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TIGHTENING AND DEVELOPMENT OF SANCTIONS AGAINST THE BELARUSIAN REGIME: Arguments “for” and “against”

Analytical publication

LAURYNAS JONAVIČIUS

The purpose of this analysis is to assess the principles of operation of economic sanctions, the arguments “for” and “against”, their effectiveness and the practical circumstances and consequences of their possible application in the context of discussions on the tightening of sanctions against the Belarusian regime.

What does the current experience of sanctions and its academic summary say about the conditions for the successful operation of sanctions and how many of these conditions exist in the case of Belarus? Could the tightening and development of sanctions (which are not the same thing) have a greater impact? Why are they necessary and why they might not work?

The analysis begins with a theoretical review the purpose of which is to explain the logic and principles of (economic) sanctions, the conditions and limits of effectiveness. This is done by reviewing the existing academic literature on the



LAURYNAS JONAVIČIUS is an Associate Expert at the Eastern Europe Studies Center and Political Science at Vilnius University. His research focuses on political developments and foreign policy of the Russian Federation and post-Soviet countries. He holds a PhD in International Relations from Vilnius University. He teaches the courses ‘Russian Studies’, ‘Russian Politics and Economy in a Post-Modern World’, and ‘Ukraine and Belarus Studies’. He worked as a foreign policy adviser to the President of the Republic of Lithuania from 2009–2014

application of sanctions. The second part of the analysis is devoted to the practical application of theoretical assumptions to the situation in Belarus – the theoretical perspectives of the scope and depth of the introduction of sanctions are assessed, the pros and cons of the application of sanctions are identified. The last part of the analysis focuses on recommendations and suggestions on which ways of putting pressure on the Belarusian regime could be most effective.

This text is not a political statement, it is an attempt to summarize academic research and use the resulting “best practices” in the situation in Belarus.

Different objectives of sanctions

Academic research identifies several key functions (objectives) that are pursued through (economic) sanctions. As academics summarize (Crawford and Klotz 1999; van Bergeijk and Biersteker, 2015), the typical objectives of sanctions are to:

1. Force the target to change behaviour (e.g. stop human rights abuses, hold free elections, stop supporting terrorists, etc.).
2. Limit the target’s ability to continue unwanted behaviour by increasing business costs.
3. Finally, sanctions very often perform a signalling (normative communication) function, i.e. demonstrate what behaviour is unsupported and unacceptable.

Since (economic) sanctions inevitably entail costs not only for the target but also for the sender, the willingness to bear those costs is already a strong message of the norms and

values that the sender is guided by and is prepared to suffer because of doing so. At the same time, it is a message not only to the target of sanctions, but to all other similar statesmen (regimes).

In the traditional sense, the logic of imposing economic sanctions on (authoritarian) regimes is based on the assumption that sanctions increase the costs of the regime’s behaviour, so the application of sanctions should create incentives to change such behaviour. Faced with economic difficulties due to sanctions, the regime has fewer resources to maintain its legitimacy in the eyes of the public and faces double pressure, both externally and internally, where public dissatisfaction with the regime’s policies grows or there is a possibility for the elite to split off (Kirshner 1997; Lektzian and Souva 2003; van Bergeijk and Biersteker, 2015). This is the ideal model for the operation of sanctions – the “naïve” theory of sanctions (Galtung, 1967) – which rarely proves to be true in practice.

Authoritarian regimes rarely take public opinion into account, so the response to sanctions can be different: while sanctions reduce the regime’s revenue and increase costs, authoritarian authorities certainly do not always yield to demands for behaviour change. A fairly common response to sanctions is that instead of a change in behaviour, the regime simply redistributes funds in order to ensure that the needs of those in power are met, i.e. reducing public revenues but increasing revenues for the pillars of support for the regime. The side effect of such a reaction is very often the increasing repression against opponents of the regime. In other words, naïve sanctions often have the opposite effect than expected, leading to broader use of broad economic sanctions against authoritarian states.

Sanctions and type of regime

The prospects for sanctions are also influenced by the type of (undemocratic) regime, whether it is a one-party, a military or a personalist regime (Peksen, 2019). Academic research suggests that one-party and military regimes are the most resilient to sanctions (directed against undemocratic regimes), while the vulnerability of personalist regimes may be higher due to underdeveloped institutional capacity to control society and high reliance on external support or rents from natural resources. While the Belarusian regime has the characteristics of a personalist regime, it also has characteristics that theoretically reduce its vulnerability to Western sanctions:

First, while it is indeed dependent on external support and, indirectly, on the rent of natural resources, Belarus depends not on the West but on Russia (Dyner, 2018).

Second, although personalistic, the Lukashenko regime has complete control over the country's security structures and has developed a trusted model for their control (Shraibman, 2020).

Both of these factors make Western sanctions less effective on Belarus, the possibility to offset the cost of sanctions by economic support from Russia still remains. The dissociation of security structures from the regime is also unlikely, as the regime has invested for many years in increasing the capacity of the coercive apparatus and, at the same time, loyalty. A regime that is personalistic and increasingly dependent on the loyalty of security structures tends to redistribute funds in favour of security structures, with the greatest repression against the rest of society. In addition, the regime's economic dependence on external

rents in the case of Belarus is related to Russia, which is a factor that negatively affects the impact of Western sanctions.

Effective and efficient sanctions

The objectives of sanctions may be different and their effectiveness should also be assessed separately from an analytical point of view.

According to Pala (2021), when assessing the “effectiveness” of sanctions, the latter should be understood as the ability to achieve the set objectives, and not just as a cost-benefit ratio, i.e. process evaluation (efficiency). This difference is important because, at least for the time being, Western policy towards the Belarusian regime has been dominated by a process orientation (“it is important to do something and agree on something”) rather than pursuit of an objective. The search for a common lowest denominator in the imposition and negotiation of sanctions within the EU is essentially an attempt to ensure an effective process that would not cost much politically (would not cause serious disagreements and would generally not prevent unanimity within the EU) and allow for at least some solution. However, such a focus on the process has so far not contributed in any way to the achievement of the defined objectives, i.e. was not effective in the literal sense. In the context of the impact on Belarus's processes, such a distinction between process orientation and the actual implementation of the objective creates constraints on EU policy and makes the policy partially efficient but not effective.

It should be emphasized, however, that the effectiveness of sanctions is in principle very difficult to measure and is often a subjective assessment by the sanctioner, which depends on the interplay of available intentions, capabilities and interests. Sometimes even the very

fact of imposing sanctions can be considered a success, as the sanctioner's ability to increase the cost of disobedience of the target while not forcing it to change its behaviour is also an influence and a form of expression of sanctioner's power (Baldwin, 2000).

Sanctions do not and cannot be assessed according to a simplified black/white division. Such a difference is not capable of measuring not only partial success, but also to cover more diverse, “incomplete” dimensions of success. Finally, when understood as a political response to the crisis, sanctions are a safe “golden mean”. Given that the costs of military intervention are often excessive, and that “hushing up” of the problem could have negative consequences even for the domestic policies of democracies, economic sanctions remain the best option, despite the fact that those who apply them may “shoot themselves in the foot” (Giumelli et al. 2021).

Theoretical conditions for the successful operation of sanctions

The academic literature singles out general conditions that need to be considered when thinking about the impact and effectiveness of future sanctions (van Bergeijk and Biersteker, 2015). According to research, there are several important factors that may determine the effectiveness of the use of (economic) sanctions.

1. The volume of pre-sanction trade must be significant if sanctions are to be truly difficult to overcome. This means that (a) the lower the volume of pre-sanctioned trade, the greater the likelihood that sanctions will be ineffective; (b) the imposition of sanctions on high value products that are not substitutable may have a greater impact.
2. The greatest impact of sanctions is seen in the first year of their application (until the target has time to adjust). The pre-sanctioning comparative advantage available at the beginning of the sanctions (in the case of Belarus – potassium fertilizers, petroleum products) has no effect in the long run and needs to be changed. As long as sanctions are thought about, they really do hurt. As sanctions continue, the target has the opportunity to adapt to changed conditions.
3. Psychological factor – the success of sanctions depends on available expectations, reliability, strategic interaction. (1) Unexpected sanctions, i.e. those that cannot be prepared for in advance or are not expected, are the most painful. (2) The effect of sanctions (or threats thereof) is greater if the sanctioner has effectively applied sanctions in the past. Threatening of implementing sanctions, but not applying them, only reduces credibility, i.e. the impact of sanctions. What is important here is that it is necessary to talk about sanctions in areas where they are realistic and where coalition agreement exists in response thereto. If sanctions are threatened, the introduction of which is not even guaranteed, they lose their effect.
4. The effectiveness of sanctions is inversely proportional to the level of tolerance on sanctions by the target, i.e. the higher the risk the target tends to undertake, the lower the impact of sanctions are going to be on it. Sanctions for those who see a threat to their survival are less likely to force a change in behaviour.
5. Sanctions are more effective in democratic regimes. The higher the level of authoritarianism, the lower the effectiveness of sanctions. Targets that are authoritarian and face the dilemma of survival are, in prin-

principle, not sensitive to sanctions (for them, economic loss is not as important as the survival of the regime itself).

6. The multilateral nature of sanctions increases their impact. The fewer alternatives (to adjust trade) remain for the target, the harder it is to do so and the higher the cost. In addition, multilateral sanctions (such as those imposed by the UN) have much greater legitimacy. Sanctions imposed by an organisation on its member are more effective than sanctions imposed outside the organisation.
7. The effectiveness of sanctions is enhanced by the specificity of the objectives they seek to achieve – the clearer the requirements of those applying sanctions, the more difficult it is for the target to manipulate with uncertainties. The achievement of a specific objective is also enhanced by the variety of instruments used. One type of targeted sanction is almost never effective. Effectiveness requires a set of sanctions and other measures. The usual combination of sanctions – an arms embargo, travel restrictions and asset freezes – is a minimum requirement. Restrictions on trade (e.g. for target groups) should theoretically increase the impact of sanctions. An additional condition for the effectiveness of sanctions is the use of accompanying instruments (threat of force, international prosecution, covert operations, parallel application of sanctions by other players).
8. Targeted sanctions can also be effective.² A general problem with sanctions is their side effect on non-sanction targets. The deteriorating situation of the regime-governed society is one of the main deterrents to the imposition of general sanctions. Increased oppression and repression, a deterioration in the quality of the public goods received, a deteriorating situation of human rights and economic situation, and rising crime are unplanned but inevitable effects of general sanctions.

What does this summary of the principles of (non-) functioning of sanctions tell us about the possibilities of their wider and deeper application to Belarus? First of all, it should be emphasized that the *deepening of sanctions* in this case would mean even stricter restrictions on the entities already in the scope of sanctions – individuals and companies. Meanwhile, the *broadening of sanctions* is not their application to specific actors, but to the whole of Belarus. At present (i.e. until the EU announces new sanctions by 21 June), the list of sanctions is extremely modest: they apply to only 88 individuals and 7 companies, and the impact is neither extensive nor profound. There is really a lot of room for extending sanctions by including significantly more people responsible for violations of human rights. The list of companies whose activities allow the regime to generate revenue can also be much larger, starting with at least those that are sanctioned in the USA. In order to have a real impact, the list really needs to be bigger – Belarusian actors have been compiling a register of such companies for some time.³ Lists of persons directly involved in the regime's crimes are also being compiled.⁴ Of course, they need to be scrutinized, but the basis for sanctions applying sanctions not on 88, but on hundreds and thousands of supporters of the regime is certainly present.

Sanctions against Belarus – arguments “for” and “against”

The European Union is currently imposing targeted sanctions on Belarus, which apply to 88 individuals and 7 companies.⁵ Sanctions mean travel bans and freezing of accounts. By comparison, by October 2015, the EU had imposed sanctions on 170 individuals and three Belarusian companies. Previously imposed sanctions also continue apply: an arms embargo; a ban

on the sale to Belarus of goods that could be used for internal repression; travel insurance and the freezing of accounts of four people⁶ linked to the disappearances of journalists and opposition figures in 1999 and 2000.

Belarusian companies/enterprises on the EU sanctions list

- **Beltechexport** is a private entity that exports arms and military equipment manufactured by Belarusian state-owned companies to countries in Africa, South America, Asia and the Middle East. Beltechexport is closely associated with the Ministry of Defence of Belarus. Beltechexport benefits from and supports the Lukashenko regime, while also benefiting the presidential administration itself.
- **Dana Holdings/Dana Astra** is one of the leading real estate developers and builders in Belarus. The company was provided with land for the construction of several large residential complexes and business centres. The owners of Dana Holdings/Dana Astra, brothers Bogoljub and Ljubomir Karić, have close ties with Alexander Lukashenko. President's daughter-in-law Liliya Lukashenka holds high positions in the company. Dana Holdings/Dana Astra itself benefits from and supports the Lukashenko regime.
- **GHU is the Central Economic Board of the Presidential Administration.** GHU is the largest player in the non-residential real estate market in Belarus and controls many companies. Alexander Lukashenko has asked Chief of GHU Viktor Sheiman to monitor the security of the 2020 presidential election. The GHU itself benefits from and supports the Lukashenko regime.

- **JSC Synesis** provides the Belarusian authorities with a tracking platform that can conduct searches based on videos, perform analyses and use facial recognition software, making the company responsible for repression of civil society and the democratic opposition by the Belarusian state apparatus. Synesis employees are not allowed to communicate in Belarusian, therefore the company is responsible for violations of employees' rights. The Belarus State Security Committee (KGB) and the Ministry of the Interior have been identified as users of the system developed by Synesis. Therefore, the company benefits from and supports the Lukashenko regime. Alexander Shatrov, Executive Director of Synesis, has publicly criticized protesters against the Lukashenko regime, saying the lack of democracy in Belarus is insignificant.
- **AGAT Electromechanical Plant OJSC** is a member of the Belarusian State Authority for Military Industry (also known as SAMI); it is responsible for the implementation of the state's military technical policy and reports to the Council of Ministers and the President of Belarus. AGAT electromechanical Plant OJSC itself benefits from and supports the Lukashenko regime. The company manufactures the Rubezh barrier system for protest control, which was used against peaceful demonstrations following the 9 August 2020 presidential election, making the company responsible for repression against civil society and the democratic opposition.
- **140 Repair Plant** is part of the State Authority for Military Industry of Belarus; it is responsible for the implementation of the state's military technical policy and

reports to the Council of Ministers and the President of Belarus. The 140 Repair Plant itself benefits from and supports the Lukashenko regime. The company produces transport and armoured vehicles that were used during the peaceful demonstrations that took place after the 9 August 2020 presidential election, making the company responsible for repression against civil society and the democratic opposition.

- **OJSC MZKT** (also known as VOLAT) is a member of the State Authority for Military Industry of the Republic of Belarus. It is responsible for the implementation of the state's military technical policy and reports to the Council of Ministers and the President of Belarus. OJSC MZKT itself benefits from and supports the Lukashenko regime. OJSC MZKT employees who have protested during Alexander Lukashenko's visit to the plant and went on strike after the 2020 presidential election in Belarus have been fired, making the company responsible for abuses of human rights.

Companies sanctioned by the USA⁷

- Belarusian Oil Trade House
- Belneftekhim
- Belneftekhim USA, Inc.
- Belshina OAO
- Grodno Azot OAO
- Grodno Khimvolokno OAO
- Lakokraska OAO
- Naftan OAO
- Polotsk Steklovolokno OAO

On 5 June 2021, a ban on Belarusian airliners flying through EU airspace and using EU airports came into force. On 2 June, the EU Aviation Safety Agency (EASA) issued a directive⁸ banning European aircraft from flying through Belarusian airspace (except in case of emergencies).

On 28 May 2021, the European Broadcasting Union (EBU) decided to suspend the membership of the Belarusian broadcaster BTRC.

The possibility of extending sanctions to more individuals and legal entities on the sanctions lists and extending sanctions to individual sectors in Belarus is currently being considered in Europe.⁹ The options under consideration include:

- Sanctions for regime officials involved in repression, disseminating regime propaganda and otherwise supporting the regime.
- Suspension of financial support to the Belarusian regime (suspension of credit lines, investments, acquisition of Belarusian bonds).
- Suspension of budget support in the framework of development cooperation projects (from the IMF and EU countries).
- Economic sanctions for the oil and petroleum products, potassium fertilizers, steel and wood refining sectors.
- Suspension of cooperation with Belarusian state-owned banks.
- Disconnection of Belarus from the SWIFT system.
- Suspension of Belarus membership in international sports organisations and exclusion from international competitions and the Tokyo Olympics.
- Withdrawal of the right to broadcast the European Football Championship from Belarusian state television and (free of charge) transfer to Belsat TV.

What are the possibilities and prospects for applying these sanctions?

Pros: moral and value

First, doing nothing in terms of reputation and normative and moral leadership would cost both Lithuania and Europe a great deal. Even now, undemocratic world regimes (starting with Russia, China and others) do not see Europe as capable of taking decisive action to defend their interests and values. Following the theory, the introduction and application of general sanctions should perform a signalling function. Because if there is no signal now (“terribly strong regret” does not count), EU signals may not be responded to at all later. The absence of a signal would mean acknowledging one’s inability in announcing support for the development of human rights and freedoms. The EU, as a normative power, must react decisively if it is to remain such a power at all.

Secondly, the reason directly related to the first reason is the issue of EU creditworthiness. The harsh rhetoric of the West and the EU¹⁰ following the forced landing of the Ryanair plane cannot be left to words. Such united outrage and harmonization of rhetoric inspires hope that the regime’s behaviour has “opened its eyes” even to those who have so far doubted the need to stem Lukashenko’s rage. In other words, the current circumstances are probably the best time to achieve European unity in regards to tough action against the regime. If A has already been said, B must also be done.

Third, the behaviour of the regime has largely become a threat not only to the population inside the country but also outside it. The landing of an international flight, posing a direct threat to the citizens of many parts of the world, makes the further rampage of the regime dangerous in a broader context than just

human rights. In response, sanctions need to be tightened and extended, in particular by increasing the costs of such behaviour. Although this time none of the foreign nationals were directly affected physically, the absence of a practical response would open the door to a recurrence of similar or worse incidents. The escalation of the migrant problem at the Lithuanian-Latvian border, apparently inspired by the regime, is just one possible example. This also cannot be allowed.

Fourth, Belarus’s economic and military power is far from equal to that of the European Union, which facilitates the imposition of sanctions, because the argument often used in the debate on sanctions against Russia – the latter’s reaction and counter-actions being both directly painful in the EU and increasing security tensions in the region – is not applicable. While the possibility that Russia may react to increasing Western sanctions on Belarus cannot be ignored¹¹, Belarus’s own chances of taking action that would hurt the West unbearably are far less.

Punishing the regime economically is real, but has side effects

Although Belarus’ economic dependence on the EU is not substantial, with the EU accounting for 18.1 percent of Belarus’ trade turnover while Russia amounts to 49.2 percent (European Commission, 2020¹²), the imposition of sector-specific sanctions could have a significant impact on the regime’s economy. Exports of oil and refined petroleum products account for the largest share of the country’s exports (about 20 percent, see Table 1) and are an important source of budget revenue in foreign currency. The main buyers of Belarusian oil products are the Netherlands, the United Kingdom, Poland and Ukraine. The Netherlands and the UK are essentially transit entities, i.e.

Belarusian products sent there continue to travel, mostly to Poland and Ukraine as it has been stated.

It is certainly possible for European countries to abandon Belarusian oil products, and although their price could rise slightly, it would not be such a painful blow (the oil market in Europe is very competitive and Belarusian products should soon be replaced). It would be much more painful on Ukraine if it agreed to impose sanctions. In 2020, about 40 percent of imported oil products in Ukraine came from Belarus (primarily gasoline and diesel).¹³ In addition, it would be more difficult for Ukraine than for EU countries to quickly find a substitute for oil products, especially if increasing dependence on Russia is to be avoided. This means that the imposition of sanctions would cost Ukraine much more than the EU. It would also be painful for Belarus to lose about 10 percent of its budget revenue. Thus, the effect can certainly be exerted, at least at an early stage, until exports are reoriented or schemes are found to circumvent sanctions.

According to Belarusian statistics, the largest buyers of Belarusian oil products are the Netherlands and Great Britain. However, neither the Dutch nor the UK statistics reflect any such role for Belarus – Belarus is not even in the top 50 of these countries' largest import partners. This is due to the fact that a representative office of the Belarusian oil company operates in the United Kingdom, which is the largest exporter of oil products from Belarus (BNK (UK)), and the Netherlands is a kind of 'hub' for oil products, through which oil is resold and products are transported around the world. Very often, Belarusian gasoline and diesel can be found in import statistics from countries to which, according to Belstat, Belarus does not supply oil products at all.¹⁴

A similar direct effect is more difficult to achieve for potassium fertilizers, the exports of which are about as important to the regime's budget as petroleum products. The largest buyers of Belarusian potassium fertilizers (according to 2020 data) were Brazil (about 20 percent), China (13 percent), India (12 percent), Indonesia (5 percent), Malaysia (4 percent), USA (4 percent). In total, potassium fertilizers were exported to the EU for about USD 180 million (about 8 percent). Potentially, the biggest impact the EU can have on Belarusian exports of potassium fertilizers is to restrict their transportation and transit through European ports. There is no spare capacity in Ust-Luga to do so¹⁵, and talk of the planned construction of a new fertilizer terminal remains at that stage so far.

It is stated that currently about 90 percent of all potassium fertilizers exported from Belarus are transshipped through Klaipėda.¹⁶ Thus, the impact on Belarusian revenues from potassium fertilizer exports would be significant (due to rising transportation costs and reputational losses). However, the cost of such sanctions would be directly felt by Klaipėda port, as it would lose about 30 percent of its handling volumes, which would need to be replaced by other products. Potassium fertilizers are a rather niche product, i.e. it is not quickly replaceable. An embargo on fertilizer (potassium and nitrogen) exports to EU countries is estimated to cost Belarus about USD 400 million a year.¹⁷ However, with regard to sanctions for the (potassium) fertilizer sector, their effect would be significantly increased if not only the import but also the transit of fertilizers were authorized. On the other hand, it is Lithuania that would bear the costs of transit suspension, which leads to two conclusions: on one hand, it would be politically easier to take such a decision at the EU level if Lithuania agreed to bear the costs; on the other hand, Lithuania itself may face excessive political and econom-

ic costs that would be unacceptable to the Government. Potentially, such a negative effect could be offset by an agreement at EU level based on the principle of “solidarity”, so that Lithuania’s losses would be at least partially compensated through EU support programs or other means (e.g. compensation is provided for Lithuania under the special Kaliningrad Transit Scheme, under which the European Union has undertaken to reimburse all additional costs incurred by Lithuania in connection with the introduction of the Facilitated Transit Document and the Facilitated Rail Transit Document, including payroll costs. According to the budget of the EU financial perspective 2021–2027, EUR 189 million in funding was planned for Lithuania).

Another option for sanctions is the suspension of the transit of Russian gas to Europe through the territory of Belarus, i.e. Europe’s refusal to buy the gas that reaches it through Belarus. It is estimated that it would cost Belarus about USD 350 million a year.¹⁸ (Russian analysts point out that these are not taxes paid directly to the Belarusian budget, but instead are not very transparent “deductions” the payment of which is not very clear¹⁹). A ban on (Russian) gas imports via Belarus would most likely be supplied via the Nord-Stream I pipeline and possibly via Ukraine (although there are still unanswered questions in this case). The Yamal-Europa pipeline, which passes through Belarus, supplies the EU with 33-35 billion m³ of natural gas every year.²⁰ If the EU were to impose sanctions, in theory (from a legal point of view) Gazprom, which uses the pipeline, could simply suspend gas supplies and demand compensation from the actors that imposed the sanctions. An important strategic point in this regard is that action is also needed on both Nord-Stream pipelines if maximum impact is to be achieved by restricting gas supplies through the Yamal-Europa pipeline. Several assessments are possible in this situation.

On one hand, by closing the transit of natural gas through Belarus, Europe itself could push itself into greater dependence on Russia, as it will still want gas and its supply would be the quickest and efficient through Nord-Stream. Russia (Gazprom) is already announcing plans to significantly reduce gas transit through Belarus by the end of the year, according to experts, with plans to launch Nord-Stream II by the end of the year.²¹ On the other hand, refusing transit through Belarus would simplify the routes for gas supplies from Russia to Europe and, potentially, make it easier to restrict Russian gas supplies to Europe if there is political will in regards to this.

In 2019, Lithuania imported 0.938 billion m³ of natural gas from Russia. In 2020, this amounted to 0.945 billion m³. Most of the gas reached Lithuania through the territory of Belarus. With the potential interruption of gas transit through Belarus, Lithuania would still be able to supply gas through the LNG terminal, but final gas prices may increase. Such costs (bearing in mind the growing demand for gas and prices in international markets this year) may be significant for Lithuanian gas consumers.

The impact of sanctions on Belarusian services, especially transportation (any surface transit) through Belarus, is more difficult to quantify. In 2020, Belarus exported USD 8.8 billion in services. 42 percent (USD 3.7 billion) of these services involved transportation services. The European Union accounted for 31 percent of services exports (35 percent to Russia). Theoretically, refusing such services would cost Belarus about USD 2.7 billion. Again, it is necessary to keep in mind that such a boycott of the export of services would be a considerable cost for Europe, as goods travel from the EU to Russia, Asia and China via Belarus. These are large flows that are not easy to route quickly through other countries, and there is also a lack of physical capacity (this would lead to

a lot of traffic jams at the borders).²² An important aspect to keep in mind about these “transit sanctions” is their potential impact on goods that are now imported into Belarus from Europe, have Belarusian labels affixed to them, and continue to travel to Russia, thus circumventing retaliatory sanctions imposed by Russia on Western products. Belarus benefits greatly from such sanctions, including by actors to the regime.²³

The second most important international component of the Belarusian services sector is IT services, which in 2020 accounted for about 20 percent of total services exports (USD 2.5 billion).²⁴ In 2019, the share of Belarus’ GDP generated by the IT sector reached 6.5 percent.²⁵ In 2017–2019, exports of IT services from Belarus increased by 150 percent, and in 2019 accounted for more than half of the country’s GDP growth.²⁶ Restrictions in this sector would have a significant impact on the Belarusian economy, but the problem is that most workers in the sector are often unfavourable to the regime and wish for a change, therefore, restrictions in this sector could have a negative impact on the growth of Belarus’s middle class and civil society,²⁷ forcing many young people to simply emigrate. Statistics show that the salaries of employees in the IT sector (according to 2019 data) were the highest among all sectors of the economy, i.e. workers in this sector mostly met the criteria of the middle class.²⁸

Another area of sanctions against Belarus is the restriction of financial borrowing in the West. Since 2010, Belarus has issued USD 5 billion in Eurobonds in international financial markets.²⁹ In 2020 alone, Belarus managed to borrow USD 1.25 billion by distributing Eurobonds.³⁰ This method of borrowing was very favourable for the Belarusian government, as it allowed to obtain money by avoiding the application of conditionality, which is inevitable by

borrowing either from Russia or from international financial institutions (IMF, World Bank). Eurobonds have made it possible to at least partially diversify the geographical structure of public debt and (again, in part) reduce the debt burden on Russia. Thanks to Eurobonds, the government was able to refinance part of the public debt, extend the repayment terms of external debts and at the same time ease the payment burden. After 2020, Minsk’s ability to continue to benefit from Western financial support will inevitably decline. European creditors have already begun to look for ways to get rid of Belarusian securities.³¹ Belarus is unlikely to have similar borrowing instruments in the West in the near future. Restricting financial borrowing in the West will inevitably mean greater difficulties for the Belarusian regime in servicing its public debt³² and limiting its access to cheaper borrowing. While there will still be the possibility of borrowing in Russia (by distributing the same bonds), it will no longer be as attractive as it will inevitably require higher interest rates. In addition, such an approach to sanctions will further increase Belarus’ financial dependence on Russia.

The idea of disconnecting Belarus from the international interbank financial settlement system SWIFT has been under discussion in the West as a very radical measure for some time. Such a measure has been applied in the world only a couple of times so far, with regard to Iran and North Korea, and to banks operating in Crimea after the Russian occupation. There is general agreement that disconnection from SWIFT is a very strict measure that would actually do a lot of damage to disconnected banks. They would no longer be able to settle with foreign banks, i.e. pay for services, goods, perform other financial transactions. This would inevitably disrupt the implementation of many projects, the fulfilment of obligations, settlements. In principle, disconnection from SWIFT would, for some time, paralyse the Belarusian

economy and participation in the world trading system. It would have a very painful effect on the economy of the country that is open and dependent on trade. It should be noted that the disconnection from SWIFT applies to individual banks and not to the country as a whole, so that only the financial institutions involved in with the regime the most could be disconnected. However, even this would have a big impact. Thus, in order to deal a really painful blow to the regime, disconnection from SWIFT is an effective means of greatly increasing the cost of the regime. This measure will not necessarily force the regime to change its behaviour or retreat. The examples of North Korea and Iran confirm this. Studies also show that disconnection from SWIFT only has a significant effect for a limited period of time – until sanctioned actors develop alternative payment channels. In the case of Iran, the disconnection of SWIFT had the greatest impact for a little over a year (Brewer, 2016), and then settlements were resumed in almost no time. Other experts agree with this possible course of events, who also state that over time, Belarus is likely to switch to the settlement system of the Central Bank of Russia, which was created after the West imposed sanctions on Russia over the occupation of Crimea. Intermediaries would most likely be introduced for settlements (which worked effectively in the case of Iran), and alternative systems such as China’s CIPS or even the European INSTEX would be considered.³³ Domestic settlements in Belarusian rubles would continue to be the National Bank’s financial information transmission system used since 1999. Assessing all the abovementioned circumstances, one can think of the instrument of “striking” disconnection from the SWIFT system – disconnection of the most important banks for a short time (e.g. half a year) so that they do not have time and motivation to invest in alternative settlement routes.

Factors to consider when planning economic sanctions

There is a consensus in the academic and expert literature that sanctions have a limited effect,³⁴ especially when applied to non-democratic regimes. However, the question of the effectiveness of sanctions is difficult to answer even when comparing many cases of empirical sanctions, because sanctions applied in different periods, in different circumstances and in different cultural and geographical areas cannot be compared in principle (Pala, 2021). A number of important limitations need to be borne in mind when deciding on the scope and depth of sanctions against Belarus:

1. Sanctions against Belarus would not be comprehensive, i.e. the “emergency exit” provided by Russia and other less democratic states in the region and in the world (such as China) would remain. The existence of an “emergency exit” severely distorts the effects of sanctions imposed only by the West and largely allows it to be amortized (of course, the increase in costs for the regime does exist). This means that the introduction of secondary sanctions³⁵ is a prerequisite for efficiency gains. This will not guarantee that sanctions will not be circumvented, but will increase the costs of such circumvention and reduce the number of alternatives. The biggest problem in such case is whether there will be a political will for Belarus to go into open conflict with other actors, in particular Russia.
2. Sanctions and restrictions on non-democratic regimes whose cost/benefit analysis is not based on the moral and value principles customary in the West almost inevitably have undesirable negative effects on the country’s population. As Lukashenko has already shown his commitment to the use

of force against society, there is a very good chance that, in the case of (general) sanctions, a large part of the cost will have to be borne by ordinary people. The economic model of Belarus, developed by Lukashenko, is based on its total control over the entire economy of the country (Papko and Kozarzewski, 2020), which means that the regime has a very high potential to pass on costs to society. The counter-argument may be that dissatisfaction with the regime within the country is high enough and the public is determined to endure difficulties in the name of the potential for a possible eventual change in the regime. However, these are already hypothetical assumptions that cannot be proven in any way.

3. The costs of sanctions will inevitably be borne not only by the target (regime) but also by the sanctioner, namely – the Western states. For example, it is estimated that the cost of sanctions to the Lithuanian economy (assuming that all exports to Belarus would be banned) would amount to about 0.9 percent of GDP in three years, of which 0.5 percent would be considered as loss in 2021.³⁶ Although this is not an unbearable burden, it must be taken into account that sanctions would be most painful for several specific sectors (Klaipėda port, Lithuanian railways, carriers). On the other hand, these calculations do not include the effects of possible regime responses, which are difficult to predict and even more difficult to quantify.
4. Studies show that economic sanctions, especially against undemocratic regimes, lead to the growth of informal economic activity (increasing size of the shadow economy), which allows the sanctioned re-

gime to ease the cost of sanctions (Early and Peksen, 2020). This does not work in democratic regimes, as a growing shadow economy further weakens the resilience of those in power. Belarus’s shadow economy is already quite large – 68th out of 91 rated countries in the world (IMF, 2015³⁷). Informal transactions and agreements cover sufficiently large amounts and sectors. The direct involvement of the regime in informal economic activities is also a means of reducing the cost and pressure of sanctions (Early and Peksen, 2020). Such activities are recorded in North Korea, Iran. Involvement in the shadow economy allows sanctioned regimes to manage and offset the cost of sanctions. At the same time, allowing the private sector to engage in the shadow economy reduces public dissatisfaction with the regime. In this context, a key milestone in the application of sanctions against Belarus is the strong focus on preventing the growth of smuggling and other illegal activities. Participation in illegal schemes of tobacco, weapons and other goods brings considerable income to the regime.³⁸

5. Authoritarian regimes have the privilege (compared to democratic regimes) of allowing themselves to focus on meeting the needs of a much smaller circle of supporters (the winning coalition) than democratic leaders during the period of sanctions. In some cases, the costs of sanctions can even boost the loyalty of supporters of the regime, as their well-being becomes even more dependent on the “private goods” provided by the leader. Accordingly, the decline in budget revenues due to the shadow economy is not an unbearable burden on undemocratic leaders.

Summary

The EU Council conclusions from October 2020 identify a number of key objectives to be pursued by the EU through sanctions and other measures having an effect against Belarus:

- it is requested to immediately and unconditionally release all political prisoners and illegally detained journalists;
- it is requested to immediately end the violence and repression;
- it is requested to hold free and fair presidential elections.

This formulation of objectives, bearing in mind the illegitimacy of Lukashenko’s presidency, implicitly implies an attempt to force the regime to change its behaviour, the request to take very specific action and to signal (full) non-compliance with the values and norms of the EU-Belarus regime. However, from the regime’s point of view, these objectives are not clearly hierarchical, so even total pressure leaves the regime manipulative, such as the traditional policy of “hostage-taking” when, at some point, political prisoners begin to be released and this is presented as a move towards an agreement and pressure to forget other objectives. In order to minimize the potential for such manipulation, there must be a very concrete consensus in the West that the pursuit of all objectives is equal and independent of progress on any issue. Even if the regime actually starts “trading in prisoners”, it cannot in any way be seen as a condition for concessions on the suspension of repression or the holding of new elections.

Sanctions, if sufficiently severe, uniform and, above all, applied consistently, would have a significant negative impact on the economy of Belarus and the regime that governs it. The cost of continuing the current policy to the regime would increase significantly. Most likely,

this would not force the regime to radically change its policies, but would create many inconveniences and problems. However, those problems, as the theory suggests, would have the greatest impact in the short term, and their marginal costs would decrease over time. This situation presupposes the need to consider large-scale but short-term sanctions, as they would have the greatest “striking effect”. Of course, communication on the extent and duration of sanctions, which are best left undisclosed, would play a key role here, thus creating maximum uncertainty and preventing the regime from adequately preparing for pressure.

According to the theory, economic sanctions alone would have less of an effect than those that involve more of an effect on the regime of measures. Studies mention threats (albeit indirect) on the use of force, prosecutions (which are already under way), steps to reduce the reputation and self-esteem of the regime (separation from international sports, cultural, artistic events), a well-thought-out information company (both in terms of the regime and in shaping the message to the Belarusian public) would all increase the impact of sanctions and strengthen both the effectiveness and efficiency of sanctions.

Although sanctions currently seem to be the best tool for action, their planning and implementation must not forget the negative impact not only on the regime, but also on the country’s society and sanctioners. Such effects are inevitable and must be prepared accordingly.

Finally, as it is currently not possible to ensure maximum multilateralism in sanctions, their application could increase the Belarusian regime’s dependence on other actors, in particular Russia. The latter’s strategic objectives are to maintain maximum control over Belarus, and individual Russian actors are interested in taking control of Belarus’ most valuable economic assets. Russia’s growing pressure on Belarus since 2019 and Moscow’s attempt to prag-

matize asymmetric relations between the two countries mean that the possibility of Moscow taking advantage of increasing Western pres-

sure may be another side effect of sanctions. This must also be borne in mind when considering further action with regard to Belarus³⁹.

TABLE 1: Belarusian exports (2019), main goods and partners⁴⁰

	Billions of USD	PART	Part in the export of goods
TOTAL EXPORTS	31.8	100%	
Refined oil	5.240	16.48	
United Kingdom	2.130		40.7
Ukraine	2.010		38.3
The Netherlands	0.444		8.47
Poland	0.233		4.45
Latvia	0.094		1.79
Potassium fertilizers	2.780	8.74	
Brazil	0.561		20.2
China	0.353		12.7
India	0.347		12.5
Indonesia	0.174		6.25
USA	0.127		4.58
Cheese	0.996	3.13	
Russia	0.949		95.2
Trucks	0.958	3.01	
Russia	0.750		78.4
Ukraine	0.068		7.16
Uzbekistan	0.044		4.3
Crude oil	0.727	2.29	
Germany	0.727		100

	Billions of USD	PART	Part in the export of goods
TOTAL EXPORTS	31.8	100%	
Tractors	0.626	1.97	
Russia	0.320		51.1
Kazakhstan	0.087		13.9
Ukraine	0.050		7.98
Cut wood	0.473	1.49	
Lithuania	0.105		22.2
Latvia	0.078		16.5
Germany	0.066		14
Condensed milk	0.452	1.42	
Russia	0.299		66
Kazakhstan	0.060		13.2
China	0.028		6.17
Furniture	0.441	1.39	
Russia	0.216		49
Germany	0.050		11.3
Kazakhstan	0.028		6.33
Butter	0.377	1.19	
Russia	0.349		92.5
Car parts	0.368	1.16	
Russia	0.250		68
Ukraine	0.046		12.5
Switzerland	0.014		3.7

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Endnotes

- ¹ The personalist regime differs from the one-party and the military regimes in that the occupation of important positions is exclusively at the discretion of the individual leader. Such a leader may be the serviceman or have a party supporting him, but neither the military nor the party has an independent decision-making power independent of the leader (Geddes, 1999).
- ² However, there are many empirical studies showing that apart from the objective of signalling, the objectives of behaviour change and cost-enhancement often remain unachieved even with targeted sanctions (De Vries 2002; Jones and Whitworth 2014; Secrieru 2015; Jarábik 2011; Bosse 2012; Giumelli and Ivan 2013 ; Biersteker and Portela 2015; Seeberg 2015; Hellquist 2016; Grebe 2010).
- ³ ‘Черный список компаний’, viewed on 15/06/2021, <https://telegra.ph/CHERNYJ-SPISOK-BIZNESOV-10-22>.
- ⁴ ‘Черная книга Беларуси’, viewed 15/06/2021, <https://t.me/BlackBookBelarus>
- ⁵ ‘Restrictive measures following the 2020 Belarus presidential elections’, European Council, viewed on 15/06/2021, <https://www.consilium.europa.eu/en/policies/sanctions/restrictive-measures-following-the-2020-belarus-presidential-elections/>
- ⁶ Those persons are: Yuri Sivakov, former Minister of Sport and Tourism of Belarus; Viktor Sheiman, former Prosecutor General of Belarus, now Head of the Chief Economic Board of the Presidential Administration; Dmitri Pavlichenko – former officer of the Special Forces; Vladimir Naumov – former Minister of the Interior.
- ⁷ U.S. Department of the Treasury, *Belarus Sanctions Regulations 31 CFR part 548*, Washington D.C.: 2021. https://home.treasury.gov/system/files/126/belarus_gl2h.pdf
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- ¹⁴ Dmitriij Ivanovich, ‘Беларусь зарабатывает миллионы на серых схемах реэкспорта’, viewed on 15/06/2021, <https://naviny.online/article/20180904/1536056403-belarus-zarabatyvaet-milliony-na-seryh-shemah-reeksporta>
- ¹⁵ On 19 February 2021, Russia and Belarus signed an intergovernmental agreement, which provides that in three years Belarus will be able to tranship 9.8 million tons of production (mainly oil products) through Russian ports. In 2021 – 3.5 million tons, in 2022 – 3.2 million tons, in 2023 – 3.1 million tons. The total export of Belarusian oil products in 2020 amounted to 8.487 million tons (volumes were lower than usual due to oil supply problems from Russia), in 2019 – about 10.5 million tons.

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- ¹⁷ Ibid
- ¹⁸ Ibid
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- ³⁹ Russia’s desire and possibility to fully integrate Belarus into its composition (by completing the implementation of the Russia-Belarus Union) is the subject of wide-ranging discussions. However, it is certainly agreed that Russia has been increasing the pressure on Lukashenko since 2014, because maintaining the latter regime in exchange for not always getting what is wanted costs Moscow a lot and is not politically and economically convenient (Leukavets, 2021).
- ⁴⁰ Source: The Observatory of Economic Complexity, viewed on 10/06/2021 <https://oec.world/en/profile/country/blr>