Belarus-EU: Growing Cooperation without Breakthroughs

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Whereas in 2016 Belarus-EU relations saw progress on political matters with little economic effects, the year 2017 and the beginning of 2018 registered the opposite trend: Minsk and Brussels remain stuck in negotiations on landmark political issues, but demonstrate good dynamics in sectoral dialogues and project cooperation. Moreover, after a serious decline in 2015-2016, trade between Belarus and EU member states is on the rise.

Political rapprochement, but no major breakthrough

Since February 2016, when the EU Council lifted most sanctions against Belarus, the atmosphere in Belarus-EU relations has generally been positive. One indicator of that has been that the intensity and level of political contacts continue to grow. Several noteworthy high-level visits to Belarus have taken place in recent months. For example, in September 2017, British Minister for Europe and America Sir Alan Duncan became the first high-ranking member of the UK government to have visited Minsk in the 25 years of UK-Belarusian relations. In November 2017, Sigmar Gabriel was the first German foreign minister to have paid an official bilateral visit since 1995. In February 2018, Minsk received a big Latvian delegation headed by Prime Minister Maris Kucinskis - the first such visit in nine years.

The geography of EU visits by high-ranking Belarusian representatives has also expanded significantly, compared to what was the case several years ago. For the first time, President Alexander Lukashenka received a personal invitation to attend the Eastern Partnership summit in Brussels in November 2017, which also resulted from the

gradual rapprochement in Belarus-EU relations. According to diplomats on both sides, they can now talk to each other openly and about all issues of mutual concern, even though not yet publicly. For instance, annual Human Rights Dialogue sessions have been held since 2015. In July 2017, Brussels hosted the third round of the dialogue.

However, President Lukashenka decided not to attend the Eastern Partnership summit and delegated Foreign Minister Vladimir Makei instead.

> That move pointed primarily to a lingering lack of trust between Minsk and EU capitals and institutions, as well as highlighted the fact that the rapprochement had not yet materialised into politically significant results.

The sides remain stuck in negotiations on both the so-called partnership priorities and visa liberalisation agreements. The two documents have been on the bilateral agenda for a long time already. According to EU Commissioner Johannes Hahn, Minsk and Brussels need to "run meters, not kilometres" before the former agreement can be signed. Yet, these "last meters" have been problematic even though the signing of the partnership priorities is not going to be a real game-changer for the relations. The document is supposed to better structure cooperation along four tracks: effective governance; economic development and market opportunities; transport, energy, ecology, and climate; and people-to-people contacts.

One obstacle to the finalisation of the negotiations on the partnership priorities is the tough position taken by Lithuania. Its government tries to tie the possibility of any agreement between Belarus and the EU to its demands regarding the Belarusian nuclear power plant currently under construction. Interestingly, Lithuania is the only EU state to have adopted such a non-cooperative stance on Belarus's NPP. In contrast, Latvia and Poland, which are also in close proximity to the construction site, adhere to a negotiation strategy with Minsk.

> The protracted lack of progress on politically noteworthy issues, like the partnership priorities and visa liberalisation agreements, leads some observers to conclude that EU-Belarus relations have reached some sort of a "plateau".

Whether or not this metaphor is insightful enough, politically Minsk and Brussels are going through another uneasy phase. It is, of course, qualitatively different from the crisis-driven period of 2011-2013, but certainly requires additional flexibility and patience from both sides.

More sectoral dialogues and project cooperation

While on the political level noticeable progress is missing, economic ties and project-based cooperation demonstrate better dynamics. Modest but steady progress is reflected, inter alia, by the contents of the EU-Belarus Coordination Group meetings. Two such meetings took place in 2017 (and four all in all). The idea of these biannual meetings is to map existing and future cooperation projects in a variety of sectors (technically, the meetings should facilitate the signing of the partnership priorities). Items on the agenda include a broad range of economic, environmental and social topics.

To promote cooperative projects in these fields, the EU plans to provide Belarus with EUR 112-136 m of technical grants over the next three years. Moreover, until 2020 Belarus will have access to the 283 m fund within the “Poland-Belarus-Ukraine” and “Latvia-Lithuania-Belarus” cross-border projects. One more sign of the positive dynamics is the fact that Belarus has for the first time accredited a customs attaché at its permanent representation to the EU in Brussels.

The last year also saw an increased number of business-related activities. Most noteworthy was the “Belarus. Invest in Tomorrow” investment forum, which took place in Luxembourg on 27 October 2017. Belarus was represented by Prime Minister Andrei Kobyakov, who had a chance to meet more than 200 business delegates from across the EU.

Also, European financial institutions are becoming more active in Belarus. The European Bank for Reconstruction and Development (EBRD), which in 2016 got a mandate to work with the Belarusian state sector, has now adopted a new country strategy. The European Investment Bank (EIB) signed a framework cooperation agreement with Belarus in May 2017. In July, the Belarusian parliament ratified the agreement. The EIB has started funding several infrastructural projects, which include the upgrade of international transport corridors, municipal and environmental infrastructure (including water and wastewater), and climate action projects. Furthermore, the EIB is involved in the upgrade of a highway from Minsk to the Lithuanian border in parallel financing with the World Bank.

On the margins of the Eastern Partnership summit in Brussels, Belarus and the EU signed a High-level Understanding on the Trans-European Transport Network (TEN-T), which should help to attract additional EU funding for large-scale transport projects.

Belarus's trade with the EU also reveals a positive trend after a serious decline in 2015-2016. According to Eurostat, the year 2017 registered growth of the overall turnover of trade in goods, with both Belarus's exports (+15.2%) and imports (+21.7%) contributing. As a result, Belarus had a surplus of EUR 2.7 bn in trade in goods in 2017. This trend continues in 2018: In January, Belarus's exports to EU countries rose by 64.6%, whereas imports from the EU grew by 26.2%.

In January 2018, Belarus got upgraded (for the first time since 1999) in the Country Risk Classification of the Organization for Economic Cooperation and Development (OECD). This will bring down the financing cost for companies working with Belarus and can give another impetus to trade and investment facilitation.

Outlook

Unless Belarus-EU relations experience any negative surprises over the next year, there is every reason to expect that current trends will continue.

> Minsk seems determined to fill the relations with more substance and progress on both political and economic levels.

It is telling in this respect that President Lukashenka approved the EU policy of the country during a meeting with Foreign Minister Makei in mid-January.

Yet, difficult matters in negotiations on the partnership priorities, as well as visa liberalisation remain unresolved. Even though both sides signal cautious optimism, lack of mutual trust and vested interests against further normalisation of the relations will continue to complicate the situation. Against this background, sectoral dialogues and project cooperation will remain the driving forces of the relations.

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