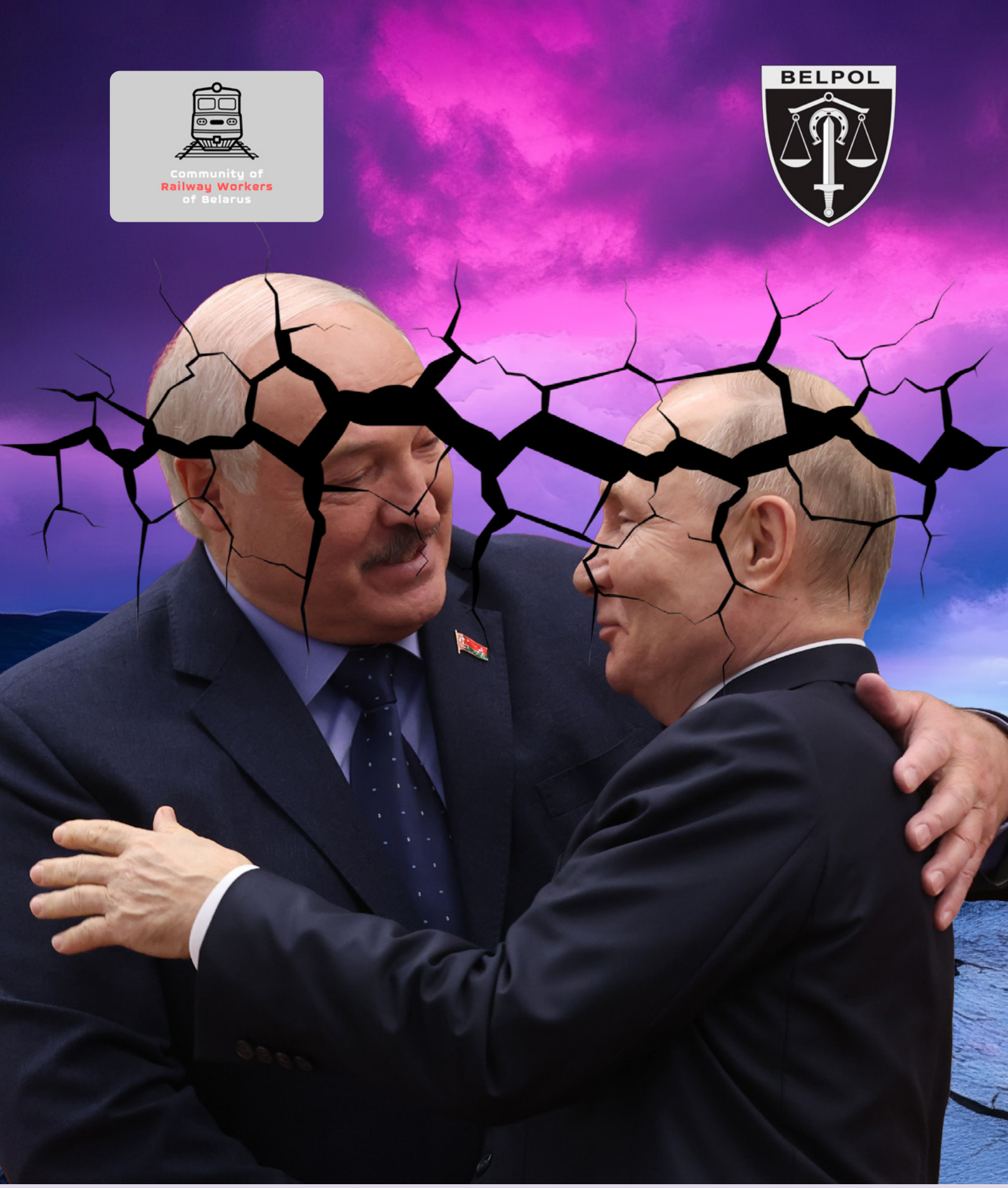


REPORT

SANCTIONS:
EMPIRICAL IMPACT ON THE LUKASHENKA REGIME



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INTRODUCTION

Part of the Belarusian opposition claims that the policy of sanctions pressure on the Lukashenka regime has not been successful and should now be lifted, shifting instead to a policy of negotiations with the dictatorial regime.

The sole basis for this conclusion is the fact that the regime has not collapsed as such.

At the same time, these claims are not supported by documentary evidence, and political activists have no influence over the outcome of the negotiation process and remain fundamentally outside it. As a result, what we are witnessing is not the "PARDON" of political prisoners, but their forced deportation – without documents and without any means of livelihood.

Philosophy identifies a fundamental pair of concepts: "CAUSE" and "EFFECT." Without a cause, there can be no effect.

At present, some figures within the Belarusian opposition are substituting the real cause of the release of political prisoners. They claim that negotiations are the cause in this situation. However, it is obvious that the true bargaining chip for the Lukashenka regime is sanctions, not negotiations. That is precisely the cause for which people were released.

Another manipulative tactic is the substitution of the goals for which sanctions were introduced. It is claimed that sanctions were imposed in order to later lift them.

In reality, they were imposed to force the regime to cease a number of its actions – namely, involvement in the war against Ukraine, hybrid attacks against European Union countries, the use of political prisoners as a "commodity," and ongoing large-scale repression. In addition, the purpose of sanctions is to compel Lukashenka to hold new democratic elections in Belarus.

These are the reasons why sanctions were introduced. Stopping halfway to the goal will lead civilized countries to repeat the same mistake with the Belarus regime. This time, the cost of self-deception will be even more catastrophic for Europe. This constitutes a serious security threat to the countries of the European Union.

This report provides documentary evidence that sanctions work. It demonstrates that attempts to "take care of ordinary Belarusians" by "returning to normality" and lifting sanctions – without resolving the main issue of dismantling the regime – would primarily mean increased military assistance from Belarus to the Russian Federation. Secondly, it would prolong the agony of the Belarusian economy and lead to even more catastrophic consequences for Belarus in the long term. It would also foster paternalism in the minds of Belarusians, who could view a train ride to Vilnius for cheaper food and laundry detergent as more important than rights and freedoms, independence, and national identity.

However, these are Belarus's internal problems in the context of the national security of neighboring states. As long as the Lukashenka regime exists, the European Union will spend billions of euros protecting its borders from hybrid aggression instead of allocating those funds to social programs for its own citizens. As long as the Lukashenka regime exists, Ukraine will remain under constant threat of invasion from Belarusian territory.

There is another important point. The issue of lifting sanctions began to be actively raised precisely at the moment when the cumulative effect of sanctions became evident and the regime acknowledged that they were indeed causing it harm.

The report is structured into chapters according to the areas in which sanctions take effect and also includes a confidential section containing the documentary evidence base. In addition, the text references investigations and articles by BELPOL that provide further documentary proof, including materials signed by senior government officials as well as mid-level officials in Belarus.

Materials in Section 8 were prepared by the Community of Belarusian Railway Workers.

This report examines the impact of sanctions with regard to individuals and legal entities at the level of the production of specific goods, as well as across sectors of the economy and industry.

CHAPTER 1.

DECREASE IN PRODUCTION PROFITABILITY, INCLUDING WEAPONS MANUFACTURING, DUE TO SANCTIONS

Given that the war is now in its fourth year, the key to ending the hostilities is the depletion of the financial and material resources of the military production of the Russian Federation and its satellite, Belarus.

Sanctions restrictions lead to the inclusion of front companies in supply chains, whose accounts accumulate substantial sums.

One such example was documented and proven by BELPOL in its investigation[1] "The Gun Baron." In the supply chain for the manufacture of sights for Russian T-72 and T-90 tanks, OAO Peleng (Belarus) had to resort to the services of Shenzhen 5G Hi-Tech Innovation Co., Ltd. as a front company.

Calculations based on contracts and payment orders showed that Peleng lost 22% of its funds on each transaction in just one chain*: Peleng – Shenzhen 5G Hi-Tech Innovation Co. Ltd. (front company) – the Chinese manufacturer.*

In addition, the investigation documented that due to the transfer of orders for sight parts to China, a quarter of a million dollars was spent on translating technical documentation into Chinese.

And this represents only a single Chinese supply chain. A similar situation can be observed within the Belarusian supply chain for Peleng components.

For example, OOO Rukhservomotor (Belarus) supplied key parts for the commander's panoramic sight for Russian tanks. Due to the fact that Rukhservomotor feared sanctions for participating in this type of work, a Belarusian intermediary company, the Additive Technologies Laboratory [OOO Laboratoriya Additivnyh Tekhnologiy],[2] was included in the *Rukhservomotor–Peleng* supply chain.

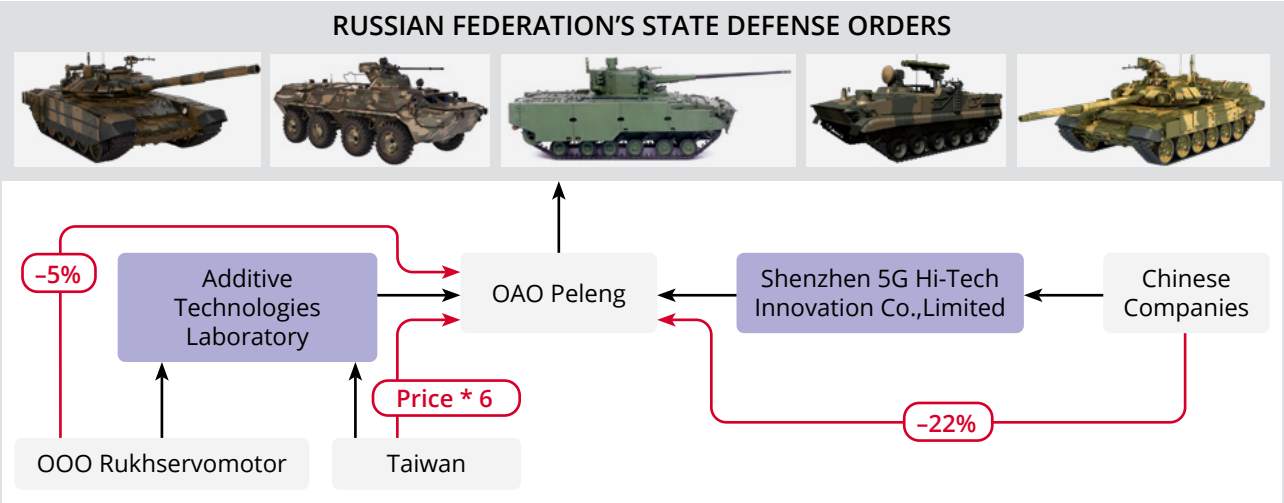


Figure 1. Financial losses on contracts under the Russian Federation's state defense orders in the production of sights. Companies acting as intermediaries are marked in purple

[1] https://youtu.be/eAc1S4zhFIk?si=6flRKg80593CTSCp

[2] https://belpol.pro/ooo-ruhservomotor-souchastnik-vojny-v-ukraine/

For its intermediary services, which consisted solely of drawing up contracts and consignment notes, the Additive Technologies Laboratory retained 5% of the amount paid by Peleng for the supply of parts for sights.[1]

In addition, the Additive Technologies Laboratory served as an intermediary in the supply of absolute optical encoders for panoramic commander sights from Taiwan. This device ensures the precise rotation of the tank's turret in the direction of the target. The price of the encoders supplied to Peleng was six times higher than their cost as determined by the manufacturer.

Another example.

The Minsk Bearing Plant [OAO Minskiy podshipnikovyy zavod], in accordance with the investment project "Creation of an Import-Substituting Production for Special Products,"[3] was supposed to master the production of 152 mm artillery shell casings. The production capacity of the lines was supposed to be 240,000 shell casings per year. According to the document, the main consumer is the Russian Federation.

The project's total cost amounted to 14,304 million Russian rubles, with the Minsk Bearing Plant receiving 32% of its funding from the Russian Federation. The production line was delivered under conditions of sanctions pressure. Consequently, the final product's cost became prohibitive for the primary customer – the Ministry of Defense of the Russian Federation. The product was intended for purchase by NPK Tekhmash OAO (Russia); however, the market price for an equivalent product in Russia proved to be three times lower.

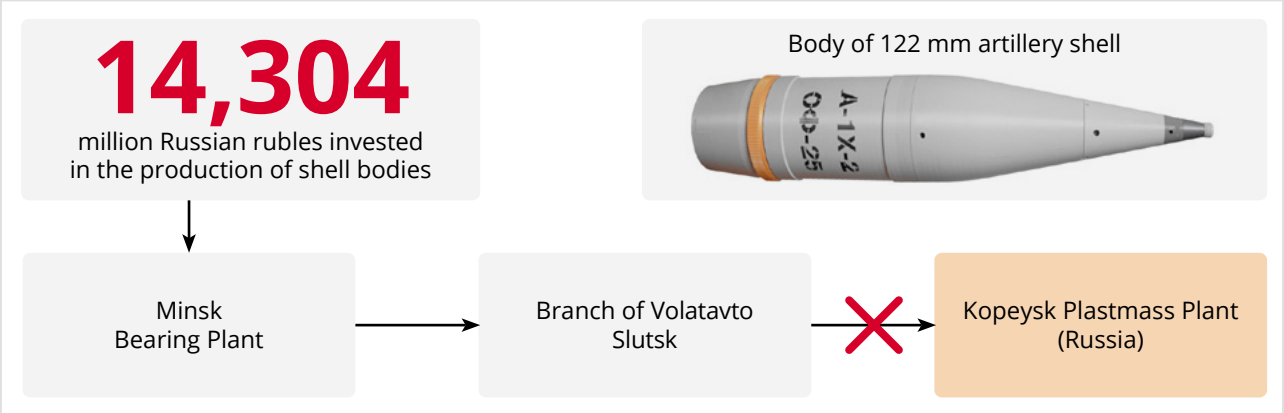


Figure 2. Result of sanctions: unprofitable shell production

As a result, by the fall of 2024, the production line was idle. The financial resources of Russian and Belarusian banks were frozen, and Russia did not receive shells from Belarus for the war in Ukraine.

[3] Investment project "Creation of an Import-Substituting Production for Special Products."

CHAPTER 2.
DELAYS IN MILITARY PRODUCTION. DISRUPTION OF OCCUPIER'S PLANS

Sanctions are disrupting production and supply plans – not only for individual products but also for the fulfillment of overall state defense orders.

This can be observed at the level of manufacturing the panoramic commander's sight.

Documentary evidence of production plan disruptions includes letters[4,5,6] from the Additive Technologies Laboratory to Peleng.

These letters explain the reasons for delays in the delivery of encoders for tank panoramic commander sights. In all cases, the cause of the delays is sanctions. The letters reveal that delivery deadlines were postponed three times. The encoders were initially scheduled for delivery by March 31, 2023, but due to sanctions, the delivery was postponed to August 15, 2023.

Thus, according to confirmed documents, the delay alone exceeded four months.

Further evidence is provided by a letter[7] dated October 15, 2024, from OOO Grosver Group (Belarus), addressed to the Minsk Mechanical Plant named after Vavilov [OAO MMZ imeni S.I. Vavilova] (Belarus).

The letter explains the reason for the delay in the delivery of parts for a television backup sight for T-72 tanks. Spare parts for the production base – CNC machines – were delivered a month late due to sanctions imposed by the United States on August 9, 2024, against Grosver Group.

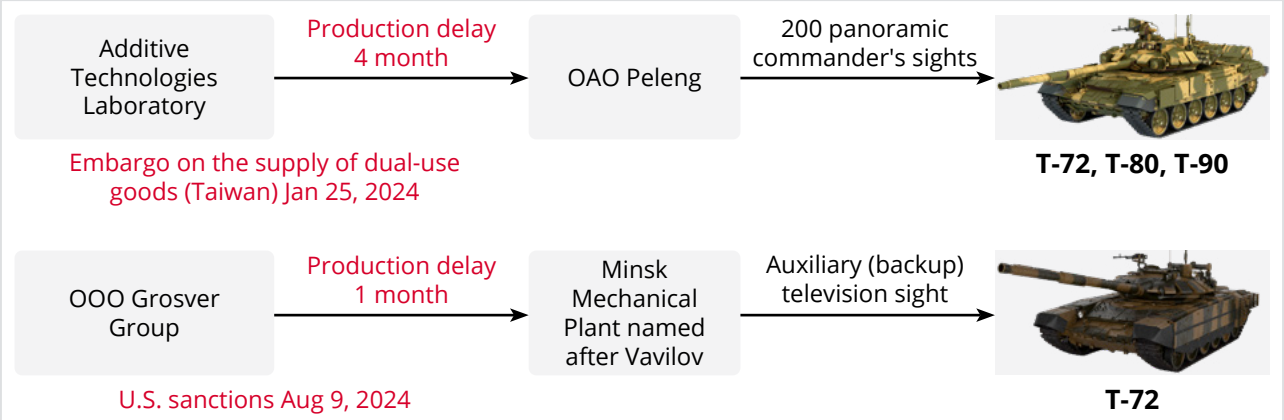


Figure 3. Examples of delays in weapons production due to sanctions

Problems related to payments are causing significant delays in production by Belarusian enterprises.

The draft report by Andrei Kuzniatsou, then Deputy Minister of Industry of Belarus,[8] mentions delays in payments for supplies of components to Belarusian enterprises. Quoting verbatim:

> *"Since March 2024, Chinese banks have begun blocking and returning payments from the Russian Federation as well as the Republic of Belarus for industrial goods, including payments for all deliveries of components for televisions, laptops, and other products.*
>
> *It is worth noting that until March 2024, transferred funds were credited to suppliers' accounts within*

[4] Letter to Peleng dated March 31, 2023.

[5] Letter to Peleng dated May 22, 2023.

[6] Letter to Peleng dated June 12, 2023.

[7] Letter from the OOO Grosver Group (Belarus) to OAO MMZ imeni S.I. Vavilova (Belarus).

[8] Report by the Deputy Minister of Industry of Belarus, Andrei Kuzniatsou.

1–3 days, but afterwards, processing times increased to 1–1.5 months. At the same time, Chinese financial institutions began returning approximately 70–80% of transactions: first, the payment is processed for a long time, the client is asked to complete additional forms, verification continues, and then the transaction is refused."

"Untimely transfers of funds to China lead to delays in the production of components, their shipment and delivery to Belarus, and, as a result, to downtime and reduced production volumes."

Another document,[9] signed by the Deputy Chairman of the State Authority for Military Industry, Viachaslau Rassalai, describes the impact of sanctions on the Minsk Wheel Tractor Plant [OAO Minskiy zavod kolesnyh tyagachey, OAO MZKT].

Section 4 of the Memorandum, titled "Main Problems in the Company's Operations," states that the company's primary challenges are the result of *"**sanctions** imposed by unfriendly countries on OAO MZKT."*

The document states that "*delays in the delivery of imported components directly affect **contract fulfillment times** and **increase production costs**.*"

Sanctions force companies to develop complex payment routing schemes, a process that can take several months.

For example, in 2023, Planar, a Belarus-based microchip equipment manufacturer, purchased necessary products from MICROIMAGE CO., LTD. (Republic of Korea).

With the introduction of U.S. sanctions against Planar in December 2023, this arrangement ceased to function.

To continue receiving the necessary products, EXCELL PHOTOELECTRIC CO., LTD. (China) was brought in.

Due to significant difficulties in processing payments caused by the sanctions, Planar, together with EXCELL PHOTOELECTRIC CO., LTD., developed two alternative schemes to bypass the restrictions.

The options are illustrated in the figure below.

The lengthy development and search for ways to circumvent sanctions negatively affected both Planar itself and one of its main equipment clients in Belarus – Integral.

It should be noted that more than 50% of Integral's products are military-grade microchips, the production of which under Russian contracts increased with the start of the war in Ukraine. Delays in deliveries had a negative impact on the production of microchips for Russian weapons systems.

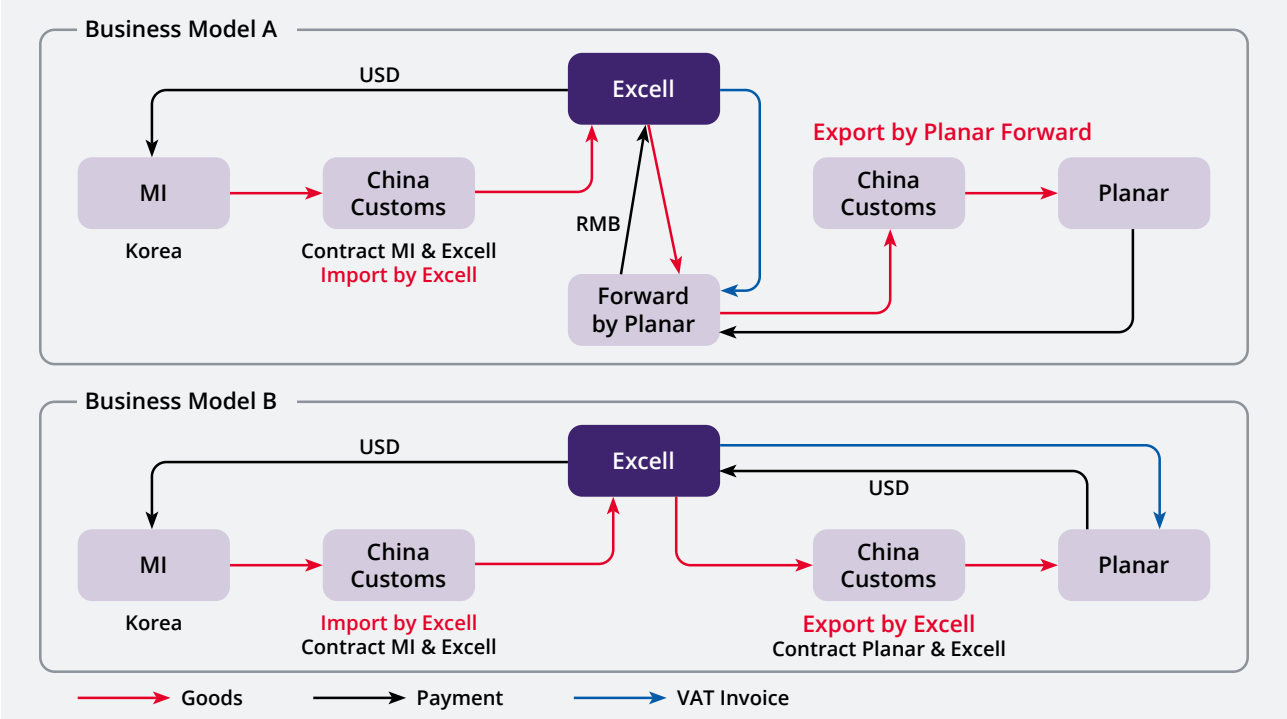


Figure 4. Sanctions evasion schemes for transactions between Planar and Excell Photoelectric Co., Ltd.

[9] Memorandum on the state of affairs at Minsk Wheel Tractor Plant [OAO MZKT].

CHAPTER 3.
DETERIORATION IN THE QUALITY OF CIVILIAN AND MILITARY PRODUCTS

First, in this chapter we will discuss how sanctions affect the quality of military products supplied by Belarus under Russian state defense contracts. The focus returns once again to the same absolute optical encoders used in the panoramic commander's sight. After it became known that Belarus-produced military products included components from Taiwan, Taiwan imposed an embargo on the supply of dual-use products to Russia and Belarus. As a result, Peleng had to find a replacement for the Taiwanese encoder in China. A substitute was found, but of lower quality.

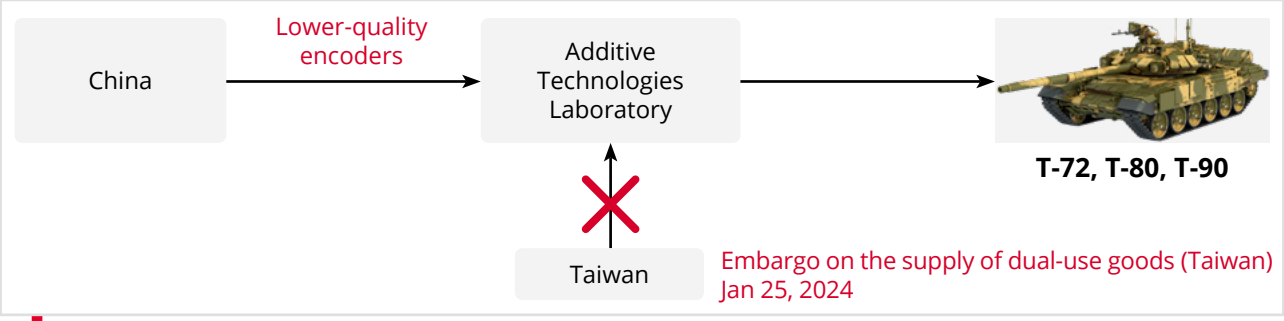


Figure 5. Result of the embargo on the supply of dual-use goods, Taiwan, January 25, 2024

Another example: frequent fires on MAZ buses were attributed to improper operation. In reality, the report to Lukashenka by the Prime Minister of Belarus, Piotr Parkhomchik,[10] explains the true cause of the fires. The primary reason cited for the MAZ bus fires in the report is the change in design solutions due to the need to replace Mercedes engines with Chinese Weichai engines.



Figure 6. Result of replacing MAZ bus engines

[10] Report by the Prime Minister of Belarus, Piotr Parkhomchik.

CHAPTER 4.

FREEZING OF FINANCIAL RESOURCES THAT COULD HAVE BEEN USED FOR MILITARY PRODUCTION

There are numerous examples of how sanctions block or prevent the return of financial funds to Belarusian manufacturers.

For instance, a letter[11] from the Deputy Chairman of the State Authority for Military Industry, Viachaslau Rassalai, addressed to the Ministry of Foreign Affairs of Belarus, makes it clear that the main supplier of chassis for strategic and operational-tactical missile systems of the Russian Ministry of Defense – the Minsk Wheel Tractor Plant – was denied the delivery of 30 chassis of the 70C17CC/R model by an Italian company, which also created problems with the return of an advance payment of 69,731 euros.



Figure 7. Freezing of financial assets

[11] Letter from the Chairman of the State Authority for Military Industry, Viachaslau Rassalai.

CHAPTER 5.

LOSS OF REPUTATION AND, AS A RESULT, LOSS OF CONNECTIONS WITH FOREIGN MANUFACTURERS AND CLIENTS

An example of how companies in Belarus are losing their foreign partners is OOO Rukhservomotor.

This company was involved in the production of sights in Belarus and supplied components for sights directly to the Russian defense companies.[12]

The company was included in the 18th package of European Union sanctions, as well as sanctions imposed by the U.S., UK, and Canada.

The company had partners in a number of democratic countries: Germany (SIEMENS and INA), Italy (SAE Group), and Canada (Acculogic).

For some time, the official website of OOO Rukhservomotor listed the following companies as its dealers:

- PARKEM AG (Switzerland);
- KML LINEAR MOTION TECHNOLOGY GmbH (Austria);
- INTECH CORPORATION (South Korea);
- Taiwan Servo Dynamics Co., Ltd. (Taiwan);
- ULSIS Bilisim Teknolojileri Sanayi Ve Tic. Ltd. (Türkiye)

On August 12, 2024, BELPOL prepared and sent letters to five companies from Sweden, Austria, Korea, Taiwan, and Türkiye, which were listed on the official website of Rukhservomotor as its suppliers. The letters contained a detailed description of the company's work in the weapons production system, its contribution to the fulfillment of Russian military orders, and a link to the BELPOL investigation.

Two weeks later, Rukhservomotor removed all information about any cooperation with the specified foreign companies.[13] This marked the beginning of the "sunset era" for a company that had sought to profit by participating in weapons production for an aggressor.

Another example: Yuri Chivel, CEO of the Additive Technologies Laboratory, was included in a sanctions package and banned from entering EU countries, despite previously regularly traveling there for leisure and medical treatment. His French company, Merphotonics, was closed, and Chivel himself was removed from his position at the Additive Technologies Laboratory. The enterprise itself had to change its CEO, as well as rename the company to Laser Instruments and Technologies [OOO Lazernye pribory i tekhnologii] and change its address.

Here is another example of the loss of a foreign customer and investor. It concerns the Zeiss-BelOMO joint venture [SP Zeiss–BelOMO OOO],[14] which was registered on July 20, 1995.

The founders of this Belarusian–German joint venture were Carl Zeiss Jena GmbH (60%) and the Minsk Mechanical Plant named after Vavilov – the Management Company of the BelOMO Holding [OAO MMZ imeni S.I. Vavilova Upravlyayushchaya Kompaniya Kholdinga BelOMO] (40%).

The main activity of the Zeiss–BelOMO joint venture was the production of optical lenses and their assemblies, mechanical components, assembly units for medical instruments, and assembly units for camera lenses.

[12] https://belpol.pro/ooo-ruhservomotor-souchastnik-vojny-v-ukraine/

[13] https://belpol.pro/czena-raboty-na-vojnu/

[14] https://belpol.pro/sp-czejss-belomo-ooo-budet-proizvodit-priczely

Zeiss–BelOMO produced products exclusively according to Carl Zeiss Jena's design documentation and for the needs of Carl Zeiss Jena. The raw materials for these orders were also supplied by Carl Zeiss Jena.

After the U.S. sanctions were imposed on the BelOMO Holding on December 5, 2023, the German participant informed the company that it could no longer continue business relations and canceled all placed orders. On December 23, 2023, Carl Zeiss Jena GmbH unilaterally ceased operations with Zeiss–BelOMO.

Even before this decision, the Minsk Mechanical Plant named after Vavilov had begun ordering sight components from Zeiss–BelOMO. Orders for sight components continue to this day.

Thus, while fulfilling military orders, Zeiss-BelOMO lost both its main investor and access to the European market.

CHAPTER 6.
WEAKENING OF BELARUS'S AND RUSSIA'S DEFENSE INDUSTRY AND INFRASTRUCTURE

Following the events of February 24, 2022, the territory of Belarus must be considered a potential staging ground for the expansion of war into European countries. February 24 stands as indisputable evidence of the loss of Belarus's military sovereignty.

No official, from strategic-level positions – including the Minister of Defense, Commanders of the Operational Commands and branches of the Armed Forces of Belarus – down to rank-and-file personnel of the State Border Committee, fulfilled their functional duties as prescribed by the Constitution, laws, and legislative acts of the Republic of Belarus.

Consequently, any weakening of the combat potential of Belarus and the Russian Federation must be regarded as a critical element in deterring armed aggression by Russia and its satellite – the Lukashenka regime – to prevent regional and potentially global catastrophe. This is particularly relevant given that dictator Lukashenka functions merely as a technical figure for Russia, allowed only to manage the internal affairs of the country.

Through Lukashenka, hundreds of thousands of Belarusians could be drawn into armed conflict on Russia's side. Weakening Belarus's State Authority for Military Industry (SAMI) is therefore a primary objective and a guarantee against Belarus entering the war or facilitating the disruption of Russian state defense orders.

All SAMI enterprises and military departments are in urgent need of high-tech equipment.

For example, a memorandum dated April 10, 2022,[15] sent by the SAMI Chairman, Dzmitry Pantus, to the Deputy Prime Minister of the Republic of Belarus, Yury Nazarau, states that on February 24, 2022, the United States added certain organizations within the State Authority for Military Industry, including OAO KB Radar, to its sanctions lists.

Quoting the SAMI Chairman:

> *"These restrictive measures will primarily affect the ability of these organizations to conduct (receive) international payments, significantly complicate transport and logistics schemes for delivering goods to foreign customers, and make it impossible to procure imported components and materials from the U.S., EU, and allied countries (which is most critical for KB Radar)."*

A key element of the Groza electronic warfare stations produced by KB Radar consists of multifunctional transceivers from the National Instruments Corporation (the United States). The stationary radio relay network of Belarus's Ministry of Defense is built on SAF radio relay stations manufactured in Latvia. The DMR-standard trunked communication system of the Ministry of Internal Affairs relies on repeaters and radios from Motorola (the United States). The radio direction-finding and monitoring system of the Ministry of Defense is based on German Rohde & Schwarz spectrum analyzers. The Pleiades military satellite communication stations of the Ministry of Defense incorporate Japanese low-noise amplifiers, converters, American satellite routers, and Taiwanese converters.

[15] Memorandum to the Deputy Prime Minister of Belarus, Yury Nazarau.

There is not a single SAMI company in Belarus that does not use foreign components in the production of weapons, military equipment, and ammunition.

The scale of Belarusian enterprise involvement in arms production is staggering.

At the same time, the regime does everything possible to profit from selling weapons, specialized equipment, and ammunition components to the Russian Federation.

Indisputable evidence of this is provided by the justification[16] for the business trip of Belarus's so-called Minister of Defense, Viktar Khrenin, to Moscow, dated October 10, 2024, and signed by him personally.

Here's a direct quote from the document about the purpose and some of the objectives of the trip.

> *"The purpose of the trip is to participate in a working meeting on strengthening the strategic partnership in the field of military-technical* ***cooperation, taking into account the current needs*** *of the Armed Forces of the Russian Federation."*
>
> *"The objectives of the business trip are:*
>
> *– to discuss the state and prospects of bilateral cooperation between Belarus and Russia in the field of security;*
>
> *– to discuss issues related to the production of particularly sought-after models of military and special equipment* ***in the interests of the special military operation****."*

Another example of the full subordination of Belarus's state industrial sector to Russian military objectives is reflected in the statements of Deputy Prime Minister of Belarus, Viktar Karankevich,[17] at a Russian–Belarusian meeting on security issues. The statements were addressed to Lukashenka and Shoigu (Minsk, October 2024).

Quoting:

> *"The Republic of Belarus attaches great importance to the development of strategic partnership in the field of military-technical cooperation with the Russian Federation.*
>
> *Today, to strengthen the defense capability of the Union State, close interaction has been established between Belarus and the Russian Federation* ***in the supply of modern, reliable, and effective samples of weapons, military, and specialized equipment.***
>
> *It should be noted that the production capacities of the defense sector of Belarus's economy* ***are almost fully occupied with production both within the framework of Belarus's State Defense Order and that of the Russian Federation.***
>
> ***The volume of military product deliveries to the Russian Federation in recent years has increased severalfold for certain items,*** *indicating close cooperation between our countries in military-technical cooperation."*
>
> *"We are also ready to organize the production and supply of uniforms and specific equipment elements for the needs of the Armed Forces of the Russian Federation, starting from 2025.*
>
> *Enterprises in the mechanical engineering sector of the Ministry of Industry are fully prepared to meet the requirements of Russian defense industry organizations for the products they request.*
>
> *In addition, a number of Ministry of Industry organizations in Belarus* ***have free production capacity that can be utilized in cooperative chains for manufacturing components for special-purpose products."***

One of the regime's demands in trading political prisoners is the lifting of sanctions on OAO Belinvestbank. However, this bank is the primary lender for new military projects, some of which have already been completed, with the weapons delivered to Russia.

[16] Justification for the business trip of Belarusian Defense Minister Viktor Khrenin to Moscow.

[17] Statements by the Deputy Prime Minister of Belarus, Viktar Karankevich.

For example, Belinvestbank financed the production of 152 mm artillery shell casings and 122 mm rocket shell body-mechanical components. This was detailed in a BELPOL investigation.[18]

A letter from the Minister of Industry, Aliaksandr Rahozhnik (Rogozhnik),[19] dated October 16, 2023, marked "FOR OFFICIAL USE ONLY" and sent to the National Bank of Belarus, the Ministry of Finance, and Belinvestbank, describes in detail the participants in the project for the production of the above-mentioned ammunition and the amounts of funds allocated for the purchase of production equipment.

The borrowers are:

- OAO Volatavto
- Homiel Foundry and Standard Parts Plant [OAO Gomelsky zavod litya i normalei]
- Legmash Plant [OAO Zavod Legmash]
- Display Design Bureau [OAO Konstruktorskoe byuro Displey]
- Minsk Automobile Plant [OAO MAZ]
- Minsk Termoplast Plant [OAO Minsky zavod Termoplast]
- Minsk Gear Plant [OAO Minsk zavod shesteren]
- Minsk Bearing Plant [OAO Minsk podshipnikovyi zavod]
- Orsha Aircraft Repair Plant [OAO Orshansky aviaremontny zavod]
- 558th Aircraft Repair Plant [OAO 558 Aviatsionny remontny zavod]
- OOO BAZtyub
- Precision Electromechanics Plant [RPUP Zavod tochnoy elektromekhaniki]

The total loan for equipment procurement, according to the document, is 378.82 million Belarusian rubles. The letter leaves no doubt as to what will be produced at these facilities. Quoting verbatim:

> *"As part of the work conducted by the Ministry of Industry, the organization of serial production of body-mechanical components is planned as follows:*
>
> *122 mm rocket shell components will be produced at the Legmash Plant, the Homiel Foundry and Standard Parts Plant, the Minsk Gear Plant, OAO MAZ – the Management Company of the Belavtomaz Holding, Minsk Tractor Works [OAO MTZ], the Minsk Termoplast Plant, and the Minsk Bearing Plant;*
>
> *152 mm artillery shell components will be produced at the Minsk Bearing Plant and the Minsk Termoplast Plant."*

This document provides further evidence that arms production in Belarus is not solely the responsibility of the State Authority for Military Industry but rather a task of the Ministry of Industry and the country as a whole.

[18] https://youtu.be/ZGKP7eGZH1o?si=fQCLseLUG7-oZ0sn

[19] Letter from the Minister of Industry, Aliaksandr Rahozhnik, dated October 16, 2023.

CHAPTER 7.
DIFFICULTIES IN FINANCIAL TRANSACTIONS AND PAYMENTS

Difficulties in financial transactions due to sanctions have wide-ranging consequences for any enterprise in Belarus.

For example, consider the Order of OAO BELAZ[20] dated July 27, 2023, which approved measures on sanctions compliance. The Order makes it clear that a "working group for the development and coordination of measures aimed at preventing sanctions risks and restrictions" has been established within the holding. The Order defines measures to address sanctions-related risks and restrictions, including:

- difficulties in interaction with financial and other organizations;
- currency restrictions;
- interaction with counterparties;
- procurement procedures, contract conclusion, and execution.

The Order also lists adverse consequences for OAO BELAZ, such as:

- refusal to interact with OAO BELAZ due to EU sanctions and inclusion in the U.S. SDN sanctions list;
- prohibition on the import of primarily European equipment into Belarus and the withdrawal of international technology companies from the markets of Russia and Belarus;
- difficulties in settling payments with counterparties in euros and the impossibility of conducting transactions in U.S. dollars;
- blockage of incoming and outgoing payments;
- inability to open bank accounts outside Belarus;
- inability to use the SWIFT system;
- inability to conduct foreign currency settlements with third parties, including Belarusian counterparties purchasing (supplying) products for OAO BELAZ from foreign suppliers;
- holding counterparties accountable for interacting with OAO BELAZ;
- inclusion of counterparties interacting with OAO BELAZ in sanctions lists;
- exposure to "secondary" sanctions;
- inability to conclude contracts with component manufacturers;
- refusal to fulfill previously concluded contracts regarding component supply, including under warranty obligations;
- disruption of equipment and technology delivery schedules for investment projects and the Investment Plan;
- disruption of logistical supply chains for machinery and spare parts;
- costs associated with VAT payments;
- inability to carry out claims or litigation work.

These problems affect the entire industry of Belarus.

This is confirmed by the Memorandum[21] sent on July 16, 2024, by the Ministry of Industry of Belarus to the Main Directorate for Oversight of the Material Production Sectors of the State Control Committee of Belarus.

The Ministry of Industry notes that difficulties in conducting payments on the global market arise both when cooperating with counterparties from unfriendly countries and with countries that did not support sanctions.

These difficulties include outright refusal to process payments (by banks or counterparties), partial or temporary freezing of funds, and additional fees, such as for repeated compliance checks.

[20] Order of OAO BELAZ dated July 27, 2023.

[21] Memorandum to the Main Directorate for Oversight of Material Production Sectors of the State Control Committee of the Republic of Belarus.

Causes of such circumstances, in addition to sanctions restrictions, include the introduction of criminal liability in the EU for cooperation with Belarus, fear of secondary sanctions, potential economic losses due to blocked funds, and the use of U.S. dollars and euros as settlement currencies.

Problems in conducting international payments are typical for all markets with which Ministry of Industry organizations cooperate. Examples include settlements for BELAZ quarry equipment deliveries to India and Mongolia, Gomselmash combine harvesters to Argentina, MTZ tractors to Pakistan, and MAZ vehicles to Iran and Vietnam when importing materials and components from China.

It is often impossible to avoid additional correspondent bank fees for procedures verifying the legality of payments to or from Belarus, which correspondingly increases the costs for exporters and importers.

For instance, enterprises in Belarus face difficulties in making international payments to counterparties in China. As of mid-July 2024, only **6%** of all payments sent had been credited to the accounts of Chinese component suppliers.

Since March 2024, Chinese banks have begun blocking and returning payments from the Russian Federation and the Republic of Belarus for industrial goods, including payments for all supplies of components for televisions, laptops, and other products.

Prior to March 2024, funds sent were credited to suppliers' accounts within 1–3 days, but after that, processing times increased to 1–1.5 months. At the same time, Chinese financial institutions began returning approximately 70–80% of transactions. Payments were processed slowly, clients were asked to complete additional forms, checks continued, and eventually transactions were rejected.

The situation was further complicated by difficulties in obtaining Chinese yuan transferred from the Russian Federation to Belarus. All payments sent from Russian banks were returned to the accounts of the Russian buyer.

Despite negotiations with the senior management of leading Belarus and Russia-based banks to determine and use new international payment routes, discussions with Chinese authorities regarding opening accounts in other Chinese banks did not resolve the problems.

As of mid-July 2024, approximately 327 million yuan ($45 million) had not been credited, or could not be credited, to the accounts of counterparties in China. For example, for the components of H-Holding, this amount represents roughly one and a half months of its production volume. Delays in fund transfers to China caused disruptions in the production, shipment, and delivery of components to Belarus, resulting in downtime and reduced output.

Sanctions played a significant role in disrupting the financial settlements of Belarus-based companies working for Russia's defense industry.

For instance, a letter[22] from the Deputy General Director of Planar dated May 29, 2024, states that *"all Chinese banks reject incoming payments and refuse to notify them."* The Planar Plant is a key supplier of equipment for microchip production. Components for assembling the equipment are procured from China.

[22] Letter from the Deputy Director General of the Planar Plant.

CHAPTER 8.
THE COMBINED EFFECT OF SANCTIONS: ILLUSTRATED BY AN EXAMPLE

The Belarusian Railway (BCh) has been chosen as an example of the combined effect of sanctions. This state-owned enterprise played a key role in forming the invasion force in Ukraine, transporting and evacuating manpower, military equipment, and ammunition.[23] In addition, the role of the Belarusian Railway in supplying ammunition to the Russian Federation and transporting Russian Ministry of Defense military units for training and coordination at Belarus's training grounds cannot be overestimated.[24,25,26,27,28] There is no doubt that if Belarus becomes involved in an armed conflict, the BCh infrastructure will be used as supply routes for the aggressor.

This chapter was prepared by the Community of Railway Workers of Belarus.

The impact of sanctions on the activities of the BCh is complex and affects both the economic and technological aspects of its functioning.

One of the most sensitive areas affected by the sanctions is the procurement, maintenance, and repair of rolling stock, as well as the supply of spare parts and components of imported origin.[29]

The consequences of the sanctions are particularly evident in the case of Chinese-made BCG series freight electric locomotives, as well as European-made motor-car rolling stock – Stadler electric trains and diesel trains manufactured by PESA (Poland).

Sanctions restrictions have transformed from a foreign policy tool into a long-term factor of technological and operational pressure on the Belarusian railway industry.

The issue of renewing the traction and motor-car rolling stock for the Belarusian railway has remained one of the most complex and financially sensitive for many years.

Sanctions have sharply narrowed the range of available rolling stock manufacturers, effectively limiting it to Russian and Chinese suppliers.

Despite the People's Republic of China not officially joining the sanctions against Belarus, it was precisely the sanctions situation that became the key factor influencing the termination of the contract for the supply of 15 single-section freight electric locomotives for the Belarusian Railway.[30,31]

BCh signed a contract with China National Electric Import & Export Corp., CUEC, and CRRC Datong Co., Ltd. for the supply of these electric locomotives, which provided for their delivery in full by the end of 2023. The projects were agreed upon, the loan financing amounts were approved, the relevant agreements were signed, and the Chinese side formally allocated funds for the implementation of the contract.

[23] https://belzhd.info/military-transportation/nachalas-perebroska-voinskoj-tehniki-i-kontingenta-vs-rf-v-belarus/

[24] https://belzhd.info/military-transportation/eshelony-s-voinskoj-tehnikoj-i-obuchennym-v-belarusi-kontingentom-vs-rf-otpravlyaetsya-na-stanczii-liskinskogo-otdeleniya-yugo-vostochnoj-zheleznoj-dorogi-rzhd/

[25] https://belzhd.info/military-transportation/one-more-military-train-with-military-equipment-and-personnel-trained-in-belarus-by-the-russian-federation-contingent-departed-for-the-station-of-the-liskinsky-branch-of-the-south-eastern-railway-rzhd/

[26] https://belzhd.info/military-transportation/eshhe-dva-voinskih-eshelona-s-voinskoj-tehnikoj-i-kontingentom-vs-rf-pribyli-na-stanczi yu-slonim-11-i-12-yanvarya-2023-goda/

[27] https://belzhd.info/military-transportation/voinskij-eshelon-s-voinskoj-tehnikoj-i-obuchennym-v-belarusi-kontingentom-vs-rf-otpravilsya-so-stanczii-slonim-na-stancziyu-matveev-kurgan/

[28] https://belzhd.info/military-transportation/prodolzhaetsya-otpravka-voinskih-eshelon-s-voinskoj-tehnikoj-i-obuchennym-v-belarusi-kontingentom-vs-rf-na-stanczii-severo-kavkazskoj-zheleznoj-dorogi-rzhd/

[29] https://belzhd.info/news/postavka-novyh-elektrovozov-bkg-zavisit-ot-obhoda-sankczij/

[30] https://belzhd.info/news/ne-byt-na-bzhd-novym-kitajskim-elektrovozam/

[31] https://belzhd.info/news/novye-staraniya-v-popytkah-priobreteniya-kitajskih-elektrovozov-dlya-bzhd/

However, despite Belarus fulfilling all the formal conditions, the locomotive fleet was not replenished with 15 new locomotives. For a long time, the Chinese side did not give a clear and unambiguous answer about the start date of their production, effectively delaying the implementation of the contract and deliberately violating its terms.

The key reason for this position was the Chinese partners' concerns about the possible consequences of violating the sanctions imposed on the regime in Belarus and related state-owned enterprises. Although China has not officially supported the EU and U.S. sanctions, in practice Chinese manufacturers have to take into account the risks of secondary sanctions and restrictions on the use of Western-made components.

These risks are of fundamental importance precisely in relation to the electric locomotives being supplied. The design of these locomotives relies heavily on the use of European and American components, assemblies, and units supplied by the world's leading transport engineering companies. In particular, the assembly of electric locomotives involves the use of technical solutions and equipment manufactured by Alstom (France), Bombardier (Canada), ABB (Sweden/Switzerland), and Knorr-Bremse (Germany).

The manufacturer, in turn, does not undertake to assess either the timing or the prospects of such a redesign, cautiously pointing out that such attempts could take years and do not guarantee a positive outcome. One of the unpublicized options being considered is the possibility of "removing traces" of the use of European and American components in documentation and labeling, but this approach carries significant legal and reputational risks for Chinese companies.

As a result, by mid-2024, the Chinese side's position had shifted from cautious attempts to find workarounds to an actual refusal to implement the contract. Whereas earlier, deliveries of electric locomotives for 2025–2026 were still permitted on condition that "commercial documents were ready" and schemes for circumventing sanctions had been worked out, official correspondence subsequently began to use the phrase "normalization of the situation" in Belarus.

This wording, contained in official documents, essentially means a refusal to supply electric locomotives **until the political conditions and sanctions regime against Belarus change**.

Thus, the sanctions have proven effective in blocking the renewal of the BCh's rolling stock.

The delivery of 15 electric locomotives has been postponed to the long-term cooperation plan "Belarus-China: Partnership-2030," which effectively means an indefinite wait for changes in the foreign policy situation.

The sanctions have had a negative impact on the Belarusian Railway not only in terms of disrupting the delivery of electric locomotives but also in terms of the operation of the existing fleet of Chinese electric locomotives. Today, the Belarusian Railway operates 30 Chinese-made BCG series freight electric locomotives, of which 12 are two-section BCG-1 series electric locomotives and 18 are single-section BCG-2 series electric locomotives.

Despite the formal existence of this fleet, its technical condition and operational reliability directly depend on the regular supply of original spare parts and components. It is in this area that the sanctions restrictions are most acute. Supplies of spare parts from Chinese partners are irregular and do not cover the actual operational needs of the Belarusian Railway. The reasons for this are both the sanctions risks for suppliers and the chronic shortage of funds at the Belarusian Railway itself.

One of the most sensitive problems for BCG series electric locomotives is the shortage of brake pads and the lack of new wheel sets.[32] This concerns both complex high-tech components and basic assemblies and leads to the forced idling of individual locomotives.

In addition, BCh is experiencing serious difficulties with the supply of more complex components and assemblies that fall into the category of high-tech equipment. In the absence of official supply channels, BCh has to resort to purchasing spare parts through Russian "gray schemes" and intermediary structures. The quality of such components often raises reasonable doubts and does not meet the manufacturer's requirements.

The use of non-original or dubious spare parts leads to an increase in equipment failures, an increase in the number of unscheduled repairs, and accelerated wear and tear on locomotives. In effect, this means the gradual degradation of the electric locomotive fleet and a reduction in its actual operational life compared to its estimated life.

[32] https://belzhd.info/news/bzhd-dokatilas-ni-novyh-kitajskih-lokomotivov-ni-kolyosnyh-par-dlya-imeyushhihsya/



Figure 8. Chinese-made BCG-2 series locomotive

Thus, sanctions have a complex impact on the traction rolling stock of the Belarusian Railway. On the one hand, they have blocked the renewal of the fleet, and on the other, they have undermined the stability of the operation of existing locomotives.

The effect of sanctions on BCh is not short-term but structural in nature. Even if the traction fleet remains formally in place, its actual efficiency and technical readiness continue to decline.

The motor-car rolling stock purchased by BCh from European manufacturers is also currently feeling the impact of the sanctions restrictions.[33] Moreover, unlike the problems associated with the purchase of electric locomotives by BCh, in this case, the situation appears to be more straightforward – the current ban is directly supported by the manufacturers.

BCh's fleet of European-made rolling stock currently includes 19 diesel trains manufactured by Pesa Bydgoszcz S.A. (Poland) and 28 electric trains manufactured by Stadler Bussnang AG (Switzerland) and its subsidiary, ZAO Stadler Minsk (Belarus).

In total, the fleet of motorized rolling stock from these two manufacturers numbers 47 units at BCh, of which at least 15 are out of service. According to some reports, this is due to a lack of parts, spare parts, components, and consumables needed to return the decommissioned vehicles to service.

In May 2022, with the aim of restoring the operability of one of the diesel trains, the BCh management approached Pesa Bydgoszcz S.A. with a request to carry out the necessary repairs.

The diesel train manufacturer refused to carry out the repairs, taking into account the current situation related to the war in Ukraine and the sanctions imposed by the EU on Russia and Belarus. It also refused to supply spare parts and service the entire fleet of diesel trains manufactured by Pesa Bydgoszcz S.A. and purchased and operated by BCh. In addition, the manufacturer notified that PESA's continued cooperation with BCh would constitute a direct violation of EU sanctions.

The restoration of the rolling stock functionality is currently continuing with the use of workarounds, intermediary companies, and other methods aimed at circumventing sanctions. With this approach, the cost of spare parts increases significantly. The use of alternatives to original spare parts and attempts to replace imports lead to a significantly reduced reliability and constant breakdowns, which, in turn, entail additional financial and reputational losses for BCh.

[33] https://belzhd.info/news/monitorim-bzhd-beda-s-obnovleniem-tyagovogo-podvizhnogo-sostava/



Figure 9. Diesel train manufactured by Pesa Bydgoszcz S.A.

Overall, the situation regarding the maintenance and operational readiness of PESA-made DP-series diesel trains on the Belarusian Railway is tense. Any malfunction necessitates replacing the train in the schedule with locomotive-hauled cars, creating significant challenges in organizing passenger transport on the routes served by these diesel trains. In such cases, if it is not possible to restore the diesel train's functionality using "improvised means" and the experience of maintenance personnel, the faulty unit faces prolonged downtime while awaiting a solution to the problem.

A situation has arisen in which, even in the absence of sanctions and with all necessary spare parts and software available, there are effectively no specialists left who can competently organize and carry out the required maintenance work.

A practically identical situation exists with electric trains manufactured by Stadler Bussnang AG.[34]

Only in this case, despite the clear position of European companies to refuse cooperation with BCh on issues related to the maintenance of railway equipment, Stadler (Switzerland) and its subsidiary ZAO Stadler Minsk (Belarus) expressed themselves on further cooperation with BCh less categorically than PESA.

After the start of Russia's military aggression against Ukraine from Belarusian territory, in spring 2022, Stadler's senior management, though, announced the possible suspension of production in Fanipal and its relocation along with staff. It should be noted that this intention was driven solely by the company's concern over the imposed restrictions and the potential loss of financial benefits.

Nevertheless, even during the period of EU sanctions against ZAO Stadler Minsk, despite a significant reduction in production output, contracts for BCh were completed for the construction of five-car interregional electric trains of the Flirt series, and service maintenance of electric train equipment previously purchased by BCh continues.

However, problems due to EU sanctions on Belarus amid the situation in Ukraine did emerge. In particular, from June 4, 2022, the plant faced difficulties in importing electronic and electrotechnical products.

One of the components that is critically important for multiple-unit rolling stock (and, in principle, for any railway rolling stock) is the wheelset. Critical wear of this component makes further operation impossible. For electric trains, the situation with wheelsets is particularly critical.

In addition to the above-mentioned technological and operational problems, the sanctions have led to systemic losses of export destinations and a sharp drop in transit traffic through the territory of Belarus. As of 2025, transit volumes passing through the Belarusian Railway infrastructure

[34] https://belzhd.info/news/slozhnaya-situacziya-bzhd-s-elektropoezdami-kompanii-stadler/



Figure 10. Electric train manufactured by Stadler Bussnang AG

have effectively fallen back to 2015–2016 levels and continue to decline on a monthly basis.[35,36]

It should be emphasized that transit transportation has traditionally been one of the most profitable activities for BCh, providing stable foreign currency revenue.[37] Unlike domestic transportation, transit accounted for a significant part of the railway's income due to the length of routes, cargo volumes, and settlements in foreign currency. The loss of transit traffic is therefore irreplaceable for BCh and has a direct impact on its financial stability.

A key factor in the decline in transit was the European Union's phased rejection of Russian energy imports, primarily oil, petroleum products, and coal, much of which had previously been transported westward through Belarus. The EU's direct bans on the export and transit of a wide range of goods through the territory of Belarus and the Russian Federation also had a significant impact, leading to the destruction of traditional East–West logistics corridors.

Another critical factor was the cessation of exports of a number of Belarus-manufactured goods through the ports of Lithuania and Latvia. The reorientation of export flows to the ports of the Russian Federation led to an increase in transportation costs due to longer delivery distances, higher operating costs, and logistical restrictions, as well as a decrease in the overall capacity of the routes.[38,39,40,41]

Against this backdrop, shippers and consignees began to systematically reorient part of their logistics chains to bypass the territory of Belarus and the Russian Federation, forming alternative routes through other countries and transport corridors. Unlike the temporary decline in volumes, this reorientation is sustainable and, in many cases, becomes irreversible even with a potential easing of restrictions.[42]

Taken together, these processes have led to a reduction in foreign currency revenue, decreased utilization of infrastructure, and the degradation of the transit-based operational model of the Belarusian Railway. Thus, the sanctions have acted not as a short-term restriction but as a long-term structural factor undermining the economic foundations of BCh's operations.

[35] https://belzhd.info/statistics/analiz-gruzovyh-perevozok-belorusskoj-zheleznoj-dorogi-v-2024-godu-obyomy-struktura-i-dinamika-v-sravnenii-s-2023-godom/

[36] https://belzhd.info/statistics/monitorim-bzhd-gruzovye-perevozki-2017-2023/

[37] https://belzhd.info/news/kontejnernye-perevozki-bzhd-2018-2023-i-prognozy-na-2024/

[38] https://belzhd.info/news/zheleznodorozhnye-tarify-na-2024-god-prodolzhenie-poter-belarusi-ot-logistiki-eksporta/

[39] https://belzhd.info/news/itogi-belaruskogo-eksporta-za-2023-god/

[40] https://belzhd.info/news/eksport-kalijnyh-udobrenij-itogi-2023-i-perspektivy/

[41] https://belzhd.info/news/bzhd-i-rzhd-vsemi-silami-razvivayut-obhody-sankczij/

[42] https://belzhd.info/news/v-upravlenii-bzhd-proshlo-bolshoe-soveshhanie-po-logistike-pod-rukovodstvom-ministra-transporta/

CHAPTER 9.
THE REGIME'S RESPONSE TO SANCTIONS

The regime's response to any package of sanctions is immediate in terms of assessing the consequences.

For example,[43] a letter from the Deputy Minister of Industry dated March 13, 2025, is a reaction to the 16th package of sanctions imposed by the European Union.

The letter from the Ministry of Industry requires enterprises to *"reassess the consequences in terms of possible damage from the introduction of such sanctions; take measures to prevent/minimize damage, including in terms of diversifying exports of goods and services to third-country markets*." Attached to the letter is a letter[44] from the Deputy Foreign Minister, Yury Ambrazevich, with a detailed analysis of the 16th package of sanctions.

The Ministry of Foreign Affairs of the Republic of Belarus, together with the Agency for Foreign Economic Activity, has published an analytical note titled "RESTRICTIVE MEASURES AGAINST THE REPUBLIC OF BELARUS."

The document is widely distributed to organizations and government agencies.

This analytical note is a monthly publication. The materials in it are accumulated. Thus, the May 2025 issue[45] has 55 pages. The document has a section titled "SOME WAYS TO COUNTER SANCTION PRESSURE."

This chapter openly refers to practices of circumventing sanctions by countries such as Iran, Syria, and North Korea.

Among the methods proposed by the regime are measures such as the *"replacement of accompanying documentation and certificates to conceal the true country of origin of sanctioned goods"* and the *"establishment of front companies and joint ventures to circumvent sanctions imposed on specific enterprises."*

According to the Viasna Human Rights Center,[46] over a period of four years, as of early March 2025, 188 people were convicted under Article 361 of the Criminal Code of the Republic of Belarus for calling for sanctions against the regime. However, 188 people is not the full number. This is only the number that has been established.

Among this number, 46 of those convicted are women.

This criminal provision has become a tool for repressing and intimidating the citizens of Belarus and demonstrates that the regime fears sanctions. The regime's concern has grown particularly acute as the cumulative effect of sanctions has taken hold. While 48 people had been convicted by early 2023, that number had risen to 173 by early 2025.

Of these, 157 individuals have been deprived of their liberty and are held in prison, while 39 were sentenced in absentia.

Further evidence of the regime's fear of sanctions is the fact that calls for sanctions are treated as equivalent to crimes such as calls to seize power or change the constitutional order, treason, acts of terrorism, or sabotage.

Notably, large-scale raids and purges took place at Peleng in 2024 following a leak of information about the production of sights under the Russian Ministry of Defense's state defense orders. This information became the basis for imposing sanctions on several enterprises in Belarus involved in the production chain of sights for Russian armored vehicles.

The raids continued from early summer until late autumn. The State Security Committee (KGB)

[43] Letter from the Deputy Minister of Industry dated March 13, 2025.

[44] Letter from the Deputy Foreign Minister, Yury Ambrazevich.

[45] Analytical note "RESTRICTIVE MEASURES AGAINST THE REPUBLIC OF BELARUS".

[46] https://spring96.org/be/news/117578

interrogated all employees, some underwent polygraph tests, dozens were dismissed, and at least six were convicted. Trials of Peleng employees continued into 2025.

On March 12, 2025, the Minsk City Court[47] began the trial of Peleng employee Iryna Surzhyk on charges of "calling for harm to Belarus." In April 2025, it became known that Siarhei Zelianouski, a machine operator at Peleng, had been convicted.[48] On September 27, 2025, the Viasna Human Rights Center learned of another convicted person, Artsiom Siamionau.

The regime withholds the information about the dates and details of the trials.

The brutality with which the regime punishes people demonstrates that it regards sanctions pressure as a serious threat.

[47] https://www.salidarnast.info/ru/post/v-minske-na-oao-peleng-prodolzhayetsya-presledovaniye-rabotnikov

[48] https://reform.news/naladchika-stankov-s-pelenga-osudili-po-politicheskoj-state

CHAPTER 10.
THE MYTH OF HOW SANCTIONS PUSH THE REGIME INTO RUSSIA'S EMBRACE

Some segments of the Belarusian opposition, without providing any evidence, promote the narrative that sanctions are pushing the regime into the embrace of Russia, portraying it as, so to speak, the sole trading partner. These individuals fail to mention that the Lukashenka regime began the process of comprehensive economic integration with Russia long before the 2020 protests and had practically passed the point of no return by that time.

Another aspect contradicts the above-mentioned argument. Sanctions can only be implemented based on available evidence – that is, only once Belarus-based enterprises have already approached Russian arms buyers and signed contracts.

However, the trend shows that the regime is losing the Russian market for civilian products due to the uncompetitiveness of domestically produced goods on one hand, and on the other, through its own actions, it is actively undermining trade ties.

Starting with the latter factor, a report prepared by the Ministry of Industry provides insight. The table below shows sales statistics for household appliances from Atlant. The data indicate that exports to Russia have not increased proportionally. Moreover, the regime's involvement in military aggression led in 2022 to a complete loss of the Ukrainian market, accounting for 13% of Atlant's total production (Table 1).

Table 1. Distribution of Atlant Holding's exports by region, %

Region	2020	2021	2022	2023	2024
Russia	71%	61%	68%	68%	71%
Belarus	11%	12%	18%	23%	24%
Ukraine	10%	13%	1%	—	—
Central Asia, Moldova	5%	9%	11%	9%	5%
Far abroad	4%	5%	1%	—	—
Total	100%	100%	100%	100%	100%

The next table demonstrates Atlant's steady loss of market share in Russia for refrigerators starting in 2020, even as competitors such as BOSCH, SAMSUNG, and LG exited the Russian market. The market share is being captured by Chinese brands (Table 2).

Table 2. Market shares of some brands in the Russian market, %

Brand	2020	2021	2022	2023	5 months of 2024
ATLANT	13.7	9.3	12.1	7.6	8.5
BOSCH	6.9	6.9	3.5	0.4	0.2
HAIER	8.4	8.6	13.3	15.1	16.9
INDESIT	11.0	12.7	7.3	11.0	12.6
SAMSUNG	5.8	5.8	3.1	1.7	1.0
LG	12.0	12.6	8.4	2.5	2.4

According to the report, in the No Frost refrigerator category, Atlant's average selling price is 37% higher than Indesit, 18% higher than Beko, and 29% higher than Candy.

In the static refrigerator category, Atlant is 23% higher than Indesit, 17% higher than Beko, and 31% higher than Biryusa.

For single-door refrigerators, Atlant's average selling price is 41% higher than Indesit.

The situation in other sectors of the economy is described in a risk-assessment memorandum[49] on key risks for Belarus, prepared by the Ministry of Economy. The report notes that Russia is virtually the only market for Belarusian trucks, buses, road construction machinery, and agricultural equipment, yet performance in the Russian market is poor.

Quoting the report:

> *"In recent years, since the start of the Special Military Operation, against the backdrop of foreign producers and suppliers leaving the Russian market, Belarusian exports to Russia in 2023 reached a record $25.1 billion. Our share of Russian imports in 2023 rose to nearly 9% (8.8%), but it has not recovered to the record 11% in 2000.*
>
> *At the same time, Belarusian producers face strong competition from Asian manufacturers in the Russian market."*

In other words:

First, in 2000, Belarus held an 11% share of the Russian market for the aforementioned products.

Second, after the war in Ukraine began, the market lost competitors, yet even this did not allow Belarus to regain the 2000 supply level in Russia.

The report further contradicts the myth of Belarusian competitiveness and full redirection to the Russian market:

> *"In 2023, Belarus's share in Russian imports of tractors and semi-trailers **fell to the lowest level in 10 years** – 12%; similarly for trucks – 25.5%. Our Asian competitors expanded their operations, increasing tractor shipments to Russia by 1.8 times (including China – 2 times), trucks – 2.4 times (China – 2.7 times), and buses – 2.5 times (China – 2.5 times)."*

Another document demonstrates that the main cause of Belarus's dependency on Russia is the regime itself, with dependence being built starting in 2000. This is an analytical note[50] titled "On Belarus-Russia Trade and Economic Relations" from the Ministry of Industry, evaluating the period up to 2021 – before the war and before most sanctions took effect.

Quoting:

> *"In summary:*
>
> *The cumulative negative trade balance in goods and services with Russia since 2000 reached **$137 billion** by 2022;*
>
> *The negative balance in trade in goods and services with Russia caused a payment balance gap, partially covered by Russian government loans – totaling about **$12 billion** by 2021 (loans disbursed);*
>
> *Customs duties on oil and petroleum products paid to the Russian budget amounted to **$20 billion.***
>
> *In total, over 22 years, Russia earned nearly $170 billion from Belarus. This is the result of joint efforts in the interest of social and economic progress of both states – a 'one-sided game.'"*

[49] Risk-assessment memorandum on key risks for Belarus.

[50] Analytical note "On Belarus-Russia Trade and Economic Relations."

CHAPTER 11.
SANCTIONS AND "ORDINARY BELARUSIANS"

The "ordinary Belarusians" whom the so-called "constructive opposition," such as the Euro-Atlantic Affairs Agency, claims to protect, will suffer in any case. Belarus's economy currently resembles a comatose body with a dead brain – that is, a non-functional economic management system. Any attempt at resuscitation, such as easing sanctions or delaying resolution of the crisis, will result in even more catastrophic consequences for Belarus and severe repercussions for Ukraine, as Belarus would effectively become a hub for supplying goods to continue the war.

This chapter documents and provides evidence that prolonging the existence of the regime amounts to the destruction of still-healthy private businesses, the complete annihilation of state-owned enterprises, widespread poverty and unemployment, the reduction or elimination of social programs, and mass migration of specialists.

The Lukashenka regime has decided to focus on military production at many enterprises. Job growth has been driven entirely by military production.

At the Legmash Plant, the headcount increased by 275 employees in 2023. By January 1, the workforce had grown by 165%, achieved solely through the production of goods for the war in Ukraine.

At the Plant of Precision Electromechanics (ZTÉM), a new production line for rocket shells is under construction, which will create over 1,600 new jobs.

In 2024, production and sales volumes at OAO Peleng grew by more than 65% compared to 2023. To support this expansion, the total workforce was increased by 23.6%, with the bulk of the increase – 31.7% – accounted for by additional production workers. This growth is entirely driven by military orders.

Examining these decisions in terms of sustainability, the question arises: what will happen to the workforce once military production is no longer needed or the financial flows for Russian state defense contracts cease?

Such a situation has already emerged at the Minsk Wheel Tractor Plant (MZKT). Forty-seven percent of the plant's output consists of military chassis.

In a letter[51] dated July 18, 2024, to the Director of Military Representatives of the Russian Ministry of Defense, Oleg Stepanov, MZKT General Director Aliaksei Rymasheuski attempts to explain the pricing process for military products and the plant's current difficulties. The document clearly indicates what keeps the plant afloat.

Rymasheuski notes that from 2018 to 2023, orders for vehicles for the Russian Ministry of Defense declined significantly, adversely affecting the plant's financial performance and reducing sales profitability.

> The letter states: *"Efforts by the plant to increase civilian production have not compensated for the decline."*

The document explicitly notes a shortage of skilled labor in Belarus, particularly highly qualified technical workers. To retain specialists, additional material incentives must be provided.

It is evident that the Russian side, represented by the 363rd Military Representation of the Russian Ministry of Defense, no longer accounts for MZKT's difficulties and unilaterally determines product pricing. For example, the cost of the MZKT 543M-104 chassis was set 17% below actual production costs.

At the end of 2023, MZKT faced financial disputes with the Obukhov Plant [AO Obuhovskyy Zavod] (Russia), with the customer proposing to lower the minimum profitability percentage from 25% to 10% of own costs. MZKT strongly opposed this. Following disputes, in mid-December 2023, MZKT had to suspend delivery of 47 chassis in 2024 and postpone an additional order for 16 chassis scheduled for 2025.

[51] Letter to the Director of Military Representatives of the Russian Ministry of Defense, Oleg Stepanov.



Figure 11. MZKT-543M chassis

This incident is not isolated. It illustrates that a drop in demand for military production due to the cessation of hostilities would lead to a collapse at MZKT, as well as at Legmash, Peleng, Diaproektor, and several other enterprises.

The situation is further compounded by Russia's outstanding debt to MZKT for delivered products, forcing the plant to take loans to fulfill orders. As of early 2024, MZKT was underfunded on Russian state defense contracts by 2.3 billion Russian rubles. To meet obligations, MZKT took loans, with interest payments over the first five months of 2024 totaling 1.476 million Belarusian rubles.

Another example showing how the regime robs ordinary Belarusians – and why it alone is responsible for their poverty – is a series of investigations into BELAZ.[52,53,54] These investigations reveal that the intermediary companies siphoning profits from BELAZ are registered in Russia. The CEO of the BELAZ Trading House is a Russian citizen, and the taxes generated by the trading house remain in Russia. From each sale to the end customer, 34% of the value of BELAZ dump trucks ends up in the pockets of intermediary companies and the Presidential Sports Club.

Moreover, BELAZ has been involved in the production of parts for Grad MLRS rocket shells,[55] meaning it could also be subject to sanctions for working with the Russian defense industry.

It should be emphasized that the regime, its officials, and enterprise management fully understand that any cooperation with companies producing weapons, special equipment, or ammunition for Russia will be sanctioned. Yet they engage in this cooperation consciously and deliberately, disregarding the consequences for ordinary Belarusians – the workers.

For instance, more than fifty companies of various ownership forms in Belarus are involved in the production of aiming devices for the Russian Ministry of Defense, while over ten logistics companies facilitate sanctions evasion. Eight ministries and eighteen companies are involved in the production of ammunition components for Russia.

While military enterprises may appear to be thriving, civilian enterprises are near collapse. For example, Atlant, the household appliance manufacturer discussed above, had to halt production from April 28 to May 12.

A number of members of the management, close to the Lukashenka clan, are bankrupting state-owned enterprises by systematically nationalizing the debts into which they push them. A classic

[52] https://youtu.be/zIjmAqcG6DA?si=KC0_8TfxZ_zPiAYI

[53] https://youtu.be/0YAgdy79TLo?si=BDkU5HVd4AUZLhIL

[54] https://youtu.be/5KypgqB_jqY?si=mFOcAqWrbpWox3PF

[55] https://youtu.be/ZGKP7eGZH1o?si=0qegQjS6C1GPwBkD

example is the situation involving one of Lukashenka's "wallets," Aliaksandr Shakutsin, and the Amkodor Holding.

Belarus's economy and its management system demonstrate absolute non-viability, while repression is eroding the middle layer of specialists in enterprises. Whether sanctions are lifted or not, this will lead to economic collapse. However, delaying a regime change through easing of sanctions will ultimately result in even more severe consequences for Belarus.

The situation in Belarus's agricultural sector is equally catastrophic. A Resolution[56] by the Ministry of Agriculture and Food makes this clear. The document evaluates the sector's performance in 2024.

Overall, nearly half of the ministry's targets were not met. Agricultural production achieved only 25% of planned indicators. Instead of growth, livestock numbers – cattle and pigs – declined. Profitability of products fell, workforce turnover exceeded planned levels at 28.3% (target 27%). Product stockpiles exceeded planned levels. The share of overdue payables reached 22.9%, surpassing the plan. Livestock mortality across Belarus rose by 19.1%.

The 35-page document paints an apocalyptic picture of the agricultural sector – entirely man-made by the Lukashenka regime.

Meanwhile, in its narratives, the regime blames opposition forces for harming "ordinary people." Some opposition representatives, such as the Euro-Atlantic Affairs Agency, reinforce these narratives, fostering a "Stockholm syndrome" among those attempting to resist the regime.

In reality, the regime is the one looting enterprises and driving Belarusians into poverty, while blaming those who oppose it.

Earlier examples and documents clearly demonstrate the so-called "care" shown by the regime, enterprise management, and heads of agricultural enterprises toward ordinary Belarusians.

It seems that the Euro-Atlantic Affairs Agency intends to preserve this "care" in its current form: Belarusian enterprises must continue working for the Russian defense sector, increasing debt, facing bankruptcy, corruption, theft, and the nationalization of growing company debts.

None of the Euro-Atlantic Affairs Agency representatives have ever worked with sanctions. They do not know or understand the procedures for implementing them. No member of the organization has provided an analysis of the sanctions' effects or offered even one documented proof of their ineffectiveness. Their statements rely solely on unsubstantiated opinions of Euro-Atlantic Affairs Agency members.

[56] A Resolution by the Ministry of Agriculture and Food.

CHAPTER 12.

CAUSES OF THE LIMITED IMPACT OF SANCTIONS

The main problem with the incomplete effectiveness of sanctions is that, despite the existence of an evidentiary basis, they are not imposed in a timely manner. The United States has not implemented new restrictive measures for almost a year now.

Sanctions by the European Union, including those targeting Belarus-based enterprises directly working on Russian state defense contracts, are also extremely slow to progress. The time between the provision of evidence and the adoption of restrictive measures can stretch for months or even half a year.

A significant obstacle in conveying objective information is the lack of coordination among the democratic forces. Actions by organizations such as the Euro-Atlantic Affairs Agency undermine the efforts of groups working to shape the opinions of European experts and officials regarding sanctions policy.

During its visits, BELPOL repeatedly heard from European officials that representatives of the Euro-Atlantic Affairs Agency had communicated entirely contradictory messages to European politicians.
The main narrative is: "sanctions don't work," "negotiations with the regime are necessary," and "sanctions should be lifted." Yet this organization provides no documented evidence to support its claims.

Such contradictions confuse European policymakers.

Meanwhile, the regime itself clearly indicates what it fears. This is described in the above-mentioned risk assessment[12] of the key risks for the Republic of Belarus:

> *"**The expansion of sanctions** – at least to the level applied to the Russian Federation – and the strengthening of enforcement monitoring **will limit both the direct supply of investment goods** to Belarus from unfriendly countries (approximately $1.3 billion, or 27% of total investment goods imports) and goods imported through other friendly countries (approximately $1.0 billion, or 17%). This will not only affect Belarusian entities, complicating the execution of production and investment programs, **but will also restrict Russian entities' access to such goods imported through our country.***
>
> *Furthermore, increasing adherence to secondary sanctions by friendly countries carries the risk of a significant additional loss of Belarusian exports."*

Thus, the first paragraph of the excerpt shows that Belarus functions as a hub for the import of goods by Russian entities. This means that lifting sanctions could turn Belarus into a gray zone through which both military and dual-use products could pass.

CONCLUSIONS

1. It is evident that sanctions work. However, their timeliness and scope do not correspond to the evolving situation. Despite the availability of complete evidence packages for specific companies and sectors of the Belarusian economy, sanctions are delayed for months or even years. As a result, many Belarusian enterprises manage to fulfill defense orders for Russia with impunity.

2. The absolute proof of the effectiveness of sanctions is the release of political prisoners.

   Both the release of political prisoners and the cessation of repression are possible. The focus of negotiations should not be on lifting sanctions but on the threat of imposing new ones. At the same time, the regime must be compelled to comply with the conditions of the democratic world under the principle: "If you fail to fulfill promises within the specified period – you receive a new sanctions package."

3. Sanctions imposed on certain Belarusian enterprises have helped disrupt some of Russia's plans related to the war in Ukraine.

4. The effectiveness of sanctions on the regime would be higher if they were imposed in a timely and sector-specific manner.

5. The effectiveness of sanctions-related work would have been higher if organizations such as the Euro-Atlantic Affairs Agency had not been misleading the international community with entirely unsubstantiated narratives.



REPORT

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Community of Railway Workers of Belarus

BELPOL