Belarus-Latvia: Economic Interests Prevail

Latvia has been consistently opposing economic sanctions against the Belarusian government. The EU hopes to use sanctions to persuade Belarus authorities stop human rights violations.

However, Latvia is sceptical about their effectiveness and can suffer significant economic losses as a result of them. Last year the amount of bilateral trade reached a historical maximum of $33bn.

Despite that, the two countries chose different geopolitical paths of development and thus their relations depend heavily on the EU and Russia – their patrons, accordingly. And while Belarus is a dictatorship and conflicts continue with the EU, it is difficult to expect any breakthroughs in Belarus-Latvia cooperation.

From Wars to Good Neighbourhood

The history of Belarusian-Latvian relations can be traced back to the 12th-13th centuries when the Principality of Polatsk held its authority over the Livs and the Latgallian principality of Jersika in the southeastern part of today’s Latvia. The Polatsk Principality is a forerunner of modern Belarusian sovereignty and was founded on the Dvina river that flows right through Latvia to the Baltic Sea.

Polatsk controlled this important water trade route for a long period of time. Nevertheless, German knights compelled the principality to grant German merchants free river passage and concede all possessions within the Latvian territory in 1212.

Until the end of the 16th century Latvia stood apart from the
Grand Duchy of Lithuania that embraced the Belarusian territories. In the 18th century Latvian territories were annexed by the Russian Empire. Since then, Belarus and Latvia lived in one state for the most of time which resulted in intensified trade and industrial ties. They have especially grown under the Soviet Union.

Belarus never condemned Latvia for its language policy and its approach towards the Second World War

After its collapse, Belarus and Latvia became independent states with different geopolitical paths of development. However, Belarus never condemned Latvia for its language policy and its approach towards the Second World War, in contrast with Russia.

But scandals have not evaded the two countries. In July 2006 Belarusian authorities opened a criminal case against Latvian diplomat Reimo Shmits for "distribution of obscene materials" and searched his apartment in Minsk. There is possibly no coincidence that this person was responsible for contacts with Belarusian opposition leaders. Latvia recalled its ambassador Maira Mora (who is now head of the EU mission in Minsk) for almost three months. Apart from this incident, Belarus and Latvia have enjoyed mostly harmonious relations.

**Strong Ties Between Businessmen**

An impressive number of joint organisations work on relations between the two states: Belarusian-Latvian Investments Forum (since 2005), Belarusian-Latvian Business Forum (since 2008), Belarusian-Latvian Society for Economic Ties, Club of Latvian Businessmen under the Latvian Embassy in Minsk and many others.

Direct foreign investments from Belarus into the Latvian economy almost doubled in 2011
Direct foreign investments from Belarus into the Latvian economy almost doubled in 2011 in comparison with the previous year. It was a historical high of the decade. Latvian businessmen are not behind: they invested more than $700m into the Belarusian economy over the last five years.

As for trade ties, Belarus traditionally enjoys significant surplus due to beneficial supplies of petrochemicals produced from Russian oil. Last year Belarusian export to Latvia was 20 times higher than import from Latvia while the amount of trade rose to approximately $3.3bn. Notice the difference: it dropped to $1bn when Belarus was at odds with Russia over oil prices in 2010.

This proves again that Belarusian trade ties with the EU countries are not so fundamental as with Russia. It is one of the main reasons why Lukashenka so easily ignores the EU criticism of his policies.

Why Latvia Opposed EU Sanctions Against Belarus

During the EU-Belarus diplomatic row in February-March, many analysts were confident that Brussels may impose tough economic sanctions on Belarusian enterprises. Politicians in Baltic states were aware of the impact of this step on their economies, that is why Lithuania and Latvia opposed EU sanctions.

8.1% of Latvian state budget revenues depend on railway transit of Belarusian cargoes

For example, director of the Latvian Employers Confederation Liga Mengelsone said that Latvia's colls could be $480m in case of sanctions and European institutions would definitely not refund this money. According to her, 8.1% of Latvian state budget revenues depend on railway transit of Belarusian cargoes.
Of course, Latvia depends much more on the EU, so Latvian officials finally expressed their solidarity with the EU approach towards the Belarusian regime. But there is still covert dissatisfaction with what is going on in EU-Belarus relations.

In 2009 the Latvian GDP fell by 18% and its economy now needs sources for development which may be found in Belarus. Recently a prominent Latvian construction company won a $100m tender to build a Hyatt Regency hotel in Minsk. In addition to that, Rietumu bank experts assure that Latvian businessmen are ready to take active participation in privatisation of Belarusian state assets.

**People-to-People Contacts Stalled by Authoritarian Belarus**

Latvia is a pioneer of small border traffic with Belarus that entered into force this March. More than four thousand Latvians and almost a thousand Belarusians have already obtained permission to cross the border between two countries without visas for 90 days over half a year. Latvia also joined Polish initiative to issue no-fee national visas for Belarusians since January 2011.

Last May Belarusian Railways restored a railway route "Minsk-Riga" that had existed until the USSR collapse

Each year about 100 thousand Latvians visit Belarus. Close ties that were established by them and Belarusians during the Soviet times explain this. Moreover, many of those Latvians are actually of Russian ethnic origins – relatives of those who worked for Latvian industries or the USSR Baltic fleet. Last May Belarusian Railways restored a railway route "Minsk-Riga" that had existed until the USSR collapse.

Latvia is also of great importance for Belarusian diaspora. Belausians are the second largest ethnic minority in the country after Russians. Around 80 thousand Belarusians
permanently live on the Latvian territory. There is even a Belarusian school in Riga patronised by the Latvian state. This lays the foundation for greater cooperation between Belarusian and Latvian people.

Latvia as well as Poland and Lithuania certainly need Belarus to increase the weight of Eastern Europe in the EU affairs, because the strongest Eurozone countries dictate their terms to the rest of Europe. Unfortunately, the potential of regional cooperation is not easy to fulfil until Belarus is a dictatorship.