



Eastern Europe Studies Centre
Est. 2006

BELARUSIAN TRENDS

in 2022 Q2

Analytical overview

April-June

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Highlights

- It is estimated that the Belarusian economy could lose between €16-18 billion annually as a result of the sanctions. The country's GDP is expected to fall by USD 1.2 billion in 2014 and by 4.1% in 2022.
- To reduce the impact of the sanctions, Belarus intends to pursue an active economic stimulus policy by fixing the prices of some goods and services and reducing administrative liability for domestic companies for violations.
- The provocative and pro-Russian actions and statements of the Belarusian leadership towards Ukraine continue. The Southern Operational Military District has been established in Belarus, and Belarusian Special Operations Forces have been deployed near the Ukrainian border area to keep Ukraine's attention.
- As the war changed, Belarus began to emphasise the importance of "precise, effective diplomacy" to change the negative Western attitude.
- Activists speaking out against Russia's war in Ukraine and Belarus' stance in the face of it are increasingly being persecuted in Belarus. More than 1500 Belarusians were detained for anti-war protests in May.



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The Belarusian Economy and the Impact of Sanctions

It is currently estimated that the sixth sanctions package announced by the European Union and the US's sanctions on Belarus as a direct participant in the war with Ukraine could cost the Belarusian economy between €16-18 billion annually¹. These losses are the result of a maximum restriction of trade relations and a drastic reduction in exports, as Belarus has practically no chance to sell its goods on the European and North American markets². In order to mitigate the impact of sanctions, the economic recession and to contain rising inflation, the Belarusian government has presented an economic recovery plan and is currently carrying out active interventions with the main objective of curbing price increases. It is the price rises that are likely to hit Belarusian citizens the hardest, as wages are stalling³, and the country's economy is forecast to contract in 2022 and 2023.

In order to control price increases, Belarus has adopted a policy of price-fixing, in particular by regulating the rental prices of some real estate and fixing energy tariffs⁴. The next step is a small degree of market liberalisation. While the regulatory role of the state is not substantially changed, the liability of businesses or other bodies for misconduct is reduced, and unannounced inspections of businesses are banned⁵. This shows that the Russian path to economic recovery is to be pursued, not only by reducing or postponing taxes on local businesses and residents, but also by extending the tolerance of various types of administrative misconduct and by giving more leeway to, or even encouragement of, illegal activities⁶. In Belarus, following the example of Russia, the ability to hold money in foreign currencies is also restricted.

To compensate for trade restrictions, the State promises to be more lenient on trade previously considered illegal, for example by increasing the value threshold for duty-free shipments or

encouraging parallel imports that infringe copyright. It also started liberalising banking quite significantly, with a much more lenient assessment of debt and lenders' credit ratings, and delays in the repayment of housing loans⁷. In the banking sector, however, interest rates are being raised significantly to stabilise exchange rate fluctuations. Given the developments in Russia, international rating agencies and investors continue to assess the risk of Belarusian corporate default as very high.

The impact of the sanctions on the Belarusian economy is currently projected to be quite strong. Economic forecasts for Belarus suggest that the country's GDP could fall drastically by 4.1% in 2022. In 2023, the Belarusian economy is expected to stabilise, but stagnation is expected to persist and growth is not expected⁸. A combination of negative factors is contributing to the downturn: Belarus is facing several simultaneous shocks, including price increases, trade restrictions, exchange rate fluctuations and the insolvency of businesses in Russia and Belarus. The situation is somewhat mitigated by the fact that energy commodity prices in the country are still at 2021 levels, which mitigates the effects of the economic recession⁹.

Inflation in Belarus is currently running at around 17%, despite the government's efforts to regulate prices, due to sharp increases in the prices of most imported goods. Despite the worsening economic situation, there has been an increase in sales of consumer goods, attributable to the uncertainty of the future economic situation. The EU and US extended sectoral sanctions on Belarusian exports (e.g. tobacco, mineral fuels, wood, cement, iron, steel, rubber, fertilisers, etc.) have already led to a double-digit drop in export volumes. The extension of sanctions has also been extended to Belarusian banks, with Belagroprombank, Bank Dabrabyt and the Belarusian Development Bank already disconnected from SWIFT¹⁰.

External Relations

Relations with Russia, military cooperation

The second quarter of this year has seen a decrease in activity in Belarus-Russia relations in the format of a Union State. With Russia's aggression leading to unprecedented isolation, the Belarusian leadership is clearly trying to maintain a certain distance in its relations with its eastern neighbour and has not yet actively pursued the planned economic, fiscal and tax integration projects.

In April and May, Lukashenka had 3 direct meetings with Putin: on the 12th of April in the Russian Far East¹¹, on the 16th of May at the CPSU Assembly¹², and on the 23rd of May in Sochi¹³. No new significant agreements were reached at these meetings. In the Far East, Mr Putin and Mr Lukashenko assessed the construction of the Vostochny Cosmodrome and exchanged greetings on the occasion of Cosmonautics Day¹⁴. At the CSO meeting, Lukashenko commented that the organisation lacks unity and determination, unlike the EU¹⁵. The economic results of the past year and the general situation in Ukraine are officially discussed in Sochi¹⁶.

However, the two countries cooperate much more closely in the military field. In November 2021, Putin and Lukashenko signed a new Military Doctrine of the Allied Powers, replacing the previous one, which had been in force since 2001¹⁷. A key feature of the new document is a much broader range of possible threats to the Allied Powers and the response to them. Since the outbreak of hostilities in Ukraine in February this year, Russian ground forces and aviation have been using Belarusian territory and military and civilian infrastructure to carry out their aggression against Ukraine, and have been shelling Ukraine from Belarusian territory, as well as providing medical assistance to Russian troops in Belarus¹⁸. While direct Belarusian involvement in the war in Ukraine remains possible but unlikely, the provocative and pro-Russian actions and statements of the Belarusian leadership towards Ukraine continue. On 26 May, on the border with Ukraine, Lukashenko announced

the establishment of the Southern Operational Military District¹⁹, and Belarusian special operations forces were deployed to the border area²⁰. The next day, on 27 May, a plan was announced to create "People's Defence Units" in Belarus²¹, which could, if necessary, serve as reserve units of the army and as a backbone of the guerilla movement²². However, this initiative has not yet taken a more tangible form. On 07 June, the Belarusian Armed Forces started a transition to military readiness exercise, and from 22 June another exercise is planned in the Gomel region, on the border with Ukraine²³. It is likely that, even without any plans to become directly involved in the war, these actions by Belarus are being carried out at Russia's request, in order to tie down part of Ukraine's military forces on the border with Belarus²⁴.

On 04 June, Patriarch Kirill of the Russian Orthodox Church visited Belarus for the first time in four years²⁵. He laid a wreath at the soldiers' cemetery and talked about the Great Patriotic War and the "Holy Unity of Russia", which has shaped the peculiar psychology of the Russian. The Patriarch clarified that by "Russian" he means also the Belarusians and Ukrainians²⁶.

Relations with the West and Lithuania

Despite the military cooperation and the general submission to Russia, there are signs that the Belarusian regime still wants to normalise relations with the West and avoid falling into further international isolation with Russia. After the initial Russian aggression plan failed and the war entered a protracted phase, which was not anticipated by Lukashenko²⁷, the Belarusian government changed its rhetoric towards the West from open aggression to a more moderate one. At a meeting of the Belarusian Security Council on 07 April, Lukashenko stated that it was "unproven and unjustified" to declare Belarus an aggressor, he spoke of the importance of "precise and effective diplomacy" to change this attitude and entrusted the task to the country's Foreign Minister, Vladimir Makei²⁸. A week later, a letter was sent by Mr Makei to EU diplomats asking Europe to resume dialogue with Belarus in order to help it preserve its sovereign-

ty and neutrality appeared in the media²⁹. However, the EU has reacted with scepticism. Later, on 23 May, Belarusian state media published a letter from Lukashenko to UN Secretary-General Antonio Guterres, in which Lukashenko again tried to convince Guterres that Belarus was not an aggressor toward Ukraine and had always been in favour of peace and coexistence with its neighbours³⁰.

Together with a letter to the UN Secretary-General on 18 May, Belarus' representative to the UN Security Council, Valentin Rybakov, made an offer to transport grain from Ukraine to the West via Belarusian railways in exchange for the lifting of certain sanctions³¹. Two days later, US officials hinted that they were considering exporting Ukrainian grain via Belarusian railways and then via the port of Klaipėda, in return for a six-month lifting of sanctions on Belarus' potash sector³². However, Lithuania³³ and Ukraine itself³⁴ have opposed this idea.

Although Belarus' borders with Lithuania, Poland and Latvia continue to witness attempts by migrants to cross illegally³⁵, the situation on the border has stabilised and the Belarusian authorities' active support for these attempts has subsided. Belarus has declared visa-free travel for Lithuanian and Latvian citizens from 15 April until the end of the year³⁶ – which may also be linked to opportunities to gather more intelligence.

However, passive support for Russian aggression in Ukraine, the need to continue to show loyalty to the Kremlin and the unwillingness to abandon internal repression do not make Belarus' attempts to re-engage with the West sincere.

Domestic Policy Trends

Political repression and opposition activities, adaptation of the regime

More than 1230 people are currently recognised as political prisoners in Belarus, most of them still imprisoned for their activities during

the 2020 protests³⁷. Recently, the regime has increasingly harassed activists who speak out against Russia's war in Ukraine and Belarus' attitude towards it. According to the Viasna Centre for Human Rights, more than 1500 Belarusians have been detained for anti-war protests between the beginning of the Russian invasion and May³⁸.

The invasion of Belarus saw the emergence of a new social phenomenon – the “railway war”. These include cyber-attacks and the destruction of railway infrastructure to prevent Russian troops and military equipment from moving into Belarus and entering Ukraine, especially while Russian forces were still occupying the northern regions of Ukraine. By 08 April, at least 10 damaged³⁹ relay cabinets, which help control train movements, were known to have been damaged. Earlier, on 30 March, the Belarusian KGB released 40 videos of “apologies” from detained railway workers, and their Telegram channel was declared extremist⁴⁰.

On 13 June, Lukashenko stated that the KGB had a particularly heavy workload due to the “hybrid” threat to the country and proposed to further expand the powers of the KGB⁴¹.

Social trends

On 8-18 April, Chatham House conducted an online survey on the attitudes of Belarusians towards the war in Ukraine. According to the survey, 32% of Belarusians support or rather support Russia's actions in Ukraine, but only 18% think that the consequences of the war will be positive or rather positive for their country and for them personally. Most Belarusians believe the war will end in the next few months. The majority of Belarusians also believe that the war has not earned them the same negative Western treatment as the Russians, while 13% say it has. More than 60% of respondents believe that ordinary Belarusians are at least partly to blame for the use of Belarusian territory for military aggression against Ukraine. Only about a tenth of Belarusians thinks that their army should intervene on either side of the war⁴².

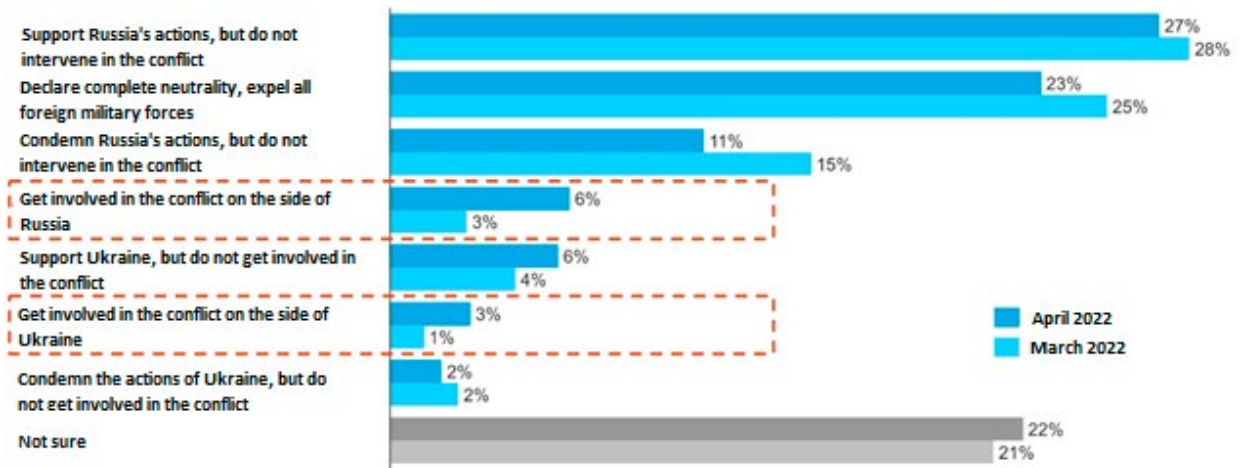


Fig. 1. Belarusian attitudes towards the military conflict: What should Belarus do about the military action between Russia and Ukraine?

Source: Chatham House, Belarusian's views on Russia's war on Ukraine, <https://belaruspolls.org/wave-9>

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