

STRATEGIC ADAPTATIONS IN TRADE RELATIONS: AN EXAMPLE OF LITHUANIA AND BELARUS INTERACTIONS

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Over the thirty years the trade partnership between Belarus and Lithuania has gone through stages characterized by economic collaboration, geopolitical changes and occasional conflicts. Our previous article explored the trade dynamics spanning three decades shedding light on patterns and trends. However the situation took a turn with the implementation of sanctions in 2020 signaling a chapter in trade relations between the two countries. In our research we focus on analyzing the export of wood and related products, between Belarus and Lithuania over the three years to uncover ways of bypassing sanctions.

Imports of goods from Belarus to Lithuania decreased significantly from US\$1.17 billion in 2021 to US\$820 million in 2022, a decrease of approximately 29.91%, and further to US\$302 million in 2023, which corresponds to a dramatic reduction of about 63.17% [1]. Such a sharp drop in imports from Belarus is associated with the sanctions imposed by the European Union and the United States, which included restrictions on key sectors like potash, petroleum, and tobacco products. These sanctions, imposed due to Belarus’s support for Russia's invasion of Ukraine and its human rights violations, have had a marked impact on the trade dynamics between Belarus and Lithuania, reflecting a broader shift in the region's economic relationships amid geopolitical tensions.

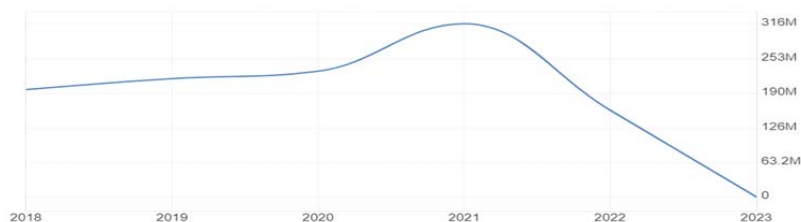


Figure 1. – dynamics of imports of wood and wood products, including charcoal from Belarus to Lithuania for the period 2018-2023, million US\$.

Note – Source: [2]

According to Figure 2, the import dynamics of wood and wood products, including charcoal, from Belarus to Lithuania can be observed. The year 2022 saw imports at US\$158 million, which was the largest volume of any category of goods supplied from Belarus, accounting for 33.76% of Lithuania's total imports from the country. However, the import of wood products from Belarus to Lithuania was completely halted in 2023. This abrupt stop can be attributed to the EU sanctions on Belarus in response to the country's involvement in the Russian military aggression against Ukraine, which were introduced on April 8 2022. These sanctions included restrictive measures against key sectors of the Belarusian economy, including the wood industry. The implementation of these sanctions significantly contributed to the sharp decline in imports from Belarus as a whole, highlighting the economic impact of EU policy measures in response to geopolitical events [3].

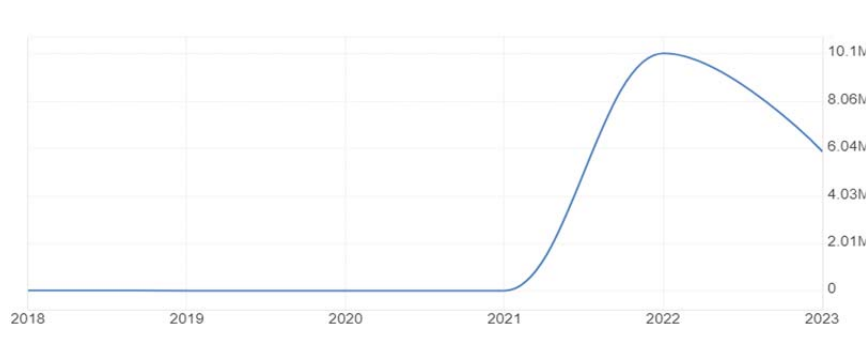


Figure 2. – dynamics of imports of wood and wood products, including charcoal from Kazakhstan to Lithuania for the period 2018-2023, million US\$.

Note – Source: [4]

Figure 3 illustrates a noteworthy increase in the importation of wood and wood products, including charcoal, from Kazakhstan to Lithuania, which surged from a negligible amount in 2021 to US\$10.1 million in 2022, and then slightly declined to US\$5.91 million in 2023. This trend raises questions, especially when considering Kazakhstan's limited forestry resources—trees cover just 5% of Kazakhstan, and the country does not have extensive forested areas to support such a volume of wood exports.

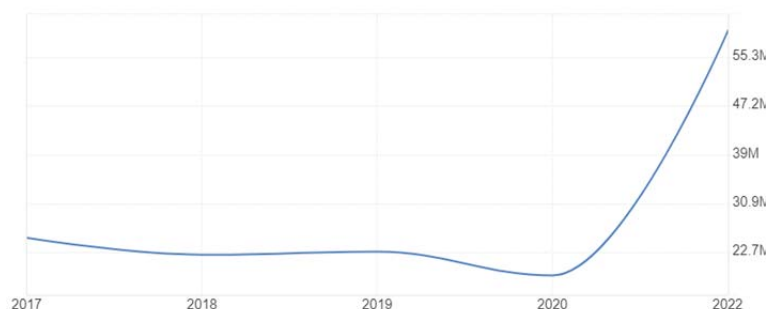


Figure . – dynamics of imports of wood and wood products, including charcoal from Belarus to Kazakhstan for the period 2017-2022, million US\$.

Note – Source: [5]

In Figure 4, evidence of potential sanctions circumvention is observable. Exports of wood and wood products, charcoal from Belarus to Kazakhstan escalated from US\$18.9 million in 2020 to US\$59.7 million in 2022, equating to a 215.9% increase. Such a dramatic rise is implausible to be due to a surge in wood consumption within Kazakhstan itself, especially considering that Kazakhstan had bans on wood exports, which further casts doubt on the authenticity of this increase [6]. Given this context it is reasonable to deduce that Kazakhstan may be serving as an intermediary for Belarusian wood to reach the EU market, thus acting as a 'laying' country to sidestep EU sanctions. The pattern of sanctions evasion, as previously reported, often involves falsification of origin documents and re-routing trade flows through countries that are not under the same import restrictions. This case points to a broader strategy of using complex supply chains to obscure the true origin of goods, circumvent international sanctions, and exploiting the less stringent oversight in certain jurisdictions.

In order to effectively combat the bypassing of sanctions European Union nations could improve their oversight and confirmation procedures, for the entry of products for items such as timber and wood products. By utilizing tracking methods like isotopic analysis or DNA testing they can verify the actual sources of timber. Furthermore strengthening the responsibilities of diligence for EU importers may be necessary, requiring them to prove the authenticity of their supply chains through documentation and independent audits. It is essential to enhance cooperation with customs and law enforcement agencies in transit countries to prevent misrepresentation and document falsification. Moreover the EU might contemplate broadening the range of sanctions to include penalties against entities in countries that knowing-

ly aid in circumventing current sanctions. To discourage noncompliance higher fines and penalties may be imposed on companies and individuals implicated in sanction violations. Ultimately upholding the integrity of sanctions demands a strategy that combines enforcement, with collaboration and the integration of advanced monitoring technologies.

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