

Belarus Exports to the EU Sharply Decline

According to the latest data provided by the Belarusian Statistics Committee, the goods turnover between Belarus and the EU has fallen by 26% this year.

The loss primarily results from Belarusian [scheme of selling oil disguised as solvents](#), which Russia stopped back in 2012. Today, the Belarusian economy suffers from a real hang-over resulting from shortage of export income.

But despite political conflicts, visa restrictions and targeted economic sanctions, the EU remains Belarus' second economic partner after Russia and the biggest importer of the Belarusian goods.

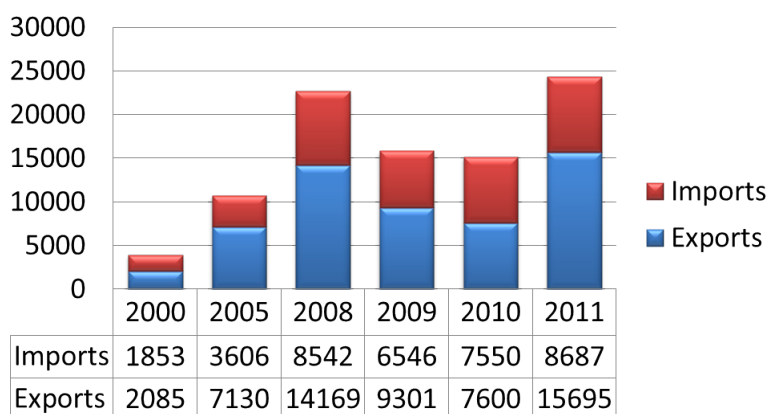
In 2012, the goods turnover made \$27.1 billion. Trading with the EU has become one of the key instruments to revive the Belarusian economy. Another tool to fuel the Belarusian economy is the Russian shipment of subsidised oil. The raw materials get processed in Belarus and then re-exported to the West.

The economic cooperation between Belarus and the EU intensifies. Nevertheless, Belarus remains primarily a transit corridor for Europe, and its lack of prosperity restricts imports of European goods.

Belarus as an Oil Transit Corridor

Mineral fuels, lubricants and related materials make more than half of the Belarusian export to the EU. It is interesting that the Netherlands remain the biggest importer of Belarusian petrol, having a rather strong position on Belarus politics at the same time.

BELARUS'S TRADE WITH THE EUROPEAN UNION (\$ mln)



The second biggest importer in 2012, Latvia, shows a very mild approach to Lukashenka's regime. Belarus re-exported oil disguised as solvents primarily through Latvia. In 2013, the export there decreased by 87%. The business is over.

There is no big deal whether Belarus sells the Russian oil via white or grey schemes as the end result remains the same. The official Minsk strongly depends on the Russian shipments and the Kremlin's mood, which determine the volume of shipments.

Therefore, modernisation of Belarusian enterprises looks not just as an opportunity to expand export in non-oil spheres, but also an attempt to break free from Russia. If the EU wants to be more present in Belarus, it should facilitate decrease of Belarus' oil dependence and stimulate modernisation.

Not Just Oil

□ The structure of Belarusian exports remains undiversified. Belarus' modest level of economic development prevents it from exporting big amounts of industrial products, while the Joint Agricultural Policy limits the potential market for the Belarusian farmers. If Lukashenka's regime fails to modernise the Belarusian economy, diversification of export will be out of the question.

Belarus Exports to EU (2012)	Share of Total (%)
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Mineral fuels, lubricants and related materials	53.8%
Manufactured goods classified chiefly by material	15,3 %
Chemicals and related prod, n.e.s.	12,8 %
Crude materials, inedible, except fuels	6,6 %
Machinery and transport equipment	3,6 %
Other	8.1 %

Source: EUROSTAT

The EU, in its turn, exports machinery and transport equipment (half of total export) chemicals and manufactured goods (one-third of export) to Belarus. Germany, Poland and Italy export the most to Belarus. Although the EU's export to Belarus remains less than the import, it is still less dependent from the outer factors and more stable with regard to high technologies in comparison with the Belarusian export.

Despite the low level of the EU's export, European goods gained popularity in Belarus, which makes them a part of the [EU's "soft power"](#). German cars or Polish food products have a quality mark in the eyes of the Belarusian buyers. Belarusians would have bought more European goods if they had enough money.

The EU member states [do not invest in Belarus](#) much, with the United Kingdom and Cyprus remaining the second and the third investors in Belarus by volume. These investments often turns out to be EU-incorporated entities controlled by Russian business.

What Remains in the Way to Trading More?

In addition to export duties and other formal barriers between Belarus and the EU, low quality of the Belarusian goods and high prices for the European goods we can trace several

political and legal obstacles.

The EU still has not ratified the Partnership and Cooperation Agreement, signed by the parties back in 1995, due to political reasons. Paradoxically enough, today's economic relations are based on the "Agreement between the European Economic Community and the European Atomic Energy Community and the Union of Soviet Socialist Republics on trade and commercial and economic cooperation", signed back in 1989.

In 2007, the EU expelled Belarus from the Generalised System of Preferences for violating the basic rights of the trade unions. The Belarusian economy lost dozens million dollars as a result. In addition Belarus is often accused of dumping practises. The EU introduced protective measures in the form of the anti-dumping duties for polyester staple fibres, solutions of urea and ammonium nitrate, potassium chloride and other goods.

If Belarus joins the World Trade Organisation, it may stimulate growth of its trade with the European Union. Today Belarus has support of Russia and China in this issue and negotiates with the European countries. The Belarusian economy's larger opening to the world may become an interesting turn in economic relations between Belarus and the Euroean Union.