

# STUDY IMPACT OF TARGETED SANCTIONS ON BELARUS

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## EXECUTIVE SUMMARY

Following the crackdown on the political opposition in the aftermath of the presidential elections of 19 December 2010, on 31 January 2011 the European Union imposed travel bans on certain individuals responsible for the repression of opposition and civil society in Belarus. Along with travel restrictions in the course of 2011-early 2012 the European Union also introduced embargo on exports of arms to Belarus and a ban on materials that could be used for internal repression, and imposed asset freezing in relation to a number of individuals including key business figures affiliated with the regime and structures controlled by them.

The issue of economic sanctions effectiveness as a tool to facilitate political change has raised controversial debates in the international community. Some experts argue that trade and financial restrictions, especially when implemented on a broader basis, are an effective policy lever to block funds flowing to/from rogue regimes. Others believe that while economic sanctions have limited power on exerting pressure on leadership of a sanctioned country, they tend to have a significant adverse impact on a targeted country's population resulting in rising unemployment, welfare losses and social impoverishment.

Sanction policy success may differ depending on the political institutional context in a targeted country.

The underlying argument is that broad-based sanctions may prove to be less productive in authoritarian states with authoritarian leaders being more able to capture sanctioned rents and to allocate rent-seeking opportunities to their 'supporters'. Furthermore, if opposition is too weak and fragmented, more comprehensive sanctions may generate a 'rally-around-the-flag' effect in a targeted country, strengthening the ruling regime further.

The present study reveals that a broader sanction approach to Belarus, implying targeting key stateowned enterprises with high export potential (chemical and petrochemical industry) and contribution to the Belarusian economy or imposition of restrictions on capital flows, may potentially cause higher economic damage for the economy as a whole. The latter would affect vulnerable populations in the first instance, but be less efficient in facilitating a regime change, and even more, possibly contributing to strengthening of the ruling regime. This may lead to further political and economic isolation of Belarus in the international relations arena and to the intensification of economic ties with Russia and integration processes in the CIS region.

EU sanctions are likely to have the desired impact on policymaking in Belarus if they target representatives of Belarusian business elite, actively supporting the regime, who have a strong lobbying power and whose political effectiveness could be enhanced as a consequence of adverse effect of sanctions on their welfare status, forcing them to negotiate their interests in the government and possibly persuading the government to make some political concessions. Such policy has proven to succeed given recent release of two political prisoners.

Key recommendations include the following:

- For symbolic purposes a policy of travel sanctions should be continued with the view of expanding, if necessary, a list of individuals responsible for the oppression of the political opposition and civic activists in Belarus.
- Arms embargo, a traditional sanction instrument exercised frequently by the international community, also more likely to have a symbolic power given that Belarus is not in a state of war and has no intention to build up its military potential.
- Sanctions targeting key business elite supporting the ruling regime should be adopted as a key pillar in the EU sanctions strategy towards Belarus. Despite some evidence of partial success of such policy it would be too pre-emptive to remove sanctions imposed against Vladimir Peftiev, Yuri Chyzh and Anatoly Ternavsky and entities associated with these three key pro-regime business figures, given other political prisoners are still remaining in jail.
- There is also a need to continue strengthening the EU engagement with the Belarusian people and civil society providing financial support to non-governmental organisations. That is the case especially in part of their activities aimed at increasing awareness of general public of a true meaning of the EU sanction policy in relation to Belarus. This could help people understand that the EU's sanction policy aims to minimise the negative effects of sanctions on the population while targeting individuals responsible for violation of human rights and entities sponsoring the regime
- One of the keys to success of targeted sanctions is a strong commitment of EU Member States to impose sanctions targeting business elite that may imply for some Member States forgiving strategic business and investment opportunities.