained an industrial economy processing and re-exporting raw materials and precursors, above all from Russia. Engineering and chemicals are the two largest sectors. Even during perestroika the Belarusian nomenklatura gained a reputation for resisting reforms, because their own industries produced comparatively high quality by Soviet standards, possessed relatively modern plants, and were not visibly in crisis. In Minsk's eyes, the subsequent deep recession of the early 1990s had external causes, specifically »chaos« in Moscow and the collapse of the old economic ties. The remedy for crisis was consequently seen less in privatisa-

tion and liberalisation than in a restoration of the old trade ties and the search for new markets for tractors, fuel and televisions »Made in Belarus«.

**b) A national conglomerate – »Belarus Ltd«:** Those characteristics have essentially survived to this day. The behaviour of Belarusian leaders makes more sense if one regards them not only as statesmen, but at the same time as managers of a nationwide conglomerate: »Belarus Ltd« with the president as CEO. This perspective also explains why Minsk is so reticent about attracting foreign direct investment. Fear of competition from within generally prevents the conclusion of the necessary agreements. At the same time, a country that is run like a business cannot be interested in integration into the market-led EU acquis. And even the ongoing contempt for fundamental workers' rights fits the picture of a patriarchal corporation that satisfies the most basic needs of its workforce, but refuses to grant them any influence. In this connection, the rulers' fear of social unrest leads them to avoid any restructuring with harsh side-effects and instead to continue the permanent cross-subsidisation of unprofitable state-owned companies by successful foreign-currency earners like potash miner Belaruskali and the refineries processing Russian oil.

**c) Russia:** The economic model described in the two preceding points depends existentially on close ties with Russia, both for supplies of precursors and raw materials and for privileged access to the Russian market. Herein lies the rational core of the policy of reintegration with Russia, which was already pursued under Lukashenka's predecessor and has reached a provisional high-point in the founding of the Eurasian Economic Union. At the same time, Minsk's pro-Moscow course has generated substantial Russian subsidisation of the Belarusian economy, for example through fuel price discounts, customs privileges and low-interest loans.

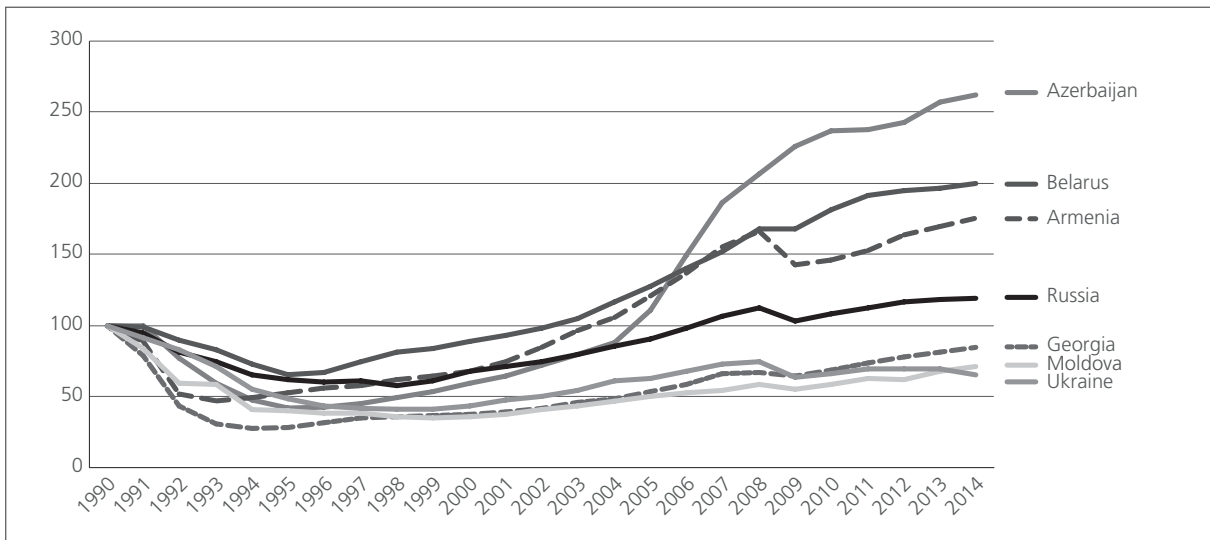
**d) Relative success:** In comparison to its post-Soviet neighbours – and in contradiction to widespread belief in Germany – Belarusian economic policy has to date been relatively successful. As Figure 1 shows, Belarus regained its 1990 economic output by 2003, some four years before Russia. Georgia, Moldova and Ukraine are all still poorer today than at the beginning of the transformation. In 2014 the average Belarusian enjoyed double the purchasing power of his or her Ukrainian neighbour (Figure 2).

**e) Popularity:** The relative success of the Belarusian economy probably explains why Minsk's political course has enjoyed such stable popularity over the past twenty years. There are also political and social factors. The calls to »break free of Moscow's influence« that find a broad hearing (often on the basis of historical confrontations) in many other East-Central European countries are outweighed by economic considerations in Belarus. On a deeper level, we must also acknowledge that a country that lost one quarter of its population during the German occupation in the Second World War, that has cultivated pride in its partisan tradition for seventy years, and experienced the Red Army as a genuine force of liberation simply stands at cross-purposes to the contemporary mainstream in Poland or the Baltic states. That tragic history also explains the ubiquitous preference for stability and the rejection of major social experiments. At the same time, a traditional conservatism leads to widespread rejection of certain values perceived as typically European, such as multiculturalism and tolerance of homosexuality. The discourse of a decadent Europe where Western Christian values no longer hold (»Gayropa«), which is also disseminated by Russian media, thus falls on fertile ground.

**f) Supposed lack of alternatives:** In this situation the European Union has failed to formulate an attractive alternative. The Belarusian population is well aware that the transformation in Poland and the Baltic states was accompanied by social hardship and the collapse of numerous major enterprises. But no reform concept can accomplish the »Europeanisation« of Belarus while preserving existing vested interests. Central benefits of European integration, such as freedom of travel and the possibility to study or work abroad, are attractive – if at all – to the younger section of society. For large parts of the population they simply appear irrelevant. Nor do the numbers speak for the European Union. Between 2006 and 2012 Belarus received about \$520 million in financial aid from the EU. But a considerable portion of those funds (various estimates put the figure around 60 percent) were »absorbed« by European partner organisations functioning as intermediaries. Russian direct and indirect subsidies for Belarus, on the other hand, amounted to about \$10 billion in 2012 alone. The Belarusian population is aware of these differences, from which little motivation for a turn to the West can be derived. As such, the events in Ukraine, which contrast starkly with the stability invoked over the decades in Belarus, were anything but helpful



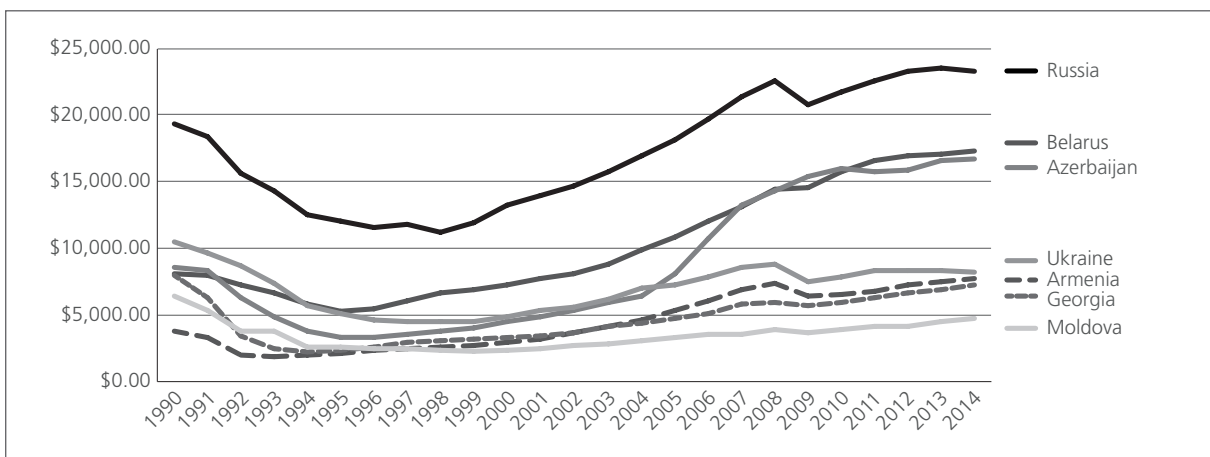
Figure 1: GDP 1990–2014



Note: 1990=100

Source: World Bank

Figure 2: Per capita GDP 1990–2014



Note: 2011 prices, US dollars, purchasing power parity

Source: World Bank

for pro-European voices in Belarusian society. According to the independent sociological research institute ISEPS, support for a (hypothetical) EU accession by Belarus fell in December 2015 to a new low of 19.8 percent, with opposition almost three times as strong at 56.1 percent. Given the total dominance of Russian media, fears that Moscow would react similarly if Belarus were to follow the same path as Ukraine also had a negative effect.

**g) No intrinsic turn to Europe:** Over the past twenty years a populist government drawing its legitimacy largely from moderate but tangible prosperity gains for broad sections of the population has continuously narrowed

the space for political opposition. At the same time, the opposition lacks a social base for pro-European or even just anti-Russian ideas. Attempts to mobilise public opinion for a turn to Europe thus have scant prospect of success. And this is one reason for the ineffectiveness of the sanctions practised for twenty years: Within Belarus there is no force capable of converting external pressure into internal political capital. For structural, historical/cultural and geopolitical reasons, Belarus thus possesses little leeway for a Westward shift. And at the same time its society has little stomach for »European experiments« of uncertain outcome.

### 3. Current trends in Belarusian politics

It is worth taking a look at the current situation in Belarus in light of these constants. In many respects, the points addressed above will be found to be confirmed. The dominance of the economic in political discourse is a case in point. The urgent need for loans, which could come from the IMF, from the Eurasian Economic Union or directly from Russia, has heightened the debate about possible economic reforms. Here a clear confrontation can be observed between the industrial lobby, which wants the state to maintain its dominance of the economy, and a team of young reformers. The Belarusian administration correctly assumes that a drastic collapse in incomes would be inevitable at the start of any incisive reform process. The first affected would be precisely those on whom the president relies most: workers in inefficient manufacturing enterprises and in agriculture, and state employees. Nor are structural economic reforms conceivable without liberalisations benefiting the private sector. But a growing middle class (or potentially even major companies in private hands) would themselves become actors in the sphere of politics – at the expense of a state administration accustomed to doing its own managing and planning. On the other side, realists in the administrative apparatus also realise that in the longer term failure to execute reforms will lead to a critical increase in the debt burden. Already in 2016 Belarus will have to raise \$3.3 billion for repayments on earlier loans. Unless the country's economic growth is spurred by reforms, the proposed \$3 billion IMF loan scheme will not even be enough to repay the earlier debts.

One can therefore assume that the ministries have plans ready prepared for a cautious policy of opening that seeks to preserve the macroeconomic balance. One important component of such a process would be to restructure the state sector, cutting direct state aid or distributing it more broadly in competitive mode (so to speak as »internal competition«), and abandoning loss-making operations to ease the burden on the state budget. The next steps would be a more effective distribution of labour and a strengthening of the social security system, to protect employment for people rather than loss-making jobs for their own sake. Finally, effective sub-markets would have to be developed or created. As in the entire post-Soviet space, the problem of sectoral monopolies remains unresolved, for example in the energy, municipal services and housing sectors. It would be important to establish a

functioning anti-monopoly authority, promote competition and liberalise price-setting.

In foreign policy terms, Belarus's geographical neighbourhood experienced fundamental change in 2015. By far the most incisive element was of course the events in Ukraine. The stance taken by Belarus in the conflict between Russia and Ukraine, and its successful diplomatic activities to establish Minsk as the central venue for peace talks, strengthened Belarus's position in the regional security system. The suddenly heightened interest of the European Union and the United States in expanding relations with Belarus in response to the regional instability opened up a new agenda with a »policy of small steps« towards the possibility of simplifying visa arrangements with the European Union and more active partial cooperation. From the Belarusian perspective, questions of economic cooperation are also of interest, influenced by sharp changes in Belarusian export markets caused by the collapse of the Russian and Ukrainian economies. The revision of the European neighbourhood policy discussed by the European Union in 2015, with its recognition of »stability« as an objective, is also raising hopes in Belarus that future relations could be managed more pragmatically.

### 4. Realistic objectives for the European Union's Belarus policy

The first condition for a realistic and successful Belarus policy is a sober assessment of the other side. One can certainly assume that both the political leadership and the population will approach the question of formulating their own »Westpolitik« with the utmost pragmatism. Even if the Russia-Georgia War of 2008 and the Ukraine crisis since 2014 each supplied an external opportunity for Minsk to test a relaxation towards the West, the search for material gains from international cooperation is central to Belarusian foreign policy, which is presently almost exclusively external economic policy. And in that respect the signs are clear: the overwhelming importance of financial support from Moscow is undeniable.

How should the objectives of German and European policy towards Belarus be defined? A maximalist approach is bound to end in disappointment. Furthermore, overambitious policy assertions by the European Union run the risk of awakening unfulfillable hopes in the pro-

gressive sections of Belarusian society. In a context of the very mixed results of the Eastern Partnership in the region and the very small resources deployed here in the past, modesty is advised. The European Union should concentrate on creating conditions that increase the likelihood of a positive social and economic transformation towards more democracy, rule of law and market economy. Progress towards that goal is most likely to be achieved through a policy of opening and small steps.


**a) No prospect of success for external regime change:** If one wishes to lastingly influence Belarusian realities from outside, and in the long term even change them, there is little point, as the facts outlined above indicate, insisting on a confrontative »naming and shaming« and building exclusively on a disunited opposition. The approach of bringing about lasting change from nearby European Union countries using exile structures is hardly going to lead to resounding successes on its own, however fundamentally important it is to communicate Western values. Especially in comparison to the extremely active Ukrainian civil society, Belarus lacks both the critical mass and the internal pressure for the emergence of a revolutionary situation.

**b) Permanent infrastructure of dialogue:** The spectrum of possibilities in the European Union's relations with Belarus is also restricted by the many preconditions imposed by the European Union in terms of observance of human rights and granting of democratic freedoms. If the European Union wishes to preserve its own credibility and demonstrate the compatibility of interest- and value-driven foreign policy, it cannot drop those demands unilaterally. On the other hand it is no contradiction, in a situation of regional instability following the »Euro-maidan« and the »war of neighbours« in neighbouring Ukraine, to seek a permanent infrastructure that can ease relations out of the purely diplomatic framework. A policy of preserving and securing peace is driven by both values and interests, and in fact represents the highest value, the fundamental precondition for every other turn for the better in the region. And here Belarus can play a role that is more important than it seemed just a short time ago.

**c) Sectoral cooperation – without conditions:** The basis for such a permanent infrastructure could be supplied by long-term sectoral cooperation projects, whose implementation should not be made conditional on the

momentary state of political relations. The more such projects are realised in a wide range of areas, the better. It would make sense to seek a dialogue with interested sections of the Belarusian administration about modernising »Belarus Ltd«, because the country's present economic model has run its course. GDP growth has ground to a halt since 2012, and fell by 3.9 percent in 2015 according to official sources. At the same time the dialogue on issues like energy efficiency, mobility, logistics and infrastructure can be used to advocate for the introduction of the standards required by rule of law – and also to demand them as a quid pro quo for investments. The flip side of economic reform and modernisation efforts is the employment situation. Here Germany, with its experience after reunification in 1990, has a particular contribution to make in consolidating (transformed) welfare state structures and identifying the path from Soviet-style paternalism to a »genuine« dialogue of social partners. In particular the Belarusian aversion to »shock therapy« can be addressed constructively. There would certainly be a hearing in Belarus, both in society and among the ruling elites, for a capitalism oriented on the European economic and social model.

**d) EU-EEU dialogue:** In the broader context Brussels and Berlin should consider taking the newly founded Eurasian Economic Union (EEU) a good deal more seriously as a negotiating partner than has been the case to date. Although this is a Russian-initiated geopolitical project that one could dismiss as »an attempt to revive the Soviet Union«, the EEU does not yet represent a real customs union (despite its ambitions), but is more a Swiss cheese of multifarious special rules and exceptions negotiated in an inter-governmental bargaining game. The fact that the smaller members Belarus and Kazakhstan find ways to assert their interests speaks for treating the project as more than simply a Russian hegemonic project. The participation of the smaller partners has created an institutional framework (incidentally oriented on the EU model right down to the name) that constrains unilateral action on the part of the much bigger partner. If, after the Ukrainian events, ideas about creating a free trade area extending from Lisbon to Vladivostok are on the table again, the discussion should be from market to market, and not exclusively with Russia. Given the Belarusian economy's extremely close ties with the Russian, Minsk is likely to show great interest in talks being conducted at this level, rather than »over their heads« with Moscow directly. On the other side, simply by accepting



the Eurasian Economic Union as a partner the European Union would symbolically enhance its status, a move that Russia would be unable to reject.

For a more rewarding cooperation it would therefore be worthwhile exploring Belarus's attitude to openness. Ultimately the point is to persuade Minsk that the West is treating it not as an enemy, but seeking greater political interaction for mutual benefit. That is ultimately the precondition for a transformation in the relationship. In the best case this would also bring the reform-willing forces of civil society (who are acting in the interests of the state) together with representatives of government. Rather than seeing every actor operating independently of the state as an agent of subversion, a partnership of state reform forces with corresponding sectors of civil society could – at least in certain policy fields – identify solutions for the common good.



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