Foreign Economic Policy of Belarus: EU to Catch the Moment

Foreign policy has always been a combination of economic and political issues influencing each other respectively. Having strong economic cooperation between two countries means certain guarantees and provision of convergence to foreign trade at one side but on the other hand it may also bring up strong dependence from one country’s markets and a field for political manipulation. The balance between positive and negative effects of such close economic relations is hard to be achieved especially in situation where a big gap between countries’ internal capital can be seen.

Concerning Belarus still there are few possible ways of future development. Agreements within the Eurasian Union remained mostly on paper rather then turned into a real action, and yet Russia shows quite a certain willingness to bring this structure out of the economical sphere into political one and use it as a source for Russia-centralized reunion. At the same time despite the irresistible contradictions between the course of the Belarusian authorities and the EU principles bilateral cooperation can be characterized as active one when both sides shows their interest in it too.

Background

Belarus’s two main partners in foreign trade are still Russia and the EU. Geopolitical situation provides a direct equal connection with those actors, but Russia is straight ahead.

Figure 1 – Amount of Ex-Im to the EU and Russia, millions of EUR

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1 Chart is based on the data from belstat.gov.by, epp.eurostat.ec.europa.eu, ec.europa.eu infoeuro service.
To see possible future tendencies past experience should be analyzed thoroughly. The main idea lies in the dualism of the situation in the Belarusian foreign economic policy and the main problematic question is whether complete dependence on one actor (especially if it serves for stability of the economy) is the only way and is the one-way convergence is so inevitable? What are actually real options for further course of the policy and what tendencies can be foreseen already by now?

Table 1 – SWOT analysis of Belarusian foreign economic policy

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Opportunities

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Again, the structure of foreign economic relations of Belarus has always been very much dependent on its geopolitical position: with no big reserves of natural resources it’s served as a territory for transit trade. In the period of the Soviet Union almost all big strategic economic objects were build for proceeding of natural resources from mostly Russia. After the 1991 without transformation in the processing infrastructure it soon returned into a tight relations with Russia in sphere of original materials such as oil and natural gas. For example, ever since 2005 Gazprom has been the sole supplier of natural gas which brings out almost complete dependence on electricity as long as it is generally generated from it. Russia is also almost sole supplier of oil too.²

In those terms it is also notable that Russia is the main direct investor as the biggest participant in the privatisation of Belarusian state companies. Between 2009-2012, more than 95% of Minsk’s proceeds from privatisation came from Russia’s purchase of Beltransgaz shares, Russia is also highly presented in the petrochemical, arms producing and telecommunication sectors.³ Despite this high level of cooperation some tensions in relations between Russia and Belarus can be noticed quite regularly. Not only Belarus seeks its support from the Eastern partner but also Russia indeed is in need of Belarus as of a closest partner. The Belarusian territory is used for transit of raw materials and goods to Kaliningrad and Western countries, it serves as a natural link between Kaliningrad and Russia in terms of military security and defence from NATO, also not all of the pipelines are owned by Russia yet and remain controlled by Belarus itself. All of this means that Moscow would not lower its level of involvement and support despite conflicts and tensions which occur.

Still political influence which Russia is trying to earn within the CU and other structures of the Eurasian integration does not lie only in sphere of Russia-Belarus reintegration plans.


Cooperation with Belarus is used as an example of proper profitable cooperation to show to other post-soviet countries, especially Ukraine, which is the territory of the high importance too.

Along with that big gap in Belarus-EU relations should be seen. It is obvious by now that the Eastern Partnership program launched in 2009 did not bring expected results and ever since no much achievements in the European cooperation were gained which at some extent allowed to deepen relations in the Russian direction. Though remaining mostly on the bilateral level the EU is still the second biggest foreign trade partner of Belarus, but the amounts of trade are nothing to compare.

Relationships with the EU and Belarus strongly depend on initiatives from the EU countries themselves. Having a problematic political issues on top the EU is still keeping a number of sanctions for Belarus which only makes movement towards the East faster. But positive tendencies can be seen also: for example, Belaruskali has just bought 30% of terminal in Klaipeda and sanctions from two Belarusian enterprises were lifted. But still it is a long way before Belarusian goods and services would meet the EU standarts. And maybe Russia itself will serve as a mechanism of pushing towards better level.

**Tendencies foreseen**

Russia’s entrance into the WTO meant changes for Belarus too. Some reformation has already been implemented such as obligation to reduce amount of agricultural subsidies from 16% to 10% by 2016 and some would come soon. Membership in the WTO also means better conditions for Russia for entrance to new markets and bigger competition with them for Belarus – Belarus’s strategically important exports to the Russian market have become more and more difficult for the less competitive Belarusian producers⁴ – which may force it to search for wider cooperation with other countries. Belarus may continue trying to fill some markets in the Arabian region, Latin America and South Asia but it seems that proper lobbying for tighter economic involvement from the closest European neighbours can have its result.

Obviously current situation shows that Belarus is considering to develop foreign relations with China following the similar course of Russia. But the programmes which have been started for implementation shall give its results not in the nearest future at any extent. And stabilizing passes should be found soon: both from economic and political points.

A lot should be taken from this year presidency of Lithuania in the EU. The transit of Belarusian goods is significant sources of income for the state budgets of Latvia and Lithuania. Even business associations and sole businessmen in those two countries has been lobbying actively for practical approach towards Belarus.⁵ For those countries the role of cooperation with Belarus is enormous but it is still hard to significantly change current foreign policy: no tensions with both the EU and Belarus can be allowed. That also tight up lobbying activity of the European neighbouring countries.

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That is why current opportunities such as the future Vilnius EaP Summit and pre-election period cannot be lost. Lukashenko will try to show cooperation with both the EU and Russia and to emphasise independence and diversity of the foreign policy. This willingness and some easing in diplomacy relation between the EU and Belarus which are particularly seen from release of Uladzimir Makiej, the Minister of Foreign Affairs of Belarus, from visa ban creates better atmosphere for building first of all economical cooperation which still remains the main field for active dialogue at least at bilateral level.

Conclusions

Tendency towards closer economic integration with Russia is obvious in foreign economic policy of Belarus. No other actor provides such entrance to its markets and plays such important role as a foreign investor. Russia’s involvement into external and internal economic situation in Belarus supported by numerous structure of the Eurasian integration allows it to influence at some extent also political issues. The Eurasian union contains an idea of a modern type of post-soviet countries integration with a paternalistic role of Kremlin. For Belarus it may bring certain threats of manipulation towards further integration, not only economical but also political.

Particularly there are no good prognoses for the future of the Belarusian economic model. Without serious reformation only more strategic sells to Russia within the plan on privatization will keep the situation still. At the same time in prospective of further integration and increase of possible political influence Minsk may try to seek for counterbalance and develop relations with other foreign economic partners.

That is where influence from the closest neighbours can be shown. The period of Lithuania’s presidency in the EU and future Vilnius summit shall be used to draw more attention to the situation with Belarus in more practical issues. Promotion of cooperation in sphere of high economic interest for both the EU neighbours and Belarus may cause positive trade tendency towards further diversification of it for the last one. The EU’s voice shall be stronger but still pragmatic: more developed relations allow to speak up more loud. And this article stresses the actuality of studying future alternatives in the scenario of foreign economic policy either towards further Eurasian integration or towards wider cooperation with the European neighbours.