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HOW TO BREAK LUKASHENKA

Summary

- The West should swiftly ratchet up its sanctions on Lukashenka with the aim of encouraging his departure.
- The main Western powers – the US, the EU, the UK, Canada, and others – need to cooperate more closely. They should set up a coordinating council for sanctions on Belarus.
- The West should also impose diplomatic sanctions, disqualifying Lukashenka diplomatically. The most important sanctions, however, are personal sanctions against the ruling clique, their allies and families, as they raise the cost of being close to Lukashenka.
- Other effective sanctions appear to be financial and trade ones against the main state-owned companies and banks in Belarus, and against state financing.
- Since the real threat to Belarus comes from the Kremlin, sanctions against Lukashenka should also focus on Russian repressive powers, state banks, and oligarchs.
- The West needs to help prepare the Belarusian democrats for gaining power. It should provide sufficient financial support to the democratic coordination council, encourage diaspora organizations, facilitate visas for ordinary Belarusians, and offer young Belarusians higher education.



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On August 9, 2020, Aliaksandr Lukashenka, Belarus's former president, stole the Belarusian presidential elections. Lukashenka's regime never allowed a credible tabulation of the votes in the presidential election on August 9, 2020. Officially, he claimed to have won with 80 percent of the votes cast, while the general view is that Sviatlana Tsikhanouskaya won an absolute majority.¹

The Western reaction was sharp and instant, but it took time to coalesce and react. One year after the theft of the Belarusian elections, it is time to review the Western policy on Belarus. The illegitimate Lukashenka still controls the Belarusian government. What more could a united West do to oust him?

I. What Is the Aim of Western Policy against Lukashenka?

The European Union and the United States have had reservations about Lukashenka, who was democratically elected president as an outsider in 1994, since 1996 when Lukashenka became increasingly authoritarian.² They have objected to how he has rigged elections and disregarded civil rights. For that reason, the EU and the US have intermittently imposed sanctions on Belarus. Their aim was to persuade Lukashenka to return to the democratic track. To some extent it worked. Lukashenka tended to release some political prisoners a couple of years after a flawed election, after which the West eased its sanctions, but no democracy or freedom ensued.

The reasons for imposing sanctions vary. Many bad rulers persist. For some countries, there is little hope, whereas other countries are on the cusp of democracy. In the latter cases, restrictive measures to encourage rulers to get on a track towards democracy make sense. That was the Wes-

1 BBC, "Belarus election: Opposition disputes Lukashenko landslide win," *BBC*, August 10, 2020.

2 Steven Woehrel, "Belarus: Background and U.S. Policy Concerns," Washington, D.C., *Congressional Research Service*, February 1, 2011,

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tern policy towards Belarus until the stolen presidential election of August 9, 2020. Today, alas, Belarus relates to quite a different group of countries, such as Cuba, Iran, North Korea, and Syria, for which there is no hope of improvement under the current regime. Hence, real friends of Belarus must call for regime change.

The situation has fundamentally changed since last year. Today, Lukashenka must no longer be considered president of Belarus but rather a self-imposed dictator, who has imprisoned 671 opposition activists and driven hundreds of thousands into exile.³ There is no longer any reason to try to improve Lukashenka's behavior. The only issue today is how to oust him.

This must be put clearly: the objective of the Belarusian democratic forces and the West is no longer to moderate Lukashenka's behavior, but to force him to leave. The objective is regime change. Western policy needs to change accordingly.

II. Are There Any Reasons to Hold Back?

Numerous arguments are usually made against a rapid escalation of sanctions. Let us go through them but note that none of these arguments appears valid for Belarus today.

A suitable parallel is a change in military strategy. During the Vietnam War, the US escalated its involvement gradually, which was a reflection of a lack of clear goals. The war ended in US defeat. The Gulf War in 1990 provided a contrasting example, characterized by "shock and awe," i.e. massive instant force. The commanders knew their aim and they applied relevant resources to achieve it. The same

3 As of September 15, 2021, 671 persons in Belarus are considered as political prisoners, *Viasna Human Rights Center*.

”The more expensive Belarus becomes, the more reluctant the Kremlin is likely to be to finance it.

well-considered strategy of shock and awe should be applied to sanctions.⁴

Another argument for such a gradual escalation has been to offer the punished regime possibilities to make amends. That argument was valid for Belarus until 2020, as Western sanctions were applied to ease political repression, and EU sanctions were lifted when all political prisoners had been released. Since August 2020, however, reduced repression is no longer the Western aim; instead, it is regime change, which calls for maximum sanctions.

Sanctions harm the population, so a fundamental question is what do the people in the sanctioned nation desire. On such grounds, the West imposed severe sanctions on South Africa and Rhodesia during apartheid. Similarly, the Belarusian democratic movement is now fully in favor of severe economic and personal Western sanctions, which they claim enjoy majority support.

A related objection is that economic sanctions harm economic growth and the standard of living, but the Belarusian economy’s key problem is Lukashenka’s harmful policies. The Belarusian economy has not grown since 2012 and is not likely to expand as long as Lukashenka stays in power.

Finally, opponents of sanctions argue that the latter will render Belarus even more dependent on Russia, or even deprive it of its official independence. Alas, Lukashenka is already completely dependent on Moscow. Russia has steadily subsidized Belarus. In the early 2000s, its subsidies amounted to about \$6 billion a year. In more recent years, Moscow has reduced its subsidies to about \$2 billion a

year.⁵ Severed Western trade and financial sanctions could hike that need back to \$6 billion a year, but currently Belarus has no other source of financing than Moscow. With its international currency reserves of about \$600 billion, the Kremlin can afford to support Belarus. However, the more expensive Belarus becomes, the more reluctant the Kremlin is likely to be to finance it.⁶ According to the independent Russian economist Sergey Aleksashenko, Crimea alone costs the Russian federal treasury \$5 billion a year, and the Russian economy has not grown since 2014.⁷

For all these reasons, the West should impose more severe sanctions as soon as possible.

III. Western Policy Coordination on Belarus

The efficacy of sanctions and other policies depends on how many countries apply them. Ideally, sanctions should be imposed by the United Nations, but given that Russia is Lukashenka’s firm ally, all UN organizations are precluded.⁸ Nor have emerging countries shown any engagement. The aim should be to engage all Western countries and coordinate their policies on Belarus as closely as possible.

After the stolen presidential elections, Western sanctions have been substantial, but they have not been fast or well-coordinated. The three Baltic countries – Lithuania, Latvia, and Estonia – sanctioned 30 top Belarusians, including Lukashenka, on August 31, 2020.⁹ They continued on September 25, sanctioning another 100 Belarusian of-

5 IMF, “Republic of Belarus: 2018 Article IV Consultation–Press Release; Staff Report; and Statement,” January, 17, 2019, p. 6.

6 BOFIT, “Russia Statistics”.

7 Sergey Aleksashenko, “Skol’ko stoit Krym? (How Much Does Crimea Cost?),” Ekho Moskvy, March 18, 2021.

8 Gary Clyde Hufbauer, Jeffrey J. Schott, Kimberly Ann Elliott and Barbara Oegg (2009), *Economic Sanctions Reconsidered*, Peterson Institute for International Economics, 3rd edn.

9 Andrius Sytas, “Baltic states impose sanctions on Lukashenko and other Belarus officials,” *Reuters*, August 31, 2020.

4 Anders Åslund, “A ‘shock and awe’ approach to economic sanctions,” *The Hill*, August 14, 2021.

ficials.¹⁰ On October 2, the EU finally sanctioned 40 Belarusian citizens. It was followed by the United Kingdom, Canada, the US, Ukraine, Norway, Switzerland, Northern Macedonia, Montenegro, Albania, Iceland, Liechtenstein, and Serbia.

While there has been some coordination, countries have imposed sanctions at different times, and their sanctions have differed in substance. Earlier sanctions and closer coordination both in time and substance would be desirable. Preferably, the Western countries involved should form a coordinating council for sanctions on Belarus.

IV. Start with Diplomatic Sanctions

While no Western country has recognized the official election result or Lukashenka as president, the West should go a step further, just as it has done with Venezuela, Myanmar and now with Afghanistan. In other words, the West should not only refuse to recognize Lukashenka as president of Belarus, but also recognize Tsikhanouskaya as president. So far, only Lithuania has recognized her diplomatically.

Official diplomatic recognition is important. This would mean that all Belarusian diplomatic missions (at least in Western countries) would pass to the democratic movement, providing it with substantial resources and important platforms.

In the international financial institutions (the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development), the West can recognize the democratic movement under Tsikhanouskaya, which means that Lukashenka can no longer extract any resources from them.

A stark example is that of the IMF on August 23, 2021, which issued \$650 billion in new Special Drawing Rights

10 Andrius Sytas, "Baltic states extend travel ban to more Belarus officials," *Reuters*, September 25, 2020

to its members, in proportion to their quotas with the IMF. Thus, Belarus received \$940 million in free money. It is possibly that this windfall to a sanctioned country could be impeded, but it appears unlikely. By contrast, the regimes of Venezuela, Myanmar and Afghanistan will not receive access to these funds because they are not recognized by the international community; Cuba and North Korea will not receive such funds since they are not members of the IMF.

The conclusion is that a united West should recognize Tsikhanouskaya as president and her Coordination Council as the government of Belarus, while Lukashenka should not be allowed to represent Belarus anywhere abroad or in any international organizations.

V. Continue with Financial, Trade, and Personal Sanctions

While being somewhat late, the Western sanctions on Lukashenka are directed against sensible targets: human rights oppressors, corrupt rulers, state finances, and the main Belarusian earners of hard currency.

At present, the West has sanctioned leading policymakers, a couple of hundred secret police officers guilty of torture, and election cheaters. Admittedly, many more – thousands – have been guilty of similar crimes and ought to be punished, but, at the same time, these are hardly the most effective political sanctions. Only the most senior government officials travel abroad and have international assets. Lithuanians report that no Belarusian officials have been spotted in their Baltic Sea holiday paradise Palanga this summer. Yet, a fair number of them need to be sanctioned for moral reasons.

A second group that should be sanctioned are Lukashenka's allies in the energy, construction, and tobacco industries. The EU sanctioned these important allies on June 24, 2021 and the US followed suit on August 9. This is an important step because these are the people who enrich

Lukashenka personally. In their sanctions list on August 9, the US Treasury singled out: Lukashenka's "Energy Wallet", Mikalai Varabei (who is also sanctioned by Canada, the EU, and the UK); Lukashenka's "Tobacco Wallet", Aliaksey Aleksin (who benefits from a near-monopoly on production of tobacco products in Belarus); and Lukashenka's "Construction Wallet", The Karic Construction Empire, headed by Serbian and Cypriot national Nebojsa Karic.¹¹

A third group of sanctions have been directed against Belarusian state finances, and comprise: sanctions against five state-owned banks that hold about three-quarters of all banking assets; and sanctions against Belarusian sovereign bonds. In its sanctions of June 24, the EU sanctioned three of the five big state banks.¹² Why weren't they all sanctioned? Meanwhile, the US has remained silent in this respect.

The EU and the UK sanctioned the issuing of Belarusian sovereign debt. However, the US did not, although it had sanctioned the issuance of Russian sovereign debt in all currencies. Moreover, no Western country has sanctioned secondary trade in Belarusian state bonds. Reportedly, Western companies have largely sold their Belarusian bonds to Russians, who thus benefit from a higher return thanks to Western sanctions. Obviously, the West should also sanction secondary trade in Belarusian government bonds.

Eventually, the West has imposed trade sanctions. The US did so in April 2021 by ending a waiver on sanctions for nine major Belarusian companies, including the potash producer Belaruskali, the oil and gas company Belneftek-

11 U.S. Department of Treasury, "Treasury Holds the Belarusian Regime to Account on Anniversary of Fraudulent Election," August 9, 2021.

12 European Commission, "Council Regulation (EU) 2021/1030 of 24 June 2021 amending Regulation (EC) No 765/2006 concerning restrictive measures in respect of Belarus".

”Putin is increasingly using Russian oligarchs for his own political purposes.

him, and the big oil refinery Naftan. On June 24, 2021, the EU imposed similar sanctions, but it excluded most of the production of Belaruskali for unclear reasons. Given that petroleum products from Belarus's two big oil refineries, Naftan and Mozyr, and potash from Belaruskali account for two thirds of Belarus's exports to the West, these companies are vital for Belarus's current account balance. In 2021, Lukashenka has benefited from a windfall in terms of improved terms of trade, as Belarusian exports have risen sharply in price.

A novel development is that Lukashenka has opted for hybrid warfare with rather original operations, such as airplane hijacking and the forcing of refugees upon Belarus's restive neighbors, Lithuania and Poland. We should expect more such efforts, which will raise the stakes for the neighboring countries and the EU. They need to act quickly and firmly in response. Such expectations are an additional reason for the West to establish a coordination group for fast action on Belarus.

VI. Hit Russian State Companies, State Banks, and Oligarchs

At present, Lukashenka is nothing more than a client of Vladimir Putin. Therefore, Russia should be punished for interfering in Belarus. This could take three forms of sanctions: against Russia; against Russian-owned companies in Belarus; and against Russian oligarchs buying companies in Belarus.

Since the Kremlin is the ultimate villain in Belarus, its operators and the Russian state itself should be sanctioned in the same way as their Belarusian colleagues. The Russian journalists from RT who have taken over the Belarusian propaganda should be sanctioned, as well as their companies. Similarly, when Russian human rights violators have

been identified pursuing torture in Belarus, they should be sanctioned. If the Kremlin increases its financing of Lukashenka, Russia should become subject to more financial sanctions. It is impermissible that Russian financiers benefit from Western sanctions on Belarusian state bonds by receiving a higher yield. Both Belarusian and Russian sovereign bonds should be subject to secondary sanctions; that is, prohibiting trade in sovereign bonds on the market.

Putin is increasingly using Russian oligarchs for his own political purposes. He selects a few oligarchs who are well entrenched in the country and encourages them to buy enterprises and politicians. In September 2020, he mentioned that 2,500 enterprises in Belarus had Russian capital.¹³ The select few tend to receive no-bid state orders and large credits from Russian state-owned banks. Considering the precarious political situation in Belarus, only Russian companies can buy Belarusian companies, which means that they can buy them at rock-bottom prices. Moreover, which Russians become owners of the biggest Belarusian companies are in all probability determined not on the market, but at the Kremlin based on their close allegiance with Putin.

The most obvious example in Belarus is Mikhail Gutseriev, a Russian oil multi-billionaire who has invested in the Belarusian petrochemical industry. Because of these activities, the EU sanctioned him on June 24, while the US has yet to act.¹⁴ The West should threaten Russian businessmen with sanctions when their Belarusian investment plans are being discussed, which is usually done in public.

The main financial channels with connections to the Russian government are the four Russian state-owned banks in Belarus that hold about one-fifth of all Belarusian banking assets. All four of them should be sanctioned by the West, because their business is just a means to finance a

¹³ Kremlin, September 14, 2020,

¹⁴ European Commission, "Council Regulation (EU) 2021/1030 of 24 June 2021 amending Regulation (EC) No 765/2006 concerning restrictive measures in respect of Belarus".

Russian takeover of Belarusian companies. The strategic leader of the pack is Sberbank and its CEO is Herman Gref.

VII. Prepare Belarus for Freedom by Supporting the Democratic Movement and the Belarusian Diaspora

So far, the Belarusian democratic movement and diaspora have been admirably brave, peaceful, disciplined, and united. They stand for freedom, democracy, a market economy and rule of law, without opting for any specific ideology or model. This appears to be a wise policy to hold the democratic movement together in a united front. This stands in sharp contrast to the split opposition in Belarus from 1996 until 2020, which suggests that Lukashenka was a major cause of the split among the opposition and that the democratic movement has matured.

Today, the West needs to start preparing the Belarusian democrats for when they have gained power. The most obvious act should be to provide sufficient material and financial support to the democratic coordination council, currently located primarily in Vilnius but also in Warsaw. The natural sponsors would be the US National Endowment for Democracy and the European Endowment for Democracy. This is a relatively cheap endeavor, which would only require a few tens of millions of dollars.

A more difficult and costly undertaking is media support. Considering how fast the media industry has evolved in recent years, it is difficult to say how it is best done, and presumably the tactics and techniques have to be changed frequently. Nevertheless, this is a top priority.

The Belarusian diaspora has suddenly risen to become a major force for democratization. Strangely, no universal organization has emerged as of yet, while the Ukrainian World Council claims a Ukrainian diaspora of 22 million. Given the cohesion and idealism of the Belarusian diaspora, it should be encouraged to develop a strong global organization.

In the 1980s, millions of young Poles traveled around Europe individually, mostly taking occasional holiday jobs or studying. They formed a mass of millions of insightful young democrats, and should be an example to emulate. Ideally, the EU should offer ordinary Belarusians visa freedom, or at least facilitate the issuance of visas to them, so that Belarusians can integrate with the democratic West. State officials as a group, by contrast, should be prohibited to travel to the West.

The European Humanities University in Vilnius is a wonderful institution, and it, along with other European universities, should offer Belarusians free higher education as Polish universities do to tens of thousands of Ukrainian students who arrive in Poland without any visa requirement.

Belarusians form a part of Europe, and the EU must encourage them to integrate with the rest of Europe.

VIII. Concluding Recommendations

This paper arrives at seven major concluding recommendations:

1. The West should not aim to soften Lukashenka's repression, but rather encourage his departure. This means that sanctions and other measures should come early and quickly, rather than slowly and gradually as is now the case.
2. Close cooperation between the main Western powers – the US, the EU, the UK, Canada, and others – is vital. Preferably, they should set up a coordinating council for sanctions on Belarus. It is important that Western sanctions are coordinated both in time and in substance to avoid the current loopholes.
3. The West should impose diplomatic sanctions, thus disqualifying Lukashenka diplomatically. Today, no Western political leader allows him- or herself to be seen with Lukashenka. However, the West should go further and declare that Lukashenka is not the legitimate leader of Belarus, drawing on the examples of Venezuela and Myanmar. This would preclude Lukashenka from having diplomatic representation in the West and at significant international organizations.
4. The West is right to sanction major human rights violators, but it should not expect any real breakthrough as a result of such sanctions. Personal sanctions against the ruling clique and their allies and families are far more important. Wealthy associates must realize that the cost of being close to Lukashenka is great. Recent Western sanctions against major allies of Lukashenka are precisely what is needed.
5. Apart from personal sanctions against Lukashenka, his family and his allies, the most effective sanctions appear to be financial and trade sanctions against the main state-owned companies and banks in Belarus, and against state financing. Some sanctions of this kind have been imposed, but they are half-hearted and need to be more comprehensive.
6. The real threat to Belarus comes from the Kremlin. Sanctions against Lukashenka must focus on Russian repressive powers, finance, and oligarchs who want to further enrich themselves at the expense of Belarusians.
7. The West needs to start preparing the Belarusian democrats for taking power. The West should provide sufficient material and financial support to the democratic coordination council. The diaspora should be encouraged to strengthen its organizations. Ideally, the EU should offer ordinary Belarusians visa freedom, or at least facilitate the issuance of visa to them, so that Belarusians can integrate with the democratic West. Moreover, European universities should offer Belarusians higher education, taking as their model the case in Poland with Ukrainian students.