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# Belarusian

## YEARBOOK

# 2013

**A survey and analysis of developments  
in the Republic of Belarus  
in 2013**

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Compiled and edited by:  
**Anatoly Pankovsky and Valeria Kostyugova**

English version translated by **Mark Bence, Volha Hapeyeva, Andrey Kuznetsov, Vladimir Kuznetsov, Taciana Tuluš**  
English version edited by **Mark Bence, Max Nuijens**

Scientific reviewers and consultants:  
**Aleksandr Feduta** (Associate Professor of European Humanities University); **Oleg Manaev** (Independent Institute of Socio-Economic and Political Studies); **Andrei Vardomatski** (Laboratory of Axiometrical Research *NOVAK*); **Vladimir Dounaev** (Agency for Social and Political Expert Appraisal); **Alexei Pikulik** (Belarusian Institute for Strategic Studies); **Olga Shparaga** (European Humanities University, website *Novaja Europa (New Europe)*); **Pavel Daneiko** (Belarusian Economic Research and Outreach Center – *BEROC*); **Miroslav Kollar** (Institute for Public Affairs, Program Director of the Slovak annual *Global Report*).

Prepress by **Taciana Tuluš** and **Stefaniya Kalinowskaya**

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## EDITORIAL FOREWORD

*Belarusian Yearbook 2013* presents a comprehensive analysis of the key developments in the main sectors of the state and society. Since its inception a decade ago, the *Belarusian Yearbook* has evolved as a crucial annual initiative of the Belarusian analytical community to compile, conceptualize and present a chronicle of Belarus' contemporary history.

The two distinctive features of the period under review are the stagnation and gradual erosion of the 'Belarusian model.' The trends that were first identified by the *Belarusian Yearbook* in 2011 continued throughout 2013, including the curtailment of the social responsibility of the state, loss of governability, and increase in the dependence on Russia, decline in Belarus' independence in external policy, deterioration of foreign trade performance and the competitiveness of Belarusian-made products. The attempts by the authorities to modernize the economy, streamline and transform the social policy were ad hoc (unsupported by a specific program of reforms) and were often simulated, i.e. their initiators had no plans to achieve any real results. The expanding deficit of resources forced the state to 'optimize' many sectors, which brought about cuts in financing and personnel. The country spent virtually the entire year waiting for something to happen or some external force to give an impetus to further development or change the status quo.

*The main trends observed in the year 2013 were:*

- Reduction in the potential of economic growth amid a lack of structural reforms;
- Transfer into the cyclical recession phase, accompanied by a broadening of the foreign exchange deficit;
- Crisis of governability, which is manifested in inconsistent activities of the state authorities and failure to execute orders of higher-level agencies against the backdrop of a personnel crisis;
- Simulation of transformation tagged as 'optimization' and 'modernization' that are interpreted as reductions in the operation and staff of the socially-oriented sectors of the economy, and simulated technical upgrading of production;

- Increase in the reliance on Russia for decision-making in economy, foreign policy and defense in conditions of growing disparities between the Customs Union troika (Russia, Belarus, and Kazakhstan) amid intensified Eurasian integration processes;
- Cautious mitigation of the relationship with the European Union;
- Stagnation of election ratings and level of confidence in the authorities.

Contributing to *Belarusian Yearbook 2013* were independent analysts and experts, as well as specialists representing various think tanks, including the Belarusian Institute for Strategic Studies (BISS), the Research Center of the Institute for Privatization and Management, the Agency of Humanitarian Technologies, *NOVAK* Axiometrical Research Laboratory, the Belarusian Analytical Workshop (Warsaw, Poland), the Independent Institute of Socio-Economic and Political Studies (IISEPS), the Belarusian Economic Research and Outreach Center (BEROC), the Centre for Eastern Studies (Warsaw, Poland), *eBelarus* Research Center, Agency for Social and Political Expert Appraisal, and the website of the expert community of Belarus *Nashe Mnenie* ('Our opinion').

***Valeria Kostyugova***  
***Anatoly Pankovsky***



# **STATE AUTHORITIES**



## **THE ADMINISTRATION OF THE PRESIDENT: PERSONNEL SHUFFLING DOES NOT CHANGE ANYTHING WHILE THE TRUMPS ARE STILL IN THE FORMER HANDS**

**Nikolai Burov**

### **Summary**

The year 2014 became a year of serious personnel trials for the Administration of the President (AP). The agency had faced 25% staff cuts which dramatically complicated its work due to the preservation of all previous functions. One of the reform's results became a kind of erosion of the 'power vertical' which is connected with mechanical unification of local authorities' departments responsible for different spheres (culture with ideology and youth affairs, sports with education, housing and community amenities with the energy sector). The AP continued to become more and more isolated from the local elites. The changes of president's assistants – chief inspectors in a region are Alexander Lukashenko's attempts to oppose this process. Besides, the AP tends to employ young and initiative managers which are able to finish the process of transition from the socially-oriented economy to a capitalist economy of the Chinese type.

### **Trends:**

- Exacerbation of the governability crisis which was most vividly demonstrated during Alexander Lukashenko's visit to the enterprise '*Borisovdrev*' on November 8, 2013;
- Further development of a serious personnel crisis which does not allow the AP to offer an elaborated and efficient transformation program for the de-facto bankrupt Belarusian model of development.

### **Personnel decides nothing**

The year 2013 became a year of significant personnel decisions for the AP. The personnel issue arose in the year 2011 when the AP and the Belarusian administration model in general had demonstrated their low effectiveness during the unfolding crisis.

At the beginning of the year 2013 the commission under the supervision by Natalya Petkevich and Andrey Kobiakov finished

its work and presented its suggestions on public administration system optimization to the Head of State. According to the predictions of almost all experts and in spite of the rather interesting and serious proposals the whole reform with the optimization was reduced to ordinary 25–30% cuts of public officials and employees.

It should be noted that in spite of widely spread stereotypes before the reform Belarus did not have too many people with the status of ‘public official’ (a little over 57 thousand positions). Nevertheless, personnel cuts in the AP itself were rather unexpected for many experts. This agency did not enjoy a great number of employees (about 170 positions), and after staff cuts it has about 130 positions. This number affects significantly the quality of the AP’s work, especially taking into consideration the fact that all important national-level documents are to be approved by the AP.

Formally, the AP includes a number of departments and sections which are responsible for very different spheres and activities. Nevertheless, in spite of the ‘big titles’, these departments have usually a little number of employees and not all of them are specialists in those spheres which they are responsible for. The process of personnel cuts reflected the nature of developed patron-client relations which exist in the public administration system in Belarus. Dismissal of local public employees resulted in dismissal of their patrons in higher public agencies and vice versa. The struggle between different groups in the AP itself in many cases affected the concrete decision-making and reasoning in staff cuts in different regions and spheres.

A kind of erosion of the ‘power vertical’ and simultaneous strengthening of the president’s assistant, Head of the Chief Ideological Department Mr. Vsevolod Yanchevsky deserve mentioning among the significant results of the reform. This occurred due to unification of ideological work, youth policy and culture administration within the frames of one department in the system of local authorities agencies. Personnel issues in these united departments are supervised by the Chief Ideological Department, thus, increasing the administrative weight of Mr. Yanchevsky. The changes among the high-ranking

officials in the Ministry of Communications and Informatization in February, 2014 are also Mr. Yanchevsky's great success which allowed him to strengthen his influence in this important sphere.

In spite of the 'optimization', the situation in human resource management appeared to be worse. President Lukashenko himself had to admit this fact. For example, in November 2013 the AP in cooperation with Minsk *oblispolkom* (the government of Minsk region) did not manage to organize a demonstrative visit of the president to JSC '*Borisovdrev*'. It is worth mentioning that the president's reaction was driven not only by the predictable failure of the enterprise's and the whole industry sector's modernization program but also by the poor maintenance of the enterprise's territory, which can be considered as breaking even the Soviet rules of the *nomenklatura*'s behavior in the Era of Stagnation in the 1970s and 1980s.

The results of the president's visit are also very eloquent. Actually, Alexander Lukashenko's threats were carried out only in relation to AP employees: a deputy head of the AP, Andrey Tur, was dismissed and the head of the AP, Andrey Kobiakov gained a strict punitive reprimand<sup>1</sup>. While the head of Minsk region government Boris Batura was fired, his dismissal did not lead to any other negative effects for him. The threat against one deputy Prime-minister Vladimir Semashko was not carried out. This situation demonstrated very clearly the trend identified after the results of 2012: the AP appears in growing isolation whereas the *nomenklatura* is strengthening its position with the help of different sources, including foreign ones.

It is no secret that Boris Batura and especially Vladimir Semashko maintain close relations with certain business and political circles in Russia. As a result, Alexander Lukashenko managed to carry out all his threats only against the employees

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<sup>1</sup> Strict punitive reprimand was also declared to the head of the State Control Committee Alexander Yakobson, although the President did not share this in public. A President's assistant — chief inspector on Minsk region, in spite of the pronounced threat, did not receive his punitive reprimand due to a simple reason that this position was vacant during the visit.

of his own Administration. Andrey Tur's dismissal was not unexpected for the Belarusian establishment. Many experts argue that Andrey Kobiakov gained strict punitive reprimand due to his excessive public promotions as the head of a working group on construction problems. Such growing popularity caused the president's negative reaction. Besides, in his activity Kobiakov focuses mainly on economic issues while other spheres, such as organizational, personnel and ideological issues are practically outside his attention.

The other significant event which proves the progressively developing crisis in the personnel sphere is the president's meeting on the problems in the construction sphere and on the improving of work with administrative personnel which was held on December 10, 2013. The Head of State had to admit that successful managers did not want to work in the public administration system and more and more often random people got into it. The results of the meeting demonstrated that the AP, which is actually the main agency responsible for personnel affairs, did not have any clear vision on how to solve this problem which has already become apparent for the whole Belarusian society.

### **All the President's Men**

It is not a secret for Alexander Lukashenko that the effectiveness of the public administration apparatus is decreasing as well as the fact that the Belarusian model is developing towards oligarchic capitalism. It is one of the reasons of the president's continuous attempts to renew the personnel staff at least in his own Administration in order to prevent further strengthening of the *nomenklatura's* positions and growing grievances among people. It appears that the Head of State attempts to stake on relatively young and initiative civil servants, sometimes even breaking the stereotypes about recruiting to the highest ranks in the Belarusian public administration system. In this relation the further strengthening of Vsevolod Yanchevsky's positions should be mentioned.

The line-up of president's assistants was also dramatically changed. For example, the former Belarusian ambassador to

Kazakhstan Valery Bryliov became the Assistant on foreign policy due to Valentin Rybakov's appointment as a Deputy Head of the Minister of Foreign Affairs. There is no doubt that the professional qualities of Bryliov are lower than that of Rybakov's. This decision became a logical continuation of the process of weakening the AP's influence on the foreign policy and MOFA position's strengthening after Vladimir Makey's appointment as the Head of this agency. There is an apparent trend of decreasing the role and importance of the AP's Department of foreign policy which is in larger extent beginning to carry out technical functions.

A great interest lays in the personality of the president's new assistant on economic issues Kiryl Rudy. Some experts understood his appointment as an indicator of serious transformation in the economic policy of the state. However, these transformations were de-facto observed much earlier when after the crisis of 2011 the AP had initiated public discussions on the necessity to reduce socially oriented policy. There are no doubts in the AP on the necessity of such changes in the situation which is similar to the state of bankruptcy of the former social and economic model and all the discussions are devoted to the frames and peculiarities of the new policy.

In this relation the Belarusian government has never hidden its interest to the PRC's experience. In the opinion of many Belarusian officials, this experience will allow to combine high productivity and efficiency of labor with minimal social guarantees. Simultaneously, Kiryl Rudy's appointment is a great success of the Chinese lobby in strengthening its positions in the Belarusian establishment. It is not a secret that such officials as Anatoly Tozik, Boris Batura and (what concerns the AP) Vsevolod Yanchevsky and Kiryl Rudy do not practically hide their personal interests in development of the cooperation between Belarus and China. Moreover, as many experts emphasize, this cooperation is developing according to the Chinese scenario and in the interests of the PRC. Kiryl Rudy himself during his diplomatic mission in China was maintaining close cooperation with the Belarus-China joint enterprise 'Bel Huawei Technologies'. Nevertheless, the president's new assistant has not become an engine for any real far-reaching changes in

the social and economic spheres. However, due to Kiryl Rudy's personal participation such innovations as toll roads, transport taxes, indexation of house and utility services prices and other measures on reducing the socially-oriented policy were introduced. While mentioning Kiryl Rudy's name, it is necessary to remember that his predecessor, Piotr Prokopovich, did not retire but was appointed as a member of the Council of Ministers where, besides his office of a deputy prime-minister, he holds about twenty other positions. This is an eloquent testimony of the 'perspectives' for any changes in the economic policy in the country.

The appointment of one Member of Parliament Vladimir Kravtsov as the Head of Hrodna region government (*oblispolkom*) is an important indicator for some major changes in the ways of personnel recruiting. Previously, the Belarusian Parliament was considered as a place for honorable retirement and did not play a role of a starting position for a significant career in the public administration system.

The practically complete rotation of the president's assistants — chief inspectors in the country's regions is among other important personnel changes. For example, on February, 28 Anatoly Lis and Fiodor Domotenko were appointed as Chief inspectors in the Homiel region and Minsk city respectively; on June, 10 Dmitry Goborov and Vladimir Domanevsky were appointed as Chief inspectors in Brest and Hrodna regions respectively. At the end of 2013 the former Head of the President's affairs, who previously had been scandalously dismissed, Nikolay Korbut was appointed as the president's assistant — chief inspector in Minsk region without any information in the mass-media<sup>2</sup>. Such personnel rotation is not accidental and proves the very strong positions of the governors (heads of the *oblispolkoms*) (the president has managed to dismiss only one of them) who either do not manage to cooperate with their supervisors from the AP or, vice versa, subdue them to their influence.

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<sup>2</sup> Nevertheless, at the beginning of 2014 Mr. Nikolay Korbut's name and his new position begin to be mentioned in different mass-media. See, for example: <http://kurjer.info/2014/01/24/24-yanvarya-chereda-sobytij/>



These rotations have confirmed one more trend which had been previously identified by experts: the Head of State does not have a real labor pool. New appointed people are either weak in terms of their influence (the head of Hrodna region Vladimir Kravtsov has apparently much less influence than the other governors) or appointed due to the active lobby by internal or external (which is disturbing) forces (as Kiryl Rudy). Concerning the return of old staff, the appointment of Viktor Sheyman as the Head of the President's Affairs in January 2013 is especially indicative. After his appointment, Viktor Sheyman almost completely changed the personnel of his department. Alongside with his new functions, the president's old companion and friend has preserved his supervision over the relations between Belarus and Latin America.

## Conclusion

The year 2013 confirmed the trend of the general governability crisis in the Republic of Belarus which had been previously identified by many analysts. The country faces a process of gradual formation of fully fledged oligarchic capitalism which is strengthened by clan and/or relative relations and is based on a significant external support. In these frames the Administration of the president not only loses the real mechanisms of control but also loses its function of mediator between different groups of the Belarusian establishment.

In the period discussed a president's assistant, Head of the Chief Ideological Department Vsevolod Yanchevsky managed not only to increase his influence and to expand it over some close spheres (culture and in 2014 communications) but also gained a great influence over the first deputy Head of the AP Alexander Radkov. Viktor Sheyman plays a role of a counterbalance to Vsevolod Yanchevsky's growing influence.

In general, the AP has been trying (till now unsuccessfully) to develop a new strategy of its activities in the frames of oligarchic capitalism, actual bankruptcy of the Belarusian socially oriented model, limited field for foreign policy maneuvering and serious personnel deficit. It can be suggested that in 2015, after the presidential elections the AP would have

to reject the policy of maneuvering between the attempts to preserve the previous methods of working and the necessity to adapt to the new frames in order to develop a new strategy of its activities.

## GOVERNMENT IN A *STANDBY* MODE

**Ina Ramasheuskaya**

### **Summary**

In 2013, the government was acting in a *standby* mode thus trying hard to demonstrate hectic efforts: having abandoned attempts to lobby for reforms and constantly expecting a resumption of Russia's generous support, which is the only pillar of the Belarusian socioeconomic model, senior Belarusian officials have practically ceased to respond to calls and threats voiced by superiors. Interaction between the government and the Presidential Administration has reduced to unavailing communication devoid of much sense. The overall functioning of the government passed into a 'ritual' demonstration of loyalty and subordination to the highest political leadership.

The Mikhail Myasnikov Government concentrated on *three* main objectives associated with imitation: (1) execution of the political leadership's orders to upgrade industries; (2) planning of national socioeconomic development; (3) enhancement of state management effectiveness.

### **Trends:**

- Patchy 'modernization' and 'optimization' adjustments without a reform strategy or determination to implement any;
- Relations between the government and the Presidential Administration turning latent, when an illusion of peaceful coexistence hides the lack of effective teamwork;
- Paralysis of government policy, as the policymakers conformably take orders of higher authorities, but actually do nothing to carry them out.

## **Failure of the industry upgrade program**

The program of modernization officially announced in late 2012 is meant to give a new impetus to the ailing socioeconomic model, specifically to improve the quality of Belarusian industrial products and boost sales to remedy the issue of foreign trade deficit, from which Belarus' economy has been suffering for long. Also, it is important to secure high-efficiency employment of those who will inevitably be selected for redundancy as a result of the upgrade.

Observers were however skeptical about this ambitious plan from the very beginning keeping in mind one of the

first ‘modernization’ laws, namely presidential decree No.9, which, as a matter of fact, enslaved workers of woodworking enterprises for the period of modernization<sup>1</sup>. Even the president had to admit that the upgrade of woodworking enterprises failed except for the simplest part – the purchase of high-priced imported equipment. Lukashenko’s trip to the enterprises subject to modernization (since September) resulted in dismissals, criminal liability threats and demands to pay back foolishly spent loans from personal funds. Officials made excuses referring to the understaffing, lack of project documentation and construction permits, and other bureaucratic hurdles.

State Control Committee Chairman Alexander Yakobson, who was appointed to assess implementation of the modernization program, or, to be more exact, to investigate its failure, said that relevant monthly modernization schedules were either not drawn up, or not agreed on with the executors. Also, the required personnel capacity was not foreseen and, most importantly, the people involved had no idea what to do with new products. “We are putting enormous capacities into operation, thus the probability of sales problems is high. We need to see marketing outlets now. The enterprises however do not even have protocols of intent, not to mention consumer agreements in the domestic and foreign markets,” the State Control Committee chief said. Directors of the enterprises were “confused and uncertain,” he added<sup>2</sup>.

Something like that was observed in other industries covered by the program. For instance, cement produced with the use of new equipment appeared to be too expensive even to compete with Russian cement in the Belarusian market. In some plants,

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<sup>1</sup> “Lukashenko approves “carrot and sticks” for workers of nine companies” // *TUT.by portal* [Electronic resource] Mode of access: <http://news.tut.by/economics/324128.html>.

<sup>2</sup> A. Yakobson: “Terms of modernization, financial standing and human resources in the woodworking industry will be analyzed” // *BelTA* [Electronic resource] Mode of access: [http://www.belta.by/ru/all\\_news/economics/Jakobson-na-predprijatijax-derevoobrabotki-budut-proanalizirovany-sroki-modernizatsii-sostojanie-finansov-i-kadry\\_i\\_651588.html](http://www.belta.by/ru/all_news/economics/Jakobson-na-predprijatijax-derevoobrabotki-budut-proanalizirovany-sroki-modernizatsii-sostojanie-finansov-i-kadry_i_651588.html).

the procured equipment simply did not fit the premises it was supposed to be installed in<sup>3</sup>.

The general policy has not been given a second thought despite one or two demonstrative dismissals and several criminal cases, which followed the failure of the upgrade program. Officials keep nodding and agreeing with new deadlines and assignments, which are just as unrealistic as previous ones. Only Assistant to the Presidential Piotr Prokopovich<sup>4</sup> and Ambassador of Belarus to France Pavel Latushko<sup>5</sup>, who called for “taking a practical view of the situation”, stood out, although both neither pointed at the reasons of the dismal developments in the industrial sector, nor emphasized the need for reforms to find a way out (except the need for extra investments).

### **Imitation of socioeconomic development planning**

Although the government passed through all usual stages of planning of major economic targets throughout the year, it looks like no real meaning was put into it this time. For example, before a scheduled arrival of the IMF mission, the government and the National Bank developed a plan to reform the economy and raise the competitive capacity of Belarusian goods, which was quite adequate in all respects<sup>6</sup>. However, the president and his administration made no comments whatsoever on this plan, which was also ignored by a number of ministers.

For example, the plan contained a paragraph, according to which the Ministry of Labor and Social Protection was supposed to work out proposals on development of a superannuation

<sup>3</sup> State Control Committee chairman shocked by modernization of Lyakhovich flax-processing plant // *Belarusian news* [Electronic resource] Mode of access: [http://naviny.by/rubrics/economic/2013/09/26/ic\\_news\\_113\\_425495/](http://naviny.by/rubrics/economic/2013/09/26/ic_news_113_425495/)

<sup>4</sup> P. Prokopovich: “Our MAZ trucks and tractors are noncompetitive in the market” // *EuroRadio* [Electronic resource] Mode of access: <http://euroradio.fm/ru/prokopovich-lukashenko-nashi-mazy-i-traktory-nekonkurentny-na-rynke-video>.

<sup>5</sup> P. Latushko: “Our machines just break down during presentations” // *TUT.by portal* [Electronic resource] Mode of access: <http://news.tut.by/economics/386025.html>.

<sup>6</sup> See: <http://www.government.by/upload/docs/file7466ecf08fff7f6e.PDF>.

scheme, including a rise in the retirement age, and submit them to the Council of Ministers by June 2014. However, addressing the parliament at a joint session of the two chambers on October 31, Minister of Labor and Social Protection Marianna Shchetkina said that the ministry was not considering the retirement age issue at all.

On top of this, the government displayed apathy and extreme formalism when it came to one of its primary tasks, i.e. coordination of socioeconomic development targets for the next year and preparation of a report on their achievement in the past year. According to forecasts made by Prime Minister Mikhail Myasnikovich, economic growth in 2013 was to depend on the new (suddenly emerged) high production sector – dozens of enterprises in each district. Labor productivity at those enterprises was supposed to be as high as the average productivity in the European Union<sup>7</sup>. To everyone's dismay, this wonderful sector never materialized, and government officials therefore deferred their expectation for its miraculous appearance to 2014.

In 2013, economic growth was only one tenth of the target, so top officials stopped attaching any importance to economic forecasts given that prescriptive figures would be handed down regardless of the actual state of things anyway. The president noticed the government's apathy. "Nobody works hard, sweats or disputes the targets. Generally speaking, this is nonsense. Usually, plenty of requests and complaints come by this time. And now? Dead silence!" he said anxiously. The same dead silence was the answer to Lukashenko's logical question on what grounds the government made such optimistic forecasts<sup>8</sup>.

### **State administration reform: critical assessment**

At the end of 2012, the president gave a special assignment to form a state committee for preparation of proposals on a reform of the state administration system, which, in his opinion, was excessively bureaucratized. In early 2013, the commission headed

<sup>7</sup> Economic results of 2013. Expert outlook for 2014 // *Belarusian news* [Electronic resource] Mode of access: [http://naviny.by/rubrics/auto/2013/12/23/ic\\_articles\\_113\\_184032/print/](http://naviny.by/rubrics/auto/2013/12/23/ic_articles_113_184032/print/)

<sup>8</sup> See <http://news.tut.by/economics/376824.html>.

by Presidential Chief of Staff Andrei Kobayakov and Assistant to the President Natalia Petkevich submitted the requested proposals. The president was however dissatisfied with what the tandem was suggesting, in particular a revision of functions and the structure of government agencies, and sent them back telling to focus on overall performance and downsizing, in other words to trim unnecessary functions of the state machinery and reduce the staff<sup>9</sup>. In general, the president spoke highly of officials' accomplishments and the draft 'reform' of state administration, which should have been taken as a model by the states where similar reforms resulted in managerial maladjustments or were a desperate measure to cope with a budget deficit.

The key idea of the reform – to reduce the number of state officials by a quarter and distribute the money saved among the rest as a raise in salary – was mulled over and made public through the media by the middle of the year. Decree No. 168, which enshrined this idea, was issued in April. According to the decree, the staff reduction was supposed to be completed by September 1, 2013. In the opinion of independent experts, “the mountain brought forth a mouse”, and “the public administration reform on the one hand resulted in a showcased reduction in already vacant positions and firing of retirees, and, on the other hand, in depletion of already overworked local administrations. The “optimization of functions”, except for one or two local reshuffles, was history. The raise in officials' salaries, which, in fact, the whole thing was devised for, also turned imperfect, so that the proponent of the reform had to admit it himself<sup>10</sup>.

The government changed its view on the situation by the end of the year. Lukashenko started scarifying the machinery saying that “the government was not working”, “shiftless come-

<sup>9</sup> “Alexander Lukashenko orders to optimize the structure, size and functions of government agencies within six months” // *BelTA* [Electronic resource] Mode of access: [http://www.belta.by/ru/all\\_news/president/Lukashenko-poruchil-v-tehnic-polugoda-optimizirovat-strukturu-chislennost-i-funktsii-gosorganov\\_i\\_620790.html](http://www.belta.by/ru/all_news/president/Lukashenko-poruchil-v-tehnic-polugoda-optimizirovat-strukturu-chislennost-i-funktsii-gosorganov_i_620790.html).

<sup>10</sup> “President concerned about shiftless persons in government offices” // *BelTA* [Electronic resource] Mode of access: [http://www.belta.by/ru/all\\_news/president/Lukashenko-ozabochen-nalichiem-bezynitsiativnyx-chinovnikov-bojaschixsja-prinimat-reshenija-i-nesti-otvetstvennost\\_i\\_654283.html](http://www.belta.by/ru/all_news/president/Lukashenko-ozabochen-nalichiem-bezynitsiativnyx-chinovnikov-bojaschixsja-prinimat-reshenija-i-nesti-otvetstvennost_i_654283.html).

and-go people were taking offices”, policy-making positions remained unfilled for years, and officials were often “afraid to expose their affiliation with executive committees.” A meeting on the staffing policy was urgently convened at the end of the year. Noteworthy is that the Kobyakov group was mentioned in the media again before the meeting, this time with a negative connotation probably because Kobyakov once again tried to approach the president with some new ideas, which annoyed the head of state. Nobody can tell what exactly they were talking about because the document was never made public.

Participants in the meeting held on December 10, 2013 did not produce any comprehensive solutions. They only described problems to deal with and told sob stories about the quality of personnel, which was not as solid as it used to be. The only more or less articulate point in the speeches made at the December meeting on human resources and the situation in the wood-working industry was that only few thoroughgoing people of the Soviet generation, who could work for peanuts for the glory of the Motherland, still remained in their positions, while the new generation wanted material incentives. Even the talent foundry chief, Rector of the Presidential Academy of Management Anatoly Morozovich joined the choir of complainers saying that only those who have a genuine concern for their country in their DNA should be admitted to high offices. Someone suggested involving effective managers from the private sector. But, no matter what proposals or diagnoses were made, nothing that could rectify the situation with human resources has been done or at least blueprinted.

## Conclusion

In 2013, the Belarusian government was still busy with maintaining the *status quo* dealing with what has already happened rather than with something planned or prearranged. It is hard to predict what the government will do next primarily due to the typical national phenomenon: staying put in constant expectation of the next portion of outside financing. No attempts are thus made to qualitatively update the state policy. Meanwhile, government functionaries fully realize the threat of a budget



deficit, as evidenced by increasing excise taxes, new taxes and dues, as well as the growing proportion in the cost of services provided by the state, which must be covered by the population.

Traditional patterns of interaction between the political leadership and the government seem to be outspent. We can say that the system of public administration operates by inertia when the main players perform the prescribed roles purely formal. Factors of personal motivation of officials, including economic benefits (whether they receive dividends from participation in major business projects, paving the way for the privatization of certain state assets with Russian capital or not, etc.) become important in this situation. Belarusian office-holders are generally known for their reluctance to take risks, and therefore the current simulated activity in combination with the rent-seeking behavior can go on endlessly provided that a relatively stable macroeconomic environment is maintained.

The balance may yet be disturbed by a combination of external factors. Belarusian officials can be pushed out of the imitation orbit among other things by an aggravated situation in Ukraine, when economic independence from Russia would become distinctly shaped and more desirable.

Belarus' accession to the Eurasian Union can lead to a deterioration of the situation in the Belarusian economy as a fatal consequence of the poor competitiveness of Belarusian enterprises in the joint market, unless Belarus is given the long expected oil trade preferences. In this case, it is possible that Belarusian officials will more actively lobby privatization of loss-making enterprises.

Also, a sharp deterioration of the economic situation may induce the government to more actively promote structural reforms. However, given the previous experience, it is safe to assume that the Belarusian authorities will rely on populist measures and rigorous suppression of any manifestations of discontent as long as possible.

## **SECURITY AGENCIES: ‘REFORMERS’ GAIN A FOOTING IN NEW POSITIONS**

**Alexey Medvetsky**

### **Summary**

Last year's reform of law enforcement agencies was carried out by a predetermined schedule and, following a centralization of the investigative branch, led to a centralization of the legal expertise branch under the auspices of the president, which enabled the ruling group to tighten control over public officers, the political establishment and private business before the 2015 presidential campaign, and to a wider extent in the context of risks and opportunities of the Eurasian integration. Security and law enforcement agencies gained a footing in high-earning public industries, primarily the foreign trade in potash fertilizers and construction. The interdependence between the incumbent president and new power elites remains heavy, which makes the result of the upcoming presidential election absolutely predictable, as there is no other powerful force outside the security bloc.

### **Trends:**

- Continued policy towards centralized management of the system of justice through investigative and legal expertise agencies;
- Legalization and expanded presence of security and law enforcement agencies in business;
- Increased public spending to provide for security and law enforcement agencies, as they grow stronger thus still experiencing underfunding problems.

### **New circuit of control over the system of justice**

The apparent paradox of the reform of Belarusian law enforcement agencies launched in 2011 is that the president first set the task to slim down their workforce and trim out functions they were not supposed to perform. However, as a result of this personnel and functional optimization, new agencies were formed: the Investigative Committee in 2012 and the State Committee for Legal Expertise in July 2013. This gives reason to believe that the political goal of the functional reorganization was to tighten presidential control over security and law enforcement agencies and other elites emerged in the government and business.

For instance, the Investigative Committee formed in 2012 enabled the ruling group to take control over pre-trial investigation: investigative powers were entirely lost by the Prosecutor's Office, Ministry of the Interior, State Control Committee's Financial Investigation Department and partly by the Committee for State Security (KGB)<sup>1</sup>. The same happened in 2013 when the Committee for Legal Expertise was created, but this time *eight* different agencies had to detach their expert units, which were united into a single committee directly controlled by its initiator, the president. The staff was thus reduced 15%<sup>2</sup>. The new circuit of control over the system of justice makes it possible to open criminal cases and carry out pre-trial examination and investigation not involving the oldest agencies – the Interior Ministry and the KGB.

Meanwhile, the oldest and largest law enforcement agency of the country – the Interior Ministry – is losing its power as a result of consistent and well-directed actions. The Directorate for Internal Affairs in Transport was abolished in early 2013. Simultaneously, a General Directorate for Ideology was created. The greater public awareness of crime statistics and wider community outreach can be regarded as one of the positive effects of this questionable functional restructuring<sup>3</sup>.

A public advisory council was formed at the Interior Ministry in March. It includes representatives of government authorities, culture and business. On the contrary, activities of the Investigative Committee are not given much publicity. The Committee

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<sup>1</sup> See: Medvetsky A. Security Agencies: The rise of new elites // *Belarusian Yearbook 2012*. Minsk, 2013. P. 28–35.

<sup>2</sup> The data on personnel reduction are provided in an interview of Chairman of the State Committee for Legal Expertise A. Shved to the TV News Agency of Belarusian Channel One on June 30, 2013, see: <http://www.tvr.by/rus/news.asp?id=6733&cid=16>.

<sup>3</sup> Due to numerous speculations on the actual numerical strength of the Belarusian police, it makes sense to quote the formal assessment for early 2014: “The number of policemen involved in law enforcement, uncovering and suppression of crime is at 450 people per 100,000 population”, see: Interview of Deputy Minister of the Interior for Ideology and Human Resourcing A. Kobrusev to Na Strazhe newspaper of February 14, 2014 // [Electronic resource] Mode of access: <http://mvd.gov.by/main.aspx?guid=179743>.

still has no official website. It only communicates with the public through its spokespersons. The results achieved by now suggest that the long-term goal of the reform is to turn the Interior Ministry into an agency primarily focused on safety of the ordinary people, while justice for the elites will be mostly a prerogative of new bodies, first of all the Investigative Committee.

Meanwhile, a restructuring of the elites is observed in law-enforcement agencies themselves. As noted above, the Investigative Committee leadership is mainly composed of former workers of the Prosecutor's Office. The same trend is apparent when it comes to formation of the State Committee for Legal Expertise. The Committee is headed by career prosecutor Andrei Shved, former deputy prosecutor general and former vice chairman of the Investigative Committee. Former deputy chief of the investigation unit of the Prosecutor General's Office Maxim Voronin is one of his assistants. Two other assistants, Yuri Ovsyuk and Vladimir Podobed, transferred to the Committee from the State Forensic Medical Examination Office, and one more, Sergei Yevmenenko, come from the Interior Ministry's Criminal Expertise Centre.

The redistribution of powers and areas of influence between law enforcement agencies is going quietly. At least, inevitable interdepartmental antagonisms do not come out into the open, except for a criminal case by the KGB against a lieutenant colonel of the Investigative Committee suspected of taking bribes, which was published on the Internet in December 2013. That story soon died out and no news from official sources has followed. Personnel rearrangements in other security and law enforcement agencies also went smoothly without any visible agitation.

The growing number of border violation reports were stirring up public concern when former State Secretary of the Security Council Leonid Maltsev was appointed chairman of the State Boundary Committee (he replaced Alexander Boechko), and Deputy Prosecutor General Alexander Arkhipov was dismissed from office on a charge of power abuse. In December, career officer Alexander Mezhuev became the new head of the Security Council, the center of coordination of all defense and law enforcement activities in Belarus, which indicates the continu-

ity of policy established by previous Security Council Secretary Maltsev. This arrangement suggests that the ruling group has enough leverage to control security agencies to prevent sharp conflicts involving outside forces.

**‘Non-core functions’:  
securocrats get legalized in businesses**

The situation with the Belarusian Potash Company was the most high-profile event in 2013, which highlighted the growing influence of security officials in contemporary Belarus. In May, during the next round of talks with Suleiman Kerimov, the controlling stockholder in Uralkali, President Lukashenko presented two curators of the negotiations from the Belarusian side: his oldest son Viktor Lukashenko, Assistant to the President for National Security, and KGB chief Valery Vakulchik. The institution of ‘curators’ is informal, because Development Bank Chairman of the Board Sergei Rumas was officially heading the delegation of Belarus. Further developments showed that Belarusian law enforcers were strongly determined to take serious political risk to protect interests of big government business that provides guaranteed currency supplies to the country.

On August 26, 2013, after unsuccessful negotiations with Prime Minister Mikhail Myasnikovich, the KGB detained Uralkali CEO Vladislav Baumgartner at the Minsk airport on a charge of abuse of power. The Prosecutor General’s Office opened a criminal case, the Investigative Committee conducted investigation, the Interior Ministry put persons involved in the case on the Interpol’s wanted list, and the State Control Committee started an inspection of the Belarusian Potash Company. The high level of coordination and the high rate of actions taken by several departments at once imply that they were managed from one center, most likely the Security Council. As a result, despite the political pressure on the part of Russian elites and the Dmitry Medvedev Cabinet, the Belarusian side managed to lead the case to Baumgartner’s extradition to Russia.

It should be recognized that in this case Minsk successfully used contradictions inside Russian elites and managed to

enlist support of an influential group of Russian functionary and businessman Igor Sechin<sup>4</sup>. This conflict did not result in substantial economic benefits for the Belarusian budget and the export of potash fertilizers. It however helped security officials to extend their formal and informal influence on the Belarusian Potash Company, which even hired several former KGB officers.

An inspection of the construction sector was carried out in the same manner, but this time without comprehensive international media coverage. An ad hoc group headed by presidential chief of staff Andrei Kobyakov included representatives of the KGB and State Control Committee, who not only used their authority in dealing with construction market players, but also increased their presence in the lucrative construction business. In particular, government decree No.798 on the regulations on tenders to select customers (developers) for construction of apartment buildings, except luxury ones in Minsk and regional centers issued on September 10, 2013 entitled authorized representatives of the State Control Committee, KGB and Interior Ministry to attend sessions of tender committees as observers.

### **Security lobby and the national budget**

The reform of law enforcement agencies, as well as the started preparation of a reform of the Belarusian armed forces, elevates the status of security officials in the country leadership, which is seen in the budget allocation. In 2013, the collective lobby of security and law enforcement agencies managed to significantly increase their share in the earmarked budget spending in 2014, which remains the main channel of their funding (see table 1)<sup>5</sup>.

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<sup>4</sup> For more detailed assessment of the contradictions between the Russian elites see: Koktysh K. *Russia-Belarus: Eurasian Waltz // Belarusian Yearbook 2012*. Minsk, 2013. P. 77–84.

<sup>5</sup> Around 99% of all expenditures of the consolidated budget for 'National Defense' and around 94% of expenditures for 'Judicial Branch, Law Enforcement and Security Enforcement' are distributed through the national budget. Note: the author performs calculations on the basis of data provided by the Ministry of Finance of the Republic of Belarus for 2011–2012.

**Table 1. The share of funding of major defense, security and law enforcement agencies in the total expenditure of the national budget, %**

Articles of expenditure	2011	2012*	2013	2014*
National defense, including:	5.2	5.2	5.0	5.5
defense and the armed forces of the Republic of Belarus	4.8	4.8	4.6	5.0
Judicial branch, law enforcement and security enforcement	7.8	8.1	8.6	10.0
Interior Ministry agencies	3.5	3.3	3.4	3.9
Prosecutor's Office agencies	0.3	0.2	0.2	0.3
Border Guard agencies	0.8	0.7	0.8	0.9
Correctional system agencies and organizations	0.8	0.8	0.8	0.8
State security agencies	0.6	0.6	0.6	0.8
Emergency situations agencies and units	0.8	0.9	1.0	1.0
<b>Total, budget spending, trillion Belarusian rubles</b>	<b>51.95</b>	<b>95.88</b>	<b>121.72</b>	<b>128.59</b>

\* Data for 2011–2012: the actual budget expenditures; data for 2013–2014: earmarked expenditures. The calculation was made by the author on the basis of data specified in the respective laws on the national budget.

Contrary to the very idea of the human resources and functional optimization, there are more security agencies now and more money has to be allocated to support them. If the spending plan for 2014 is implemented as expected, Belarusian security, defense and law enforcement agencies can set an all-time funding record with 15.5% of the aggregate budget expenditure, although the monetary allowance in some of the agencies, especially on the lower and middle levels, remains small, and commanders have to take questionable measures. For instance, the president allowed officers of the Ministry for Emergency Situations to have side jobs out of hours<sup>6</sup>. The underfunding problem and side job encouragement affect the overall performance and create conditions for corrupt practices.

<sup>6</sup> Press Conference by Minister of Emergency Situations V. Vashchenko of January 16, 2014 // *BelaPAN* [Press Conference by V. Vashchenko] Mode of access: [http://naviny.by/rubrics/society/2014/01/16/ic\\_media\\_video\\_116\\_8265/](http://naviny.by/rubrics/society/2014/01/16/ic_media_video_116_8265/)

## Conclusion

The reform of security agencies in Belarus is controlled by the ruling group, which uses both mild and harsh methods: the country leadership allows them to engage in profitable businesses and takes ruthless disciplinary actions if worse comes to worst. As a result, the painful redistribution of powers and areas of influence between security and law enforcement agencies is going quietly, which indicates a high level of mutual trust between securocrats and President Lukashenko. The new circuit of control over the system of justice created on the basis of the Investigative Committee and the State Committee for Legal Expertise increases the dependence of all governmental and nongovernmental elites of Belarus on the incumbent president and his entourage, which significantly reduces the likelihood of political continuation of power in Belarus in view of the 2015 presidential election.

The fact that the entire circuit is fully controlled by the president alone remains a major risk factor. Alexander Lukashenko is still the sole credible center for accommodation of interests of new security elites, political establishment and business. An increasing number of the agencies resulted from the reform can pose another risk. In this case, if the underfunding problem persists, it will be an extremely complicated task to harmonize their interests, and open interagency conflicts with the involvement of third parties are a definite possibility.



## **ANOTHER BAD YEAR FOR NATIONAL DEFENSE. RELATIVE SUCCESSES OF THE MILITARY-INDUSTRIAL COMPLEX**

**Andrei Porotnikov**

### **Summary**

The year 2013 saw the first surfaced effects of degradation of the country's defense capacity: the deployment of a Russian airbase in the territory of Belarus actually means that the Belarusian ruling regime has lost a large part of independence as an international entity. Despite popular statements on strategic partnership and indestructible alliance, Russia takes no interest in promoting Belarus' defense capabilities, being only focused on its own military purposes. The current defense policy of Belarus shows that the government lacks a clear understanding of what must be done in the defense sector, which is one of many manifestations of the overall strategic myopia of the regime.

### **Trends:**

- A continuing decline in the human resource capacity;
- Increased dependence on Russia in matters of defense, although Moscow is not always reliable as an ally;
- Futility of Russia's attempts to build up the defense capacity of the Collective Security Treaty Organization as a military-political bloc;
- Availability of foreign markets as an engine for sustained development of the Belarusian military-industrial complex.

### **Strategic partnership: who out-haggles who**

The joint session of the Defense Ministries of Belarus and Russia held on April 23, 2013 was the most important event of the year. Russian Defense Minister Sergei Shoigu announced the plan to deploy a Russian airbase in Belarus. The Russians thus indicated their reluctance to make it a joint base under the combined or (especially) Belarusian command.

The Belarusian leadership was obviously not very inspired by the idea of sharing the airfield. The pay gap between the Russian and Belarusian armies was one of the points, as it could discredit the policy of the Belarusian regime. However, as a bonus for the

airbase, the Russian side promised to provide Belarus with four S-300 air defense battalions in 2014.

An on-duty squad of four Su-27 fighters of the Russian air force arrived to the airbase in Baranovichi in early December. The Russian crews come under command of Belarusian officers, and they most likely will until an intergovernmental agreement on the Russian airbase in Belarus is signed<sup>1</sup>. The bargaining over the Russian airbase in Belarus goes on and the whole situation remains uncertain.

It was announced earlier this year that the promised S-300 would be handed over to the Belarusian side in 2015 at the earliest. Moscow staked interest in the base by deploying the first fighters. It is thus clear that any decision on the Russian airbase in Belarus will be preeminently political, rather than practical from the point of view of defense needs. The significance of the base for the national defense is largely symbolic, because the planes are too few to cope with massive tasks. The fact that the Defense Ministry of Lithuania regarded the deployment of the Russian military in Belarus as a political act rather than a military threat confirms that the military value of the Russian airbase in Lida is close to nothing<sup>2</sup>.

The situation with the airbase reflects the dual nature of Belarusian-Russian defense cooperation. On the one hand, both are objectively determined to join efforts. On the other hand, both often disregard principles, and it would be an exaggeration to describe their interaction as well-organized.

The long-standing question about who would command the Belarusian-Russian joint regional air defense system was finally answered last year when Belarusian Air Force and Air Defense Commander Major General Oleg Dvigalev took the chief's office. Minsk and Moscow had been bargaining over the joint system for years. Lukashenko endorsed the agreement (de-

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<sup>1</sup> Russian air force crews to rotate on combat alert duty in Belarus // [Electronic resource] Mode of access: [http://www.belta.by/ru/all\\_news/society/Ekipazhi-VVS-Rossii-budut-na-rotatsionnoj-osnove-pribyvat-v-Belarus-dlja-nesenija-boevogo-dezhurstva\\_i\\_654237.html](http://www.belta.by/ru/all_news/society/Ekipazhi-VVS-Rossii-budut-na-rotatsionnoj-osnove-pribyvat-v-Belarus-dlja-nesenija-boevogo-dezhurstva_i_654237.html).

<sup>2</sup> Lithuanian Ministry of Defense: *New Russian airbase in Belarus does not pose greater military threat* // [Electronic resource] Mode of access: <http://www.interfax.by/news/belarus/132825>.

cree No.65) as late as February 13, 2012, although the defense ministers of both countries signed it on February 3, 2009. The commander's functions are quite insignificant in peacetime: he is in charge of coordination of actions and proposals for the air defense development and possible operational use of the system. In time of war, the commander is vested with the authority to manage the force. All major decisions thus shall be made on the basis of consensus. The fixed-term agreement covers a period of five years, which means that its extension will be a matter of bargain again.

The third and the last battery of the Russian-made Tor-M2E surface-to-air guided missile system came to Belarus in December<sup>3</sup>. Formation of an air-defense battalion, the best equipped one in the Belarusian army, was completed. The question is how it will be batched, specifically with respect to Russian electronic warfare algorithms: the letter 'E' stands for 'export' that implies a limited capability of the weapon.

The Tor-M2E supplies started in 2011 amid a financial crisis in Belarus. It is yet unknown whether Belarus is paying for them. The supplies can therefore be regarded as Russian military-technical aid. The amount of the Russian aid is however irrelevant in terms of substantial progress in rearmament: air-defense battalions are basically supposed to be provided/purchased every year.

On December 25, Belarus and Russia signed an inter-governmental agreement on military-technical cooperation for the period until 2020, which allows domestic defense industry entities to supply products to Russia. This was envisaged by an agreement between Lukashenko and Putin in September 2012 in Sochi, which actually was limited to engagement of the Belarusian light industry<sup>4</sup>.

The training of the Belarusian military in Russia is far from being satisfactory either. Belarusian cadets and officers are treated as foreigners, which restricts their access to information to a certain extent. The number of cadets sent to Russia is going

<sup>3</sup> *Third battery of Tor-M2 has arrived in Belarus* // [Electronic resource] Mode of access: [http://www.belta.by/ru/all\\_news/society/Tretja-batareja-ZRK-Tor-M2-pribyla-v-Belarus\\_i\\_654220.html](http://www.belta.by/ru/all_news/society/Tretja-batareja-ZRK-Tor-M2-pribyla-v-Belarus_i_654220.html).

<sup>4</sup> See: <http://file-rf.ru/analytics/842>.

down, although, in some specific areas, education in foreign institutions is preferable anyway.

### **West-2013**

The joint military exercise West-2013 was held September 20–26 in Belarus and Russia. The event was stage-managed well and sometimes looked like an exhibition performance, which followed a thorough rehearsal. The Belarusian phase was focused on purely defensive actions in conditions of a virtual local interstate armed conflict. The terms ‘terrorists’ and ‘illegal armed groups’ were used for reasons of political correctness. Military units of a neighboring state acted as a simulated enemy.

The Belarusian defense industry used the exercise to test some prototypes in a near-real setting and to advertise products of the Belarusian military-industrial complex, such as unmanned aerial vehicles. Heavy multiple artillery rocket systems Smerch and UAVs Grif were presented in a joint exercise for the first time. The military also announced that the UAV helicopter INDELA-I.N.SKY was capable of engaging targets by fire and made a presentation of Belarusian-Russian Berkut-2 and Burevestnik UAVs with a 290 km action range<sup>5</sup>.

There were two important points in what concerns West-2013. *Firstly*, the Belarusian military gained experience in force projection by sea: a unit of the 103<sup>rd</sup> mobile brigade was delivered from St. Petersburg to Kaliningrad by assault landing ships. *Secondly*, the exercise revealed a serious lag in technology intensiveness of the Belarusian military, which the Russian media immediately stressed with genuine pleasure. The showcased prototypes were mostly intended for demonstration and only few of them actually enter the inventory.

### **Aviation: an incidental upgrade**

The plan to set up production of next generation helicopters MSB-2 at the Orsha Aircraft Repair Plant, a controlling stake

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<sup>5</sup> See: *Platform for defense innovation* // [Electronic resource] Mode of access: [http://www.vpk.gov.by/news/comm\\_news/1817/](http://www.vpk.gov.by/news/comm_news/1817/)

in which belongs to Ukrainian JSC Motor Sich, was announced in 2015. Upgraded helicopters Mi-8MSB and MSB-2 were presented in September in Minsk. Attending the event was presidential chief of staff Andrei Kobyakov. Mi-8MSB's were quickly certified in Belarus with their future export to foreign markets in mind.

In June, the allies agreed to set up production of components for Russian aircrafts (both military and civil) at the Minsk Aircraft Repair Plant on the initiative of the Russian side<sup>6</sup>.

Over the second half of the year, the Belarusian leadership was making attempts to handle the crisis situation in the air force. An upgrade of the national air force's MiG-29 was supposed to be resumed in September at the 558<sup>th</sup> Aircraft Repair Plant, which suggests that no new jets will be supplied in the near future despite the plans voiced at the highest level throughout 2012–2013.

The Belarusian defense industry has all technical capacities required to make all-purpose strike aircrafts out of MiG-29. The financial capacities to provide a massive and profound upgrade are open to question now.

The situation with Su-27 of the Belarusian air force has become complicated. Defense Minister Yuri Zhadobin said on August 28 that Su-27's were not removed from the inventory, but only taken out of operation. In November, Air Force and Air Defense Commander Dvigalev said that Su-27 jets were taken out of service because their operation cost too much. He thus informed that Su-30 fighters (a modernized version of Su-27) were considered as a replacement. Few days later, during a visit to the airbase in Baranovichi, Lukashenko said that the withdrawal of Su-27 from the air force pool was premature.

All this looks like an attempt to fill up a gap left by the pulled out two dozen Su heavy fighters, which have been standing idle since 2011. This attempt became particularly determined after the probability of the deployment of a Russian airbase got strong. Important is that the Belarusian authorities ignored the

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<sup>6</sup> See: *Belarus ready to host production of spare parts for Russian planes* // [Electronic resource] Mode of access: <http://www.interfax.by/news/belarus/132909>

fact that the problem is not only in the aging of the aircrafts, but also in their shortage.

### **CSTO: the ‘music’, which no one wants to pay for**

It was announced in February 2013 that the Joint Staff of the Collective Security Treaty Organization was going to be reinforced by units in charge of the management of joint troops, military air and special operations forces. A reconnaissance unit in the Joint Staff was also planned. However, nothing of this was done in 2013<sup>7</sup>. Moreover, by the end of the year, the situation with the CSTO Joint Staff was described as critical<sup>8</sup>.

On September 20–25, Belarus hosted a joint exercise of the CSTO Collective Rapid Reaction Force (RRF) titled ‘Interaction 2013.’ The event was purely propagandistic, as the training was held at the battalion level. According to the scenario, extremist groups penetrated into a CSTO member state to destabilize situation. Only *four* out of *six* CSTO members – Belarus, Russia, Kazakhstan and Armenia – provided their troops, while Kyrgyzstan and Tajikistan only delegated field officers to the exercise headquarters.

Equipping of the CSTO RRF was discussed October 22 in Moscow. No concrete decisions were made due to financial stringency in the member states and Russia’s inability to provide them with material support to the extent necessary. The plans to rearm the CSTO RRF date back to 2009 and remain shelved for the most part.

### **Army: a ‘natural’ decline**

Underfunding has been the key problem of national defense. The defense budget in 2013 increased 25.8% year-on-year, with inflation at 21.8% in 2012 and 16.5% in 2013. In fact, the defense spending remains nearly the same.

Limited funding and the lack of a rational ideological base

<sup>7</sup> CSTO Joint Staff; see: [http://www.odkb-csto.org/authorized\\_organs/files/buklet.pdf](http://www.odkb-csto.org/authorized_organs/files/buklet.pdf).

<sup>8</sup> See: *CSTO Joint Staff will be ‘Russian’* // [Electronic resource] Mode of access: <http://evrazia.org/news/29060>

make it impossible for the Defense Ministry to solve the staffing problem. The ministry has to resort to palliative measures. For instance, officer ranks are awarded to warrant officers after three-month training courses, women are given access to certain positions, and reserve officers are being recalled. In 2013, over 1,000 commissioned slots were filled by substitutes, including more than 500 warrant officers, who may be promptly promoted to officers. Several amendments to the law on conscription and military service, which, among other things, raise the conscription age to 35, initiated by the Defense Ministry are called to solve the staffing problem<sup>9</sup>.

In November, Deputy Finance Minister of Belarus Mikhail Yermolovich confirmed plans to reduce the size of the Ministry of the Interior and the Ministry of Defense. The reduction was observed throughout the year. The 302<sup>nd</sup> air defense brigade was discontinued in March. A reorganization of the territorial defense system, including optimization of the structure and strength of territorial troops, was announced in September. The word ‘optimization’ should not be misleading: it means a troop reduction. By doing so, the government admitted problems in territorial defense, which independent analysts used to point out before, and which the Defense Ministry fiercely denied. The number of territorial troops reaching 120,000 people is totally unrealistic, as training of so many soldiers is impossible with this budget. Neither is their mobilization in wartime. Moreover, there are not enough active officers to manage the troops.

### **Military industrial sector: a contribution to exports**

The national defense industry prioritized boosting of exports in the past year. Military exports are relatively small and almost invisible against the background of GDP-forming export industries (petrochemical, potassium, iron and food).

Belarus stepped up military-technical cooperation with Asian states, such as Azerbaijan, Turkmenistan, Bangladesh,

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<sup>9</sup> Law on Conscription and Military Service; see: <http://pravo.by/main.aspx?guid=3871&p2=2/349>

Myanmar, Indonesia, Sri Lanka, and Vietnam, and continued intensive cooperation with China.

The country displays genuine willingness to sell not only military hardware, but also to share technology and set up joint production with the most promising partners<sup>10</sup>. Joint ventures abroad will make it possible to fully employ domestic enterprises engaged in the manufacture of component parts, and support further research projects in this area because significant procurement volumes inside Belarus are highly unlikely due to budgetary limitations.

In 2013, the State Military-Industrial Committee was channeling investments into development and manufacture of innovative products. A half of over 80 research and development projects were successfully implemented. They include the development of multipurpose unmanned aircraft systems with an operational range of up to 100 km, radio communication equipment, automotive vehicles, navigation aids, and special purpose electronic equipment.

Formation of prices for state procurement remained a constraining factor<sup>11</sup>. The relevant agencies spoke about price formation inadequacy and delayed payments by the Defense Ministry.

## Conclusion

The process of creation of the Belarusian-Russian joint regional air defense system shows that no prompt decisions on the Russian airbase in Belarus should be expected. *Three* years may pass between the signing of the agreement and its approval by the Belarusian side. Russia's military-technical assistance will not go beyond actions aimed at securing its own interests. It specifically concerns airfields, depots, air defense, telecommunication

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<sup>10</sup> See: Belarus and Vietnam have agreed to step up military-technical cooperation // [Electronic resource]: [http://www.vpk.gov.by/news/comm\\_news/1627/](http://www.vpk.gov.by/news/comm_news/1627/)

<sup>11</sup> Areas, goals and ways to upgrade scientific (research and production) companies for the period until 2015 discussed at a session of the State Military Industrial Committee of Belarus; see: [http://www.vpk.gov.by/news/comm\\_news/16](http://www.vpk.gov.by/news/comm_news/16).



and management facilities. Russia takes no interest in building up Belarus' defense capacity.

The CSTO remains a powerless interstate institution in the post-Soviet area. Its members (except Russia) do not show interest in enhancement of its capability. There is no reason to believe that something will change in the near future.

Surprising as it may seem, Belarus' status of a high-tech defense products exporter limits its opportunities when it comes to Third World markets as those countries mostly request military equipment and weapons that can be mastered without profound knowledge and previous education.

In general, expectations of the national military-industrial complex are over-optimistic, because, due to the low capacity, its future as a national economy leader is an impossible ambition. Its progressive but slow advance and modest presence in the world market are much more likely in this situation.

## PARLIAMENT: AT THE PERIPHERY OF THE POLITICAL PROCESS

Andrei Yahorau

### Summary

In 2013, the Belarusian parliament did not go beyond the usual scope remaining an agency, which simulates representative democracy, being burdened, in addition, with ideological functions and international relations. Parliamentarians obediently passed bills mainly introduced by the Council of Ministers and the president, maintained international contacts, worked with individual appeals and matters related to the state ideology. The composition of the parliament of the 5<sup>th</sup> convocation was slightly renewed in the 2012 elections, which however did not re-energize the House<sup>1</sup>. As a matter of fact, the minor political role of the parliament in lawmaking and foreign policy reflects the overall political agenda of the country, transformations of the political system and geopolitical trends.

### Trends:

- The parliament still plays a passive role in policy and law-making processes, so nothing has basically changed since the 2000s. MPs lack initiative, approve all enactments handed down by the government and the president;
- Foreign policy activities are quite active;
- MPs perform extra functions in the field of state ideology.

### General description of parliament's actions

The 5<sup>th</sup> National Assembly has held three sessions since the 2012 parliamentary elections: the *first* one in November-December 2012, the *second* in April-June 2013, and the *third* in October-December 2013. The parliament passed 99 bills, including 35 on alterations and amendments to laws in effect, examined seven presidential decrees, and adopted 254 resolutions after considering bills and decrees.

In 2013, the lower chamber only sat for 27 days over the entire year: 16 days in the spring session and 11 days in the autumn session. House representatives examined nearly 187 bills in the

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<sup>1</sup> See Kazakevich A. Parliament: Constancy with minimal changes // *Belarusian Yearbook 2012*. Minsk, 2013. P. 45–53.

first and second readings, i. e. around seven bills on average were passed every working day<sup>2</sup>. This clearly demonstrates the parliament's superficiality when it comes to discussions and voting. Besides, the fact that not a single bill was rejected speaks for itself. All bills were passed and all presidential decrees were taken into consideration or approved.

MPs also worked in parliamentary standing committees preparing bills; considered appeals and complaints filed by individuals (3,191 addresses in 2013); made trips to the constituencies where they ran for parliament; met with official delegations from international institutions and foreign governments; made foreign visits to meet with international organizations engaged in inter-parliamentary cooperation and foreign governments; took part in ideological and charity events, such as charity campaigns Our Children, Minsk Ski Track 2013, nationwide action Forest Week 2013, *Dazhynki 2013*, and the action titled 'To the New Year with White Russia' organized by the NGO *Belaya Rus* ('White Russia'), as well as inter-parliamentary sporting events, tree plantings, field seminars, round table sessions, etc.; published articles in the national and local press. Efforts of the parliamentary group *Iniciativa* formed in December 2012 and White Russia were pretty much reduced to these actions.

*Iniciativa*, which totals 21 members, was formed to "mainstream efforts of local councils and enhance interaction within the parliamentary vertical."<sup>3</sup> It basically focuses on regional affairs being mainly engaged in seminars and field sessions in districts and regional cities to address social ("exploration of trade opportunities in rural areas"), economic (trade and entrepreneurship in small towns and rural areas), environmental (the seminar Green Revolution and RIO+20; Conservation Agriculture—Green Economy), and ideological (round table School-Family-Church Interaction in Matters of Spiritual and Moral Education for Schoolchildren) issues. Also, all members

<sup>2</sup> The agenda of the sessions of the House of Representatives of the National Assembly of the Republic of Belarus of the 5th convocation, see: <http://house.gov.by/index.php/,7602,,,0,,,0.html>.

<sup>3</sup> The work plan of the parliamentary group *Iniciativa* in 2013, see <http://house.gov.by/index.php/,7543,,,0,,,0.html>.

of the group participate in Alexander Lukashenko's working visits.

White Russia does not stand out for its political activism either. A meeting of its primary organization attended by NGO Chairman, Deputy Presidential Chief of Staff Alexander Radkov was the only noticeable initiative. All MPs, who participated in the meeting, were invited to enter the primary organization. "This proposal was unanimously accepted."<sup>4</sup>

In 2013, the cost for sustaining the two chambers of the National Assembly amounted to 90.5 billion Belarusian rubles (around US\$ 10.2 million) paid from the state budget. This is only 2.6% of the total budget expenditure for sustaining public authorities performing general functions and almost a *half* of the expenditures on the agencies in charge of the presidential logistics<sup>5</sup>.

### Legislative activity

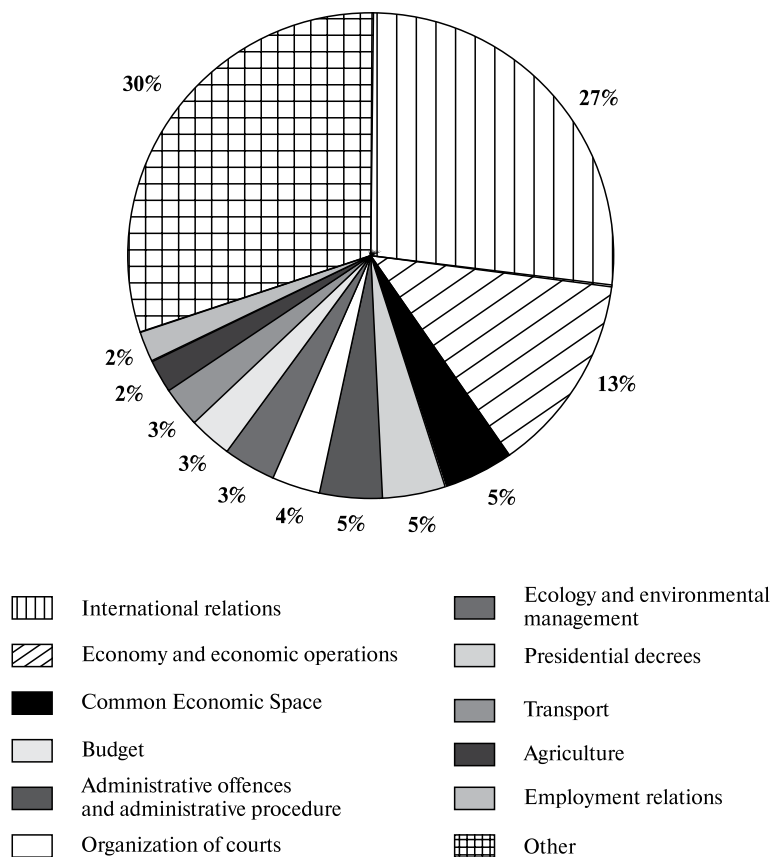
In 2013, the legislative activity of the Parliament was the same as usual, i.e. no activity whatsoever. MPs did not initiate a single bill and only approved everything they received from the Council of Ministers and the president. According to the *Legislative Activity Chronicle*, in three sessions, parliamentarians considered 218 documents (mostly related to international relations) in the first and second readings, including amendments to laws, which needed an update following Common Economic Space agreements with Russia and Kazakhstan, economic operations, the budget, amendments to the Code of Administrative Offences and Procedural Code of Belarus, organization of courts, ecology and environmental management, etc., which reflects the overall agenda of the 5<sup>th</sup> House of Representatives and the relative importance of particular points (Figure 1).

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<sup>4</sup> The primary organization of the NGO *Belaya Rus* of the House of Representatives held a general meeting on December 20, 2012, see <http://house.gov.by/index.php/1,34508,1,,0,,0.html>.

<sup>5</sup> The law on the republican budget of the Republic of Belarus for 2013 of October 26, 2012.

**Figure 1. Legislative activity of the House of Representatives of the National Assembly of the 5<sup>th</sup> convocation (2012–2013): the proportion of topics in examined bills**



Source: The author’s calculations are based on the *Legislative Activity Chronicle*

As concerns international relations, the considered bills covered ratification of agreements on cooperation with South and Southeast Asia (Indonesia, Laos, Cambodia, Sri Lanka, Bangladesh, etc.), including the avoidance of double taxation, investment protection, and visa waiver for holders of diplomatic

passports. Agreements on cooperation in the field of higher and postgraduate education were signed with Ukraine, Tajikistan and Turkmenistan.

In 2013, Belarus joined the Council of Europe Convention on Action against Human Trafficking, the Convention on Standards for Democratic Elections and Electoral Rights and Freedoms in CIS Member States, the Singapore Treaty on the Law of Trademarks; ratified an agreement with the United Nations on measures to expedite the import, export and transit of relief consignments and possessions of relief personnel for assistance in case of disasters and emergency situations, and a loan agreement between the Republic of Belarus and the European Bank for Reconstruction and Development and the Nordic Investment Bank (the environmental infrastructure funding project). Furthermore, the National Assembly ratified an agreement with Ukraine, Lithuania, Latvia and Poland on the state border regime and border junction points.

Regulatory documents related to the Common Economic Space of Belarus, Russia and Kazakhstan were, perhaps, of paramount importance. In particular, the CES members agreed on currency regulation standards<sup>6</sup>, the turnover of certain types of commodities (steel pipes, pharmaceuticals, medical equipment, and custom duties on crude oil) and regulation of customs operations (the new law on customs regulation in the Republic of Belarus). The point is that a number of decisions, which used to be a prerogative of the national governments, will now require coordination at the supranational level.

The law on customs regulation nullifies the Customs Code and adapts the national legislation to Customs Union laws. It also regulates matters not covered by the Customs Code or attributed to the exclusive competence of the national legislations of the Customs Three<sup>7</sup>.

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<sup>6</sup> The agreement on cooperation between authorized agencies of the member states of the Agreement on the Agreed Principles of the Monetary Policy engaged in currency control of December 9, 2010.

<sup>7</sup> New law to replace Customs Code // *Ekonomicheskaya Gazeta* [Electronic resource] Mode of access: [http://neg.by/publication/2013\\_04\\_12\\_17116.html](http://neg.by/publication/2013_04_12_17116.html).

As for economy, the most important bills concerned changes in activities of business entities and investments. New regulations concerned establishment and functioning of single person business entities; modified terms of reference of general meetings of members; authorization of business entity members to challenge decisions of boards of directors (supervisory boards), etc.<sup>8</sup>

The bills on concessions and investments altered investment regulations. The law on investments actually replaced the previous *Investment Code* of Belarus<sup>9</sup>. The bill on concessions aims at improvement of the legal regulation of the institution of concession as a form of investment. The bill lists assets solely owned by the state in accordance with the Constitution of Belarus, which may be put under concession, the exclusive property of the state (subsoil assets, water and forest resources), and activities subject to the exclusive right of the state<sup>10</sup>. These bills are obviously meant to bring in investments, which Belarus needs desperately.

Much attention was paid to the judicial system. Major changes were brought about by the law on constitutional judicial proceedings, which slightly broadened powers of the Constitutional Court, which was previously divested of authority so much that its very existence made no sense at all. Now, the Constitutional Court is able to deal with problems on the basis of initiatives of government agencies not specially authorized to appeal to the Constitutional Court, as well as other organizations and even individuals. This expands the scope of the court's actions except for political issues, because it is still essentially dependent on the executive branch.

Also, the institution of mediation (the law on mediation) aimed at increasing opportunities for out-of-court settlement of disputes has been introduced to the judicial system. Apart from that, the laws on the judicial system and the status of judges were

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<sup>8</sup> Improvement of the legislation on business entities // Ministry of Economy of the Republic of Belarus [Electronic resource] Mode of access: [http://www.economy.gov.by/ru/actproject/act-list3/sovershenstvovanie-zakonodatelstva-o-xozjajstvennyx-obschestvax\\_i\\_0000002130.html](http://www.economy.gov.by/ru/actproject/act-list3/sovershenstvovanie-zakonodatelstva-o-xozjajstvennyx-obschestvax_i_0000002130.html).

<sup>9</sup> Information on the bill of the Republic of Belarus 'On Investments', see <http://house.gov.by/index.php/,6932,33232,,,,,0.html>.

<sup>10</sup> Information on the bill of the Republic of Belarus on concessions, see <http://house.gov.by/index.php/,7532,36563,,,,,0.html>.

amended with account of these novelties, as well as the process of unification of courts of general jurisdiction and economic courts (in accordance with the so-called 'batch principle').

Amendments to the laws on elections, information, notarial activities, political parties and public associations are also worth noting. In particular, changes concern elections to the House of Representatives of the National Assembly of Belarus. Elections are suggested to be held in one round by a relative majority<sup>11</sup>.

Regulations on information, informatization and information security were tightened. The amendments on political parties and public associations concern "the procedure of re-organization and liquidation of a public association, union of public associations, political parties, unions (associations) of political parties, including the order and terms of transformation of public associations into political parties"<sup>12</sup>.

## International activities

Alongside traditional contacts with the State Duma of the Federal Assembly of the Russian Federation, the Parliamentary Assembly of the Union of Belarus and Russia, the CIS Inter-Parliamentary Assembly, the Parliamentary Assembly of the Collective Security Treaty Organization, and the Inter-Parliamentary Assembly of the Eurasian Economic Community, Belarusian MPs took part in sessions of the OSCE Parliamentary Assembly and the Parliamentary Assembly of the Council of Europe, held meetings with delegations of the World Bank, the European Bank for Reconstruction and Development, the Nordic Investment Bank, and the OSCE Office for Democratic Institutions and Human Rights. In 2013, bilateral contacts focused on South and Southeast Asia. Belarusian parliamentary delegations visited these regions more than once and accepted delegations and officials from there.

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<sup>11</sup> Information on the bill of the Republic of Belarus on amendments to some laws of the Republic of Belarus on elections and referendums, see <http://house.gov.by/index.php/,7622,37749,,,,,0.html>.

<sup>12</sup> Parliamentarians addressed *seven* questions at a regular sitting of the second session of the House of Representatives held on May 30, 2013, see <http://house.gov.by/index.php/,1,36200,1,,0,,,0.html>.



With account for signed bilateral agreements and official contacts, international activities of the parliament in the past year covered Latin America (Ecuador, Cuba), Africa (Republic of South Africa), Middle East (Oman, the United Arab Emirates, Jordan), the Mediterranean region (Turkey), Europe (mainly the neighbors: Lithuania, Latvia, Estonia, Poland, and also Serbia, Hungary and Switzerland), the CIS (Turkmenistan, Uzbekistan, Tajikistan, Russia, Kazakhstan), Eastern Partnership members (Armenia, Azerbaijan, Ukraine, Georgia), South and Southeast Asia (Vietnam, Laos, Cambodia, Indonesia, Singapore, South Korea, China, India, Bangladesh, Sri Lanka, and Brunei Darussalam).

## **Conclusion**

In 2013, neither the political role, nor the functions of the parliament underwent any changes. Despite the dominance in the House of Representatives, White Russia did not distinguish itself in terms of the parliament's political activity.

Belarusian MPs generally proved to be ideologically literate, socially responsible, sports-loving, internationally active and absolutely devoted to the policy determined by the government and the president.

Over the period under review, parliamentarians did not initiate a single bill. It is safe to assume that the same situation will be observed in 2014.

## LOCAL AUTHORITIES: UNDER THE KNIFE OF OPTIMIZATION

Dzmitry Kuchlei

### Summary

The last year was marked by a broad re-organization of the primary level of administrative and territorial structure (ATS) of the country within the general process of budget cuts on administration. Nevertheless, the effectiveness of national policy in regions is falling. The rising number of unpopular measures is working out negatively on the degree of trust of the population in local authorities. Despite this fact the Belarusian officials are not taking any measures to raise the authority of local councils and executive councils, except the administrative units of the lowest level, i. e. village councils.

The national authorities are trying to solve problems of managing the regions by traditional methods: i. e. by staff rotation and threats of criminal persecution. This does not stimulate the local administrations to manage the regional economies effectively. Besides, the regional manpower policy hinders creation of ruling clans that could pose a threat to the presidential power. Nevertheless, the allocation of regional budgets shows that the bureaucratic establishment has strengthened its group interests in the regions.

### Trends:

- The state optimizes budget expenses on regional administration by re-organizing administrative units;
- Regional and local authorities are less effective and controllable in implementation of the national programs and decisions of the Minsk centre;
- The regional and local administrations are rotated to prevent formation of strong bureaucratic groupings;
- The deputy corps of local councils are reduced to strengthen control over the election procedures, the self-government bodies are becoming more and more closed for the control of the local population.

### Re-organization of local councils: the ‘upper classes’ want it, the ‘lower classes’ cannot do it<sup>1</sup>

The Belarusian authorities realize the necessity of changing the existing system of administering territories, especially in rural

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<sup>1</sup> This is a changed quote from V.I. Lenin’s writing “*Left-wing communism: an infantile disorder*” (1920) (translator’s note).

areas, and in 2013 they undertook more active measures of reducing the number of village councils. This decision remains quite unwelcome among the people that are still not ready for such measures. But the re-organization of administrative units on the primary level is not a part of the long-term strategy of the Belarusian authorities of reforming the system of public administration. The reduction of village councils is the result of the general policy of optimizing budget expenses on the state apparatus.

The Belarusian authorities mulled the possibility of closing all local councils of the primary level by converting them into local administrations. It is worth mentioning that village councils have far less potential to influence the social and economic development of the territory than agricultural enterprises. The majority of the village councils are dependent in their financial issues on the budgets of the higher level. Moreover, their powers and functions have reduced over the last years. Meanwhile, the structure of the population has changed drastically in favor of cities over a few decades. The number of population in some village councils has dropped to 500 people. This lead to the situation when many village councils cannot perform their functions because of insufficient financing and staffing.

The following are recommendations of the presidential administration on the re-organization:

The borders of the village councils should coincide with the borders of agricultural enterprises, which can facilitate practical help to local people, especially the elderly;

The population of the administrative unit should be over 2,000 people, which is the lowest number necessary for public services to be offered at the expense of the budget.

Nevertheless, not all regions followed these guidelines. The greatest changes of the ATS of the primary level took place in the central and the two western regions (see Table 1). Viciebsk, Homiel and Mahiliou regions were less responsive to the Minsk initiative, although the density of the rural population is lower in these regions than in western ones. In Mahiliou region local authorities decided to set 1,000 people as the minimal number for the rural council to be preserved. But even this level was not reached.

**Table 1. Number of dissolved village and township councils in 2013 and population density by regions<sup>2</sup>**

<b>Region ATUs<sup>3</sup></b>	<b>Brest</b>	<b>Viciebsk</b>	<b>Homiel</b>	<b>Hrodna</b>	<b>Mahiliou</b>	<b>Minsk</b>
Village councils	29	13	6	25	20	59
Township councils	4	6	8	8	3	3
Population density, people per sq. km.	13.6	7.4	8.8	11.8	8.2	15.3

In the majority of regions the national policy of re-organization was opposed by the local population and some functionaries. The village councils in Homiel and Viciebsk regions practically saw no changes, despite that they did not comply with the requirements of the population minimum and borders of agricultural enterprises. Despite that these measures were opposed by the rural population, the latter took no significant action to defend their interests. All in all, in 2013, 152 village councils were dissolved, and 31 township councils were turned into village councils.

It should be noted that this re-organization was in line with the national policy of reducing the state machinery, announced by President Lukashenko in late 2012. The national leader did not back the initiative of some functionaries to dissolve village councils.

The initiative to substitute village councils with administrations appointed by the district authorities was lobbied by the Central Election Committee. This is because of the difficulties that it faces organizing elections to the local councils because of limited powers of the latter and low political activity of the population. During the last local election campaigns the number of elected deputies compared to the number of mandates increased, peaking in 2010. Out of 21,303 positions in the councils of all levels one deputy was not elected to a district council, one – to the township and 12 – to village councils (see Table 2). This was achieved by reducing the number of deputies and dissolving councils.

<sup>2</sup> The author's analysis of the documents on the issue on <http://pravo.by>

<sup>3</sup> ATU – administrative-territorial units

**Table 2. Administrative-territorial units (ATU) and deputies of local councils in 1999, 2003, 2007, 2010<sup>4</sup>**

	1999	2003	2007	2010
The total of ATUs of all levels	1694	1672	1581	1495
Regional ATUs and Minsk city council	7	7	7	7
District ATUs	117	117	118	118
Cities accountable to the region	24	20	13	12
Towns accountable to the district	—	11	14	14
Township councils	—	77	66	56
Village councils	1456	1440	1363	1288
Constituencies for councils of all levels	24566	24003	22661	21303
Deputies in councils of all levels	24058	23469	22639	21288
Percentage of deputies in councils of all levels to the number of constituencies	97.93%	97.78%	99.9%	99.93%

For the local elections of 2014 the number of constituencies was reduced to 18,816, which is by 11.77% fewer than in 2010 and by 23.41% fewer than in 1999. The number of deputy corps has changed not only because of re-organization of councils of the primary level but also as a result of reduction of positions in district councils.

Hence, by reducing the deputy corps the central authorities facilitate the election process in regions and filter disloyal representatives in local councils.<sup>5</sup>

### **Local elections: bureaucratized councils**

A range of unpopular measures of local administrations in 2013 worked out negatively on their authority among the population. For the first time the level of trust in local authorities before the last election campaign has fallen below 30%. (see Table 3).

<sup>4</sup> Author's analysis of the CEC's documents on the official web-site <http://rec.gov.by/>

<sup>5</sup> It should be noted that in self-government bodies of the last two convocations the representation of the oppositional parties and independent deputies was scanty and counted a dozen deputies out of over 20,000 total.

**Table 3. Trust in local authorities before the elections in 2007, 2010 and 2014<sup>6</sup>**

	November 2006	June 2009	December 2013
Trust local councils of deputies, %	38.5	35.4	28.9
Trust local executive councils, %	39.6	35.4	28.6

Besides, the majority of deputies of local councils of the 26<sup>th</sup> convocation, especially those of primary and regional levels, are directors of different institutions and local administration. Over the last decade self-government bodies have practically isolated themselves from the public opinion: only the candidates approved by the power vertical can be elected into them. This generates mistrust both of the local councils and the power vertical.

In the rural areas many self-government bodies have faced another threat: the increasing political absenteeism and the critical downfall of the number of politically active citizens. Local authorities find it more and more difficult to find candidates, many refuse to become 'popular representatives'. This stimulated the authorities to take a number of actions to increase the power of the councils of the primary level. The Council of co-operation of the local self-government bodies with the Council of the Republic developed respective amendments to the laws on the status of the deputies of local councils and on local government and self-government, as well as amendments to the Budget Code. They provide extra guarantees for the deputies of village councils and strengthen the local budgets. For example, the deputies suggested redirecting taxes paid by communal enterprises from district budgets to the budgets of village councils.

### **Local finances: change of priorities**

In 2013, the amount of expenses on social policy, public health and education was reduced for the benefit of housing and communal services, residential construction, national economy and

<sup>6</sup> <http://iiseps.org>

sport.<sup>7</sup> But the level of subsidies to regions and districts has practically not changed since 2012. The total amount of subsidies to local budgets was BYR 39.84 trillion, or 32.7% out of the total national budget, whereas in 2012 – BYR 27.51 trillion, or 29.7%.

Out of 118 districts, 115 are subsidized. Only Minsk, Hrodna and Salihorsk districts did not receive any subsidies. The smallest amount of subsidies is received by Minsk region, whereas the budget of Minsk is self-sufficient. At that, the subsidies to 53 districts exceed 50% of the revenue part of their budgets. At the same time, 79 districts fall behind the average regional level of development.

The budgets of the primary level are gradually becoming financially independent. In 2010, there were 33 non-subsidized village councils, in 2011 – over 240, and in 2012 there were 288 of these.<sup>8</sup> These are usually located near big cities, industrial centers and replenish their budgets by selling land and realty at auctions. The majority of such village councils are in Minsk district – 20.

The keys sources of budget revenues are profit tax from the communal and private organizations, income tax, net worth tax and deductions from the value added tax.

The key expenses of local budgets are on education, health care and subsidies for local housing services providers. At that, there is a tendency to decentralize management of the housing sphere and tariffs for housing and communal services (HCS). According to the *Program of development of housing and communal services until 2015*, powers to establish certain tariffs were transferred to the regional authorities. These changes have been made with the view that HCS tariffs will be brought up to cost in the future. At present, regional executive councils and Minsk city executive council are entitled to regulating tariffs on maintenance, overhauls, water supply, water disposal, use of elevators and living space. The government intends to change the ownership of joint stock ventures specialized in repair and maintenance of elevators from the national to the local level.

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<sup>7</sup> <http://nmnby.eu/news/analytics/5313.html>

<sup>8</sup> <http://old.zviazda.by/ru/pril/article.php?id=109635&prilid=109629>

It should be noted that the authorities are no longer able to finance low HCS tariffs and sufficient maintenance services solely from the budget. To increase the share of the population in financing communal services, new institutions—committees of territorial self-government (CTSG)—are formed with introduction of self-taxation. For example, in 2013 the number of CTSGs in Minsk increased to 128 compared to 110 in 2012. In 2013, local budgets received BYR 3.4 billion from self-taxation.

### **Regional economy: exhausted mechanisms of development**

As some regions face structural economic problems, local authorities take prompt measures to prevent social tension. At the same time, besides raising salaries, the local authorities fall behind the majority of indicators of regional social and economic development and national programs. Last year all regions failed forecast indicators of gross regional product (see Table 4). For the year 2014, these indicators were reduced in all regions by 2 to 3 times, which shows that mechanisms of regional development are exhausted.

**Table 4. Gross regional product by regions in 2013 compared to 2012 and the forecast for 2014, %<sup>9</sup>**

	<b>Brest region</b>	<b>Viciebsk region</b>	<b>Homiel region</b>	<b>Hrodna region</b>	<b>Mahiliou region</b>	<b>Minsk region</b>
Forecast for 2013	109.9	112.0	106.5	109.4	108.7	108.0
Results of 2013	102.1	98.2	101.1	102.9	97.8	104.0
Forecast for 2014	102.5	103.5	103.5	103.0	103.5	103.0

It should be noted that local authorities failed the program of modernization of regional gross-product forming enterprises. Firstly, despite large investments from the national and local budgets, the competitiveness of Belarusian produce on external

<sup>9</sup> <http://belstat.gov.by/>



markets has not increased. Moreover, local administrations reported negative results of the program for social stability in the regions: the modernization leads to workforce cuts and increased unemployment. Secondly, the largest investments into wood processing demonstrated that the management of the public enterprises, together with local authorities, was absolutely incapable of managing these projects.

The program of housing construction, which is of critical importance for the current leadership, is stalling in the regions as well. During the year, the expenses of regional budgets on HCS and residential construction were significantly increased, nevertheless, chairperson of the State Control Committee A. Yakabson reported that in 2013 in all regions, except Hrodna region, 77 residential buildings were overdue, despite that the local authorities had promised to finish them in time. The State Control Committee also recorded ineffective measures of energy saving that resulted in estimated losses of BYR 328 billion.

At the same time, the interests of regions and Minsk sometimes clash. In early 2013, local authorities were entrusted with the task to regulate presence of major retail chains, which, in the majority of cases, represent foreign businesses. In late 2013, A. Lukashenko was very displeased with the rising share of foreign retail chains in the regions and *Belcoopsoyuz* (consumers' cooperatives of Belarus), the main state monopolist, being 'squeezed out' from the market.

The key response of the central authority to the rising problems in regions remains traditional: staff rotation and threats of criminal persecution. The majority of the functionaries hold their positions for 3 to 5 years. Before each presidential campaign the head of state substitutes the least popular functionaries in the regions, to put all the blame for bad social and economic development on them. The heads of regional and city councils are appointed from candidates originally from other regions and districts, local professionals are usually debarred from the administrations. Besides, the country's head often resorts to the anticorruption discourse and threatens criminal persecution for local functionaries, which, in the majority of cases, remain a matter of words. The existing power vertical secures social and

political stability in the regions, which is sufficient for President Lukashenko.

## **Conclusion**

In view of reducing resources, the central authorities are giving the local authorities more powers to replenish budgets and create new means for that. The state authorities are also trying to shift financing of local expenses onto the population. On the other hand, they are hindering the popular control over the distribution of local finances as the operations of self-government bodies are closed for the public.

At that, both the local bureaucratic establishment and the central authorities are content with the status quo. The state leader regarded the local elections in 2014 as “an exam for the state authority” before the presidential campaign in 2015 and did not want any representatives of the opposition even on the local level. The directors and the establishment that dominate the local councils want to keep the process of budget allocation closed.

As a result, the deputy corps of the councils of the 27<sup>th</sup> convocation will remain as bureaucratic as the previous ones, with a scanty amount of non-system representatives on the periphery. The main beneficiaries of the closed functioning of local authorities are representatives of the housing and communal sphere, residential construction and agriculture, as budget expenses on them are growing most rapidly. To balance that, the local authorities will be forced to carry on with the optimization of governing bodies in the rural areas, despite their unpopular character.

## **PRO-GOVERNMENT NGOS: DO THIS, I DO NOT KNOW WHAT**

**Dzmitry Brukhavetski**

### **Summary**

The year 2013 became one more year of stagnation for the pro-government NGOs – the Federation of Trade unions of Belarus (FTUB), the Republican Public Association *Belaya Rus* and the Belarusian Republican Youth Union (BRYU). This is connected with the very limited role, which these organizations are supposed to play in the political arena in Belarus. Moreover, despite the crisis of the Belarusian model and lack of budget allocations even those narrow possibilities that they have are not fully used by these organizations.

### **Trends:**

The FTUB continues to be the largest and the less authoritative organization among the Belarusian pro-government NGOs;

The Republican Public Association *Belaya Rus* has continued for many years to remain a prototype of a future political party but does not have the possibility to be transformed into one;

The Belarusian Republican Youth Union is being considered by the authorities to a larger extent as a source of potential workforce which is supposed to compensate labor outflows.

## **The Federation of Trade unions of Belarus: an evil genius by the name of Alexander Yaroshuk**

The year 2013 did not become a year of any significant events for the Federation of Trade unions of Belarus (FTUB). This organization continued to conduct its activities in a passive mode which means a supportive role of the trade unions in controlling employees' sentiments. In these frames the trade unions are partly supposed to provide working people with social support. However, under the general crisis of the Belarusian social and economic model the FTUB suffers to a greater extent from the lack of finances for its activities in this sphere.

The FTUB attempts to formulate – at least at the level of slogans – suggestions for improving the social and economic situation in the country. However, the problem is that the Federation is not able to directly propose these suggestions and claims

to the president but can propose watered-down versions of them only to the government. Thus, in July–September of 2013 the official trade unions made an attempt to argue against a new order of sickness and prenatal allowances which had decreased significantly the amounts of payments. These attempts failed predictably.

One of the main directions of the FTUB's activities is the struggle with those trade unions which are not the Federation's members. For example, the official FTUB's website publishes often pejorative information about the head of the independent trade unions Mr. Alexander Yaroshuk. The lexicon and expressions used in these information messages closely resemble the Soviet propaganda of the 1930s<sup>1</sup>.

The traditional meeting between president Alexander Lukashenko and the FTUB's head Mr. Leonid Kozik was held on February 25. In general, according to the official releases, the conversation during the meeting was practically similar to the conversation between Lukashenko and Kozik one year earlier. Thus, the Belarusian leader once again pointed out that he received contradictory information about developments in the trade union movement and wondered about the extent of their influence. Mr. Leonid Kozik's response was predictably standard: certainly, there are no serious problems; the number of trade unions members is constantly growing. After this, Alexander Lukashenko once again discussed his idea to promote the official trade unions' activities at private enterprises.

The authorities' intention and logic are clear: in order to control employees' sentiments at private enterprises the trade unions have to maintain real protection of worker's rights. However, the official trade unions which are able to work using only administrative methods have nothing to offer for private enterprises' employees. Besides, the authorities are not ready to change the trade unions' role, even for the sake of additional control over private enterprises' employees.

The FTUP continues to remain in significant international isolation. For this reason any contacts with foreign trade unions

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<sup>1</sup> For example, see: [http://www.fpb.by/ru/menu\\_left/news?id=6871](http://www.fpb.by/ru/menu_left/news?id=6871); [http://www.fpb.by/ru/menu\\_left/news?id=6976](http://www.fpb.by/ru/menu_left/news?id=6976).

(primary from the CIS and Eastern and South-Eastern Asia) are introduced as a great breakthrough and success of the Federation. Nevertheless, even the highly publicized by the Belarusian mass-media 4th meeting of the Trade unions Confederation of Azerbaijan (February, 5–6, 2013 in Baku) hosted both official and independent Belarusian trade unions. The FTUB's representatives are often not invited to visit meetings and conferences (for example, the European regional conference of the ILO in April in Oslo) held by the International Labor Organization (ILO), where Belarus is represented by its independent trade unions. Nevertheless, the FTUB's delegation attended the 102-d session of the ILO in Geneva, on June, 5–20. This participation was partly stipulated by the ILO's procedures rules<sup>2</sup>. In spite of the FTUB's participation, Belarus once again was included with the countries (alongside with Fiji and Uzbekistan) where the situation with employees' rights demands ILO's special consideration.

Unfortunately, the FTUB does not see any significant problems in the social sphere in Belarus except sickness benefits cuts, Mr. Yaroshuk's activities and the war in Syria. Comparing to these, the official trade unions' reaction on job cuts in 2013 and in future in 2014 was much more moderate. The trade unions do not also react on the further overspreading of forced labor in the country. Moreover, they encourage and justify forced and free labor of students and pupils (including underage ones) at purely commercial objects. The official trade unions did also not react on the permanent forced vacations at enterprises, cuts of social programs, price increases and labor outflows.

As a result, a significant part of Belarusian society considers the official trade unions as organizations which are responsible only for distribution of minute social bonuses and goods and do nothing for real protection of employees' rights.

### **The Republican Public Association *Belaya Rus*: an endless path of transformations**

A characteristic feature of *Belaya Rus*' activities in the year 2013 as well as in the previous years was the absence of ideas.

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<sup>2</sup> At the session Mr. L. Kozik was a delegate from Belarusian employees.

During meetings with activists of the organization, its leaders are often not able to formulate neither the aim and goals of the organization nor the results of its work.

In spite of significant resources, *Belaya Rus* almost in all cases is not an organizer of different charitable, cultural and other activities of a “patriotic or ideological” character in which its members participate. Usually, the organization joins (very often without any significant contribution) actions which are conducted by state enterprises or agencies.

The year 2013 introduced a new element in the activities of *Belaya Rus* – its entrance on the international stage and signing cooperation agreements with such parties as “Self-Defense of the Republic of Poland” and “Concord” (Latvia). The “Self-Defense of the Republic of Poland” is not an important political force in its state. After the elections in 2011 the “Self-Defense” got only 0.07% of votes and did not get into the Polish Parliament. “Concord” enjoys a greater political weight (after the recent elections the party got 28 out of 100 parliamentary Parliament mandates). Such agreements usually do not have any practical consequences: nevertheless they provide *Belaya Rus* with a reliable way of getting to EU countries for those functionaries who are not on the “black lists”.

In general, the activities of *Belaya Rus* have the most formal character among the all three discussed pro-government NGOs. The main reason of is that the organization itself was mainly founded to be a prototype of a political party within the discussion about the necessity of party-list voting in Belarus and establishing the “party in power”. However, these discussions will remain mere discussions for a long period of time while the main opponent of this system – president Lukashenko – does not see any significant reasons for changing the current successfully functioning political model.

It is worth mentioning that discussions about a party system in Belarus were practically absent in the president’s public speeches in 2013. Therefore, the main function of *Belaya Rus* is to remain a prototype of a future party and unite mainly the administration of state enterprises and agencies. It is evident that the organization copes with these functions successfully.

## **The Belarusian Republican Youth Union (BRYU): laborpool**

As for the other pro-government NGOs, the year 2013 became a year of stagnation for the BRYU. At the same time, among the three discussed pro-government NGOs the BRYU seems to have the greatest capacities and is considered by the authorities as a kind of laborpool which can be used mainly for solving the deepening problem of finding qualified staff. The state had previously considered the BRYU as a laborpool for security forces and stimulated with different means the establishment of so called “law enforcement mobile troops”. For example, on December, 10, 2012 during his meeting with the BRYU’s First Secretary Mr. Igor Buzovsky, president Lukashenko emphasized the BRYU’s and *Belaya Rus*’ special role as a laborpool for security agencies.

The BRYU also plays a significant role in the development of the construction brigades movement and implementation of the project ‘100 ideas for Belarus’. It should be said that the construction brigades movement which is supervised by the BRYU and where young people have a real chance to earn money begins to compete to an increasing extent with forced labor of pupils and students which is actively used by local authorities without any consideration forth BRYU. The year 2013 became especially significant in this relation due to the active use of schools and university students in free forced labor even at purely commercial objects including construction. The first months of 2014 have demonstrated that labor outflows, especially in the field of construction, encourage the authorities to promote the use of free forced labor. Besides, the financial problems of the state do not stipulate the development of construction brigades movement. On April, 19 in his annual message to the Belarusian people and the National Assembly of the Republic of Belarus Alexander Lukashenko discussed the idea that the BRYU has to develop a new system for identifying young talented people for appointment on significant positions in society including the system of public administration. At his meeting with gifted pupils, students and talented young people on May, 21 the president further

developed his technocratic ideas about young people's role in the country's modernization.

In the implementation of the project "100 ideas for Belarus" which is especially appreciated by the head of state, the BRYU got a competitor represented by the project "Smart Networks" which had been initiated by the Information-Analytical Center of the Administration of the president of the Republic of Belarus. However, except a number of allegations on essential and demanded proposals presented by the project's participants the question about its practical effect remains open. During the forum '*Youth. Traditions. Future*' (October, 29) president Lukashenko once again stated his former ideas about the importance of the BRYU's work and emphasized the necessity to include (in one or another form) the maximum possible number of young people in the organization's activities.

All of the above proves that the state has a vague notion about young people's role in society's life, except for the confidence that they will not participate in any unsanctioned political processes.

## **Conclusion**

The pro-government NGOs underwent almost no development in the year 2013. They occupied their place in the political and social system of the country and the state sees no grounds for expanding this niche. Moreover, the general crisis of the Belarusian model of development stimulates the further reduction of these organizations' role, mainly that of the FTUB, in society and in the activities of the state.



# **FOREIGN POLICY**



## BELARUSIAN-RUSSIAN RELATIONS: EURASIAN VORTEX

**Tatsiana Manionak, Anatoly Pankovsky**

### Summary

In 2013, Russia vigorously promoted the Eurasian integration. Belarus thus has exhausted several integration-related benefits, while the associated expenses have increased. Russia's accession to the WTO exacerbated problems with sales of Belarusian commodities in the Russian market. The excessive dependence of Belarus on the Russian market amid a recession there has resulted in a growing foreign trade deficit.

Complications and conflicts of interests among the Customs Union members were escalating, which will remain a determining factor throughout the entire process of creation of the Eurasian Economic Community (EurAsEC). The problem of oil duties paid to the Russian budget, which has been fundamentally important to the Belarusian leadership, was not resolved, so it remains on the 2014 agenda. Belarus' exclusive dependence on Russia increasingly restrains the autonomy of the Belarusian government, which in many respects concerns management of national enterprises considering that Russian banks are their direct lenders.

### Trends:

- Increasing socioeconomic disparities between the Customs Union members alongside intensified Eurasian integration;
- Increasing internal conflicts within the alliance, which remain unresolved, although the parties are entering into the next integration phase;
- The loss of competitive advantages by Belarus, including those in the Russian market;
- The emergence of a "forceful" component in Russian-Belarusian relations.

### Eurasian maze

In 2013, Russia kept accelerating the Eurasian integration as a combination of three 'nesting dolls': the Customs Union, the Common Economic Space and the Eurasian Economic Community. As we anticipated in the previous *Yearbook*<sup>1</sup> reviews, complications and conflicts of interest, which manifested

<sup>1</sup> See, for example: Koktysh K. Russia-Belarus: Eurasian Waltz // *Belarusian Yearbook 2012*. Minsk, 2013. P. 81.

themselves when the integration batches were signed, inevitably took their toll at the implementation phase, while the situation was taken to a higher level of complexity. Important is that the 'deeper level' of integration does not erase the problems encountered in the previous phases.

Last year it became apparent that Belarus practically exhausted the key benefits (preferential gas prices and beneficial terms of oil supplies) as synchronization within the Customs Union and the Common Economic Space went on. The thing is that, despite the remaining price advantages in supplies of Russian raw materials, competitive advantages of Belarusian commodities in the Russian market were lost, and the energy component in the cost of production in Belarus increased. Against the background of accelerated Eurasian integration, Russia's accession to the WTO sharply intensified competition in its market, which is a key one for Belarus. Belarusian officials immediately started talking about Belarusian manufacturers of truck tractors, trucks, tires, agricultural machinery and foods being pushed out of the Russian market. "We have already had plenty of troubles, as, in fact, we are already in the WTO being a Customs Union member," First Deputy Prime Minister of Belarus Vladimir Semashko complained to the president in spring 2013<sup>2</sup>.

The Belarusian government however believed that new bonuses can be received from the integration into the EurAsEC, which is supposed to be launched on January 1, 2015. It first of all concerns export duties on oil products, which Belarus pays to the Russian budget, but does not want to.

Experts and officials of the Customs Three worked on the EurAsEC treaty throughout the year trying to eliminate exceptions and barriers in the mutual trade, but did not succeed: in autumn 2013, the list of exceptions and limitations in the Union totaled 578 items, including the most painful export duties on oil products, abolition of which the Belarusian leadership desperately has been lobbying at all summits of the Three.

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<sup>2</sup> Semashko V. "We have already had plenty of troubles, as, in fact, we are already in the WTO being a Customs Union member" // *Interfax* [Electronic resource] Mode of access: <http://www.interfax.by/news/belarus/1131041>.

Events and circumstances of the past year showed quite clearly that socioeconomic development gaps within the Customs Union become more and more evident due to the non-uniform affiliation with the WTO. This was an additional incentive for the Three to protect their domestic markets. In spring 2013, Russian *Rosagromash* Association appealed to the Eurasian Economic Commission for protection against unfair competition on the part of Belarusian agricultural machinery manufacturers. Russian fish producers, the Association of Russian Confectionery Industry Enterprises, and some others also complained about problems arising in the Belarusian market.

Having no obligations to the WTO, Belarus was using market protection tools much more often than the other members of the Customs Union. On the initiative of Minsk, the Eurasian Economic Commission raised import duties on dairy products and agricultural machinery, and considered an increase in tariff rates on a group of other commodity items important to Belarus' economy.

In 2013, the parties continued discussions on *five* merger projects, which showed the depth of Belarusian-Russian integration, namely *Hrodna Azot* with *Gazprom*, *Peleng* with *Roscosmos*, *Integral* with *Ruselectronics*, MAZ with KamAZ, and the Minsk Wheel Tractor Plant with the State Corporation Russian Technologies. Quite predictably, none of them have been carried out so far. At the same time, the stakeholders accelerated preparations for the privatization of Integral (in 2013, the parties signed a memorandum of understanding and valued Integral stocks), *Peleng*, *Hrodna Azot* and the Minsk Wheel Tractor Plant.

### **Trade: some fruits of integration**

In 2013, the situation with Belarus' foreign trade in commodities seriously deteriorated compared with 2012: exports dropped 19.2% to USD 37.2 billion, while imports only decreased 7.3% to USD 43 billion. Russia firmly remained the main trade partner of Belarus. The trade turnover between the two countries amounted to USD 39.7 billion (43.8 billion in 2012) (see Table 1). The trade with Russia constituted 49.5% of the total foreign trade of Belarus.

**Table 1. Dynamics of the foreign trade of the Republic of Belarus and the Russian Federation in 2008–2013, USD million<sup>3</sup>**

	2008	2009	2010	2011	2012	2013	% against 2012
Commodity turnover	34,059	23,445	28,034	39,439	43,824	39,717	90.6
Exports	10,552	6,719	9,954	14,509	16,283	16,829	103.2
Imports	23,507	16,726	18,081	24,930	27,541	22,888	83.1
Deficit	–12,955	–10,007	–8,127	–10,421	–11,257	–6,058	

In turn, Belarus is among the six largest trade partners of the Russian Federation. Russia has become the main export market for Belarus instead of the European Union in 2012 mostly owing to the ‘solvents’ export schemes. In 2013, exports from Belarus to Russia went up 3.2% to USD 16.8 billion, thus the trade with Russia seriously contributed to Belarus’ foreign trade deficit of USD 6 billion (11.26 billion in 2012).

In 2013, Russia, as usual, mostly exported raw materials, energy products making up 52.6%. Belarus exported to Russia more commodity items than it imported from there: 10 commodity groups constitute around 70%, and 15 commodity groups represent 80% of total exports to Russia<sup>4</sup>.

Machinery, equipment and vehicles, including agricultural machinery, trucks, truck tractors, and lift trucks top the list of Belarusian exports to Russia together with (in decreasing order) foods and agricultural raw materials, chemical products, including pharmaceuticals, and tires. A considerable decrease in the most important exports, such as engineering products, ferrous metal commodities and tires was reported in 2013. At the same time, exports of other items from the top 10, such as foods, plastic goods and woodworking industry products were going up.

The results of the trade with Russia in 2013 arouse concern primarily because Russia has been and still remains the main market for Belarusian non-primary products (see Table 2).

<sup>3</sup> Major results of trade and economic cooperation between the Republic of Belarus and the Russian Federation, see <http://www.embassybel.ru/trade-relations/>

<sup>4</sup> Ibid.

Despite a drop in demand for Belarusian products, Belarus did not switch its attention to other markets with respect to most product categories. This means that limitations on the Russian market can result in a crisis of the entire Belarusian industry, unless the government of Belarus formulates a new export diversification policy.

**Table 2. Dynamics of Belarusian exports to Russia, 2003, 2007, 2009, 2011, and 2013**

	Proportion of exports to Russia in total annual exports of Belarusian goods, % in value terms				
	2003	2007	2009	2011	2013
TV sets	98.0	95.9	96.9	97.3	99.2
Meat	99.9	99.9	99.9	98.6	95.2
Footwear	93.9	90.1	92.8	91.7	96.2
Transformers	—	93.9	92.1	93.5	93.2
Truck tractors	80.2	80.6	52.1	90.8	84.3
Milk	98.7	87.9	82.7	89.6	96.7
Road-building machinery	—	84.1	82.7	87.9	71.7
Household cooking equipment	88.2	79.9	82.3	84.1	86.5
Metal-working machinery	77.8	74.9	86.6	80.2	80.4
Trailers, semitrailers	84.8	78.1	49.0	83.8	67.3
Cargo trucks	75.0	65.6	60.8	74.1	82.6
Furniture	77.1	72.8	70.6	75.7	77.3
Bearings	67.3	65.3	61.7	67.3	75.5
Ceramic tiles	80.8	55.5	74.2	79.6	76.2
Combustion engines	—	84.1	79.3	79.4	79.6
Refrigerators	85.2	81.4	73.9	67.7	67.4
Tractors	49.0	45.8	34.5	52.5	56.5
Tires	69.0	38.4	56.3	51.6	56.4

*Source:* National Statistics Committee of the Republic of Belarus.

### **Belarusian Potash Company: Russian-style divorce, Belarusian-style divorce**

A big scandal erupted in July 2013: Uralkali pulled out from the Belarusian-Russian potash alliance with the Belarusian Potash

Company (BPC). The reaction of the Belarusian authorities to the potash divorce was unprecedentedly strong. Uralkali CEO and Chairman of the Supervisory Board Vladislav Baumgertner was accused of causing USD 100 million worth of damage and was arrested in Belarus.

Moscow retaliated with pinpoint strikes claiming that the quality of Belarusian dairy products was below standards, and announced the intention to cut oil supplies to Belarus. The Russian Foreign Ministry warned the Belarusian side that Baumgertner's arrest "could affect the schedule of Russian-Belarusian political contacts." Although the BPC was not a landmark of the Belarusian-Russian integration unlike the above-mentioned five projects, the company's future basically reflects the depth and quality of cooperation between the two states.

The scandalous 'divorce' depleted the BPC: Belaruskali was left without its own distribution network, as the key managers were brought to the BPC by Uralkali. Belaruskali had to start creating its own trade network, claiming that it would take one to three months to build it up. Uralkali not only refused to work with the joint trader, but also launched a new amount-before-price sales strategy that led to at least a landslide of prices in the global potash market down to USD 100 per tonne. Lukashenko said that as a result of Uralkali's withdrawal Belarus lost USD 1.5 to 2 billion and Russia lost over USD 3 billion.

In order to prevent a loss of Belaruskali's market share and a currency shortage, the government had to provide substantial support to the country's leading exporter who was in a difficult economic situation. The export duties established for Belaruskali (EUR 75 to 85 per tonne) were zeroed and a number of payments were postponed, which allowed the company to retain its market power. Nevertheless, the year 2013 was no bed of roses for the company. It was not the end of the world either: exported potash fertilizers totaled 3,437 million tonnes (in terms of 100% of potassium chloride) against 3,668 million tonnes in 2012. Currency receipts thus decreased by USD 599.3 million year-on-year. The total foreign currency receipts went down to USD 2.063 billion.



## Oil and refining

The year 2012 was a resounding success for the Belarusian oil industry owing to the notorious ‘solvent’ business. Belarus had to close it up under Russia’s pressure, and the revenues shrank very quickly. By the end of 2013, the Belarusian oil industry exported 4 million tonnes of fuels less than in 2012 (13,563 million). Currency receipts dropped to USD 10,176 billion.

In 2013, Russia declaratively linked oil supplies to Belarus with five integration projects for the first time. The parties did not sign a supply agreement for the year, so Belarusian refineries had to work on quarterly schedules. The potash crisis contributed to the oil sector turmoil, as the Russian government considerably reduced oil supplies to Belarus through the ‘pipe’ in the fourth quarter.

Belarusian refineries faced the immediate threat of a starvation diet, but Rosneft head Igor Sechin gave Minsk a helping hand just in time. At a meeting with Lukashenko in September 2013, he announced that Rosneft managed to convince the Russian leadership to maintain full-scale oil supplies to Belarus<sup>5</sup>. On the one hand, Sechin was guided by purely pragmatic considerations trying to minimize losses of his own company (around USD 3 million in case of cut supplies to Belarus). On the other hand, the recent fuel and energy industry supervisor in the Russian government acted as a peacemaker in the potash conflict.

Also, Sechin cast himself for the role of informal curator of economic ties between the two countries, for instance with a view to Russian investors’ plans to buy Belarusian enterprises. He is in the top of the list himself with an appetite for some strategic assets in Belarus, especially the Mozyr refinery, where Rosneft owns 12.5% of stocks through Slavneft. In late 2013, Belarusian officials seriously considered the intention of Rosneft to become a general supplier of oil to Belarus. Moreover, the Belarusian leadership and Rosneft discussed plans to supply natural gas to Belneftekhim enterprises, including Grodno Azot. None of these plans have reached the implementation stage, though.

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<sup>5</sup> See: Manionak T. Will Sechin become a main supplier of oil to Belarus? // *Our Opinion* [Electronic resource] Mode of access: <http://nmnby.eu/news/analytics/5288.html>.

## Credit backing

On April 30, 2013, Belarus received the *fifth* tranche of a loan from the EurAsEC Anti-Crisis Fund (ACF). This story dates back to June 4, 2011, when the ACF Council approved a USD 3 billion loan for Belarus to be provided in six tranches over 2011-2013 on condition that the Belarusian government would comply with the loan program requirements. The Ministry of Finance of Belarus expected the *sixth* tranche (USD 440 million) already in November 2013. In late 2013, the ACF Council however decided to postpone its consideration for six months as Belarus failed to fulfill its credit program obligations, specifically those on the terms of gross and net international reserves, privatization, and an increase in loans in the economy, as well as the aligning of excise duties on alcohol and tobacco products with Russian duties.

In March 2013, following a session of the Supreme State Council of the Union State, Vladimir Putin said that the government of the Russian Federation would lend Belarus extra funds in the amount of up to USD 2 billion in 2014. Russian Minister of Finance Anton Siluanov specified that the loan would be given from the federal budget and other sources for 10 years. Belarus received the first tranche (USD 440 million) at the very end of 2013.

One more aspect of Russian loans to Belarus became apparent in 2013. Russian Savings Bank Chairman of the Board German Gref said during a meeting with Lukashenko on September 25 that, over a period of *three* years, the bank had infused USD 11 billion in Belarus<sup>6</sup>, meaning crediting of Belarusian enterprises. Even if it was an exaggeration (let us say the real amount is half as large), this means that the debts of Belarusian enterprises are debts to the Russian state budget. So, Belarus' critical dependence on Russian loans would thus top the future agenda alongside with energy dependence.

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<sup>6</sup> Russian Savings Bank infused USD 11 billion in Belarus over three years // *Telegraf* [Electronic resource] Mode of access: <http://telegraf.by/2012/09/sberbank-rf-za-tri-goda-vliv-v-belarus-11-mlrd-dollarov>.

## **Conclusion**

2013 was another year, when Belarus became increasingly dependent on Russia with respect to a group of critical parameters, including energy supplies, merchandise exports and loans. This dependence was not, however, accompanied by noticeable economic effects like economic growth, increased household incomes, boosted exports, etc. Apparently, this downward trend will continue, among other things due to a recession in Russia.

In anticipation of the launch of the EurAsEC, the Belarusian authorities are trying to resolve the problem of duties on petroleum products in their favor (the value of the matter in dispute being USD 2 to 3 billion), and the chance to succeed is pretty good.

As for the forecasts, there are some uncertainties associated with the Russian-Ukrainian conflict. The Belarusian government will obviously try to seize opportunities opened up as a result of this conflict and haggle over certain preferences, although it is hard to vouch for the ultimate success of this endeavor. Even if Russia offers more generous support in 2014, the Belarusian side will not be able to take advantage of the preferences to the full extent, because the Belarusian economic model generates escalating costs. In the long term, the implicit lending to Belarusian enterprises by the Russian government can only aggravate the problem of economic independence of Belarus.

## **BELARUS – EUROPEAN UNION: ANOTHER THAW IN RELATIONS**

**Dzianis Melyantsou**

### **Summary**

The year 2013 has brought hardly any breakthrough in the Belarusian-European relations: neither side would yield for the sake of their improvement. Nevertheless, the political conflict subsided significantly, partially due to intense diplomatic communication. By the end of the year, the agenda for bilateral relations for the nearest period was formulated.

### **Trends:**

- The number of political and diplomatic contacts between Minsk and Brussels increased;
- Negative rhetoric from both sides subdued;
- An agenda for bilateral relations was developed.

### **More communication**

The year 2013 in Belarusian-European relations was filled with intense diplomatic work. The Belarusian Foreign Ministry held monthly meetings with ambassadors of the EU member states and the Delegation of the European Union to Belarus, and commissioned Belarusian ambassadors to the EU countries to inform the officials of the receiving countries about Minsk's official position. Foreign ministers of Belarus and EU countries held a number of consultations.

In March and April, the Deputy Foreign Minister Alena Kupchyna paid *two* important visits to Paris and Brussels, where she met politicians and European functionaries to discuss the Belarusian-European relations. On May 6–7 she paid a working visit to Hungary, on May 17 she took part in the meeting of Foreign Ministers of the Visegrád Group and the Eastern Partnership in Cracow.<sup>1</sup> During the meeting Ms. Kupchyna pointed out that Belarus is interested in developing pragmatic

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<sup>1</sup> Instead of Minister Makei, who might have been refused attendance, being on the the EU 'black list' at that moment.

cooperation and suggested adopting a list of strategic projects of the Eastern Partnership and strengthening the business element of this initiative.

On June 12–13, Ms Kupchyna visited Vilnius to meet the Vice-Minister for Foreign Affairs of Lithuania Andrus Krivas and Minister for Foreign Affairs Linas Linkevičius. On September 6–7 Alena Kupchyna visited Latvia to participate in the international Riga conference and a series of bilateral meetings with Latvian officials. After Riga, Ms Kupchyna paid a working visit to Great Britain to meet representatives of the British Foreign Office. On October 8 she visited Hungary and was received by the Prime Minister Viktor Orbán. During these meetings the sides discussed both bilateral relations and ways of improving Belarus – EU relations in general.

Foreign Minister Uladzimir Makei also paid a number of important visits. On February 12–13 he took part in the second round of Informal Eastern Partnership Dialogue meetings (Tbilisi).

Commissioner Štefan Füle and Deputy Secretary General of the European External Action Service Helga Schmid, Mr. Makei spoke in favour of resolving problematic questions through dialogue.

He also reported that Belarus is interested in further involvement in the common European integration processes. Further diplomatic and political communication between Minsk and Brussels was fostered by the EU Council decision of June 24 to lift visa sanctions against Uladzimir Makei for the period of his office as head of the Foreign Ministry. This step was regarded by Belarus as an intention of the EU to develop bilateral contacts.

On September 12–13 Mr. Makei took part in the third round of Informal Eastern Partnership Dialogue meetings (Yerevan). During the meeting Mr. Makei made a number of statements on the necessity to follow the equality principle within the Eastern Partnership and to increase the practical aspect of the initiative – working on joint projects in the field of transportation, trade, the energy sector and border management.

Alongside intensified Minsk – Brussels contacts, Belarus had more active communication with individual EU member states. On April 10, Mr. Makei had a working meeting with the

Foreign Minister of Latvia Edgars Rinkēvičs. The sides might have agreed on further steps to improve relations. Mr. Rinkēvičs hinted at this during the EU Foreign Affairs Council Roundup on 22 April. Simultaneously, the town of Viciebsk hosted the signing of the intergovernmental agreement on the Belarus – Latvia border regime.

In April, Prime Minister of Belarus Mikhail Myasnikovich paid a very important visit to Lithuania on the occasion of the IX International Belarusian-Lithuanian Economic Forum. Nevertheless, central were political issues, including relations with the EU in general. According to Mr. Myasnikovich, during Lithuania's presidency in the EU "Belarus must take advantage of this chance and move further towards normalizing Belarusian-European relations". During his visit, on April 18, Mr. Myasnikovich signed an agreement on purchasing a 30% stake in the dry bulk cargo terminal in Kalipeda port. This stake provides a kind of guarantee for Lithuania that Belarus will transit potash fertilizers through its territory. It looks like the official Minsk is trying to secure Lithuania's support in Belarusian-European relations.

In July, Uladzimir Makei visited Brussels to take part in the Eastern Partnership Foreign Ministers' Meeting. In his speeches Mr. Makei stressed the firm position of Belarus on equal treatment of all members of the Eastern Partnership without sanctions and ultimatums. Traditionally, Mr. Makei reminded his audience that the official Minsk is ready for constructive cooperation in projects of mutual interest. During the minister's meeting Mr. Makei proposed a number of projects concerning the energy sector, transportation and customs infrastructure. According to the information of the Foreign Ministry of Belarus, in Brussels Mr. Makei also had a number of bilateral meetings with the heads of the European External Action Service, the European Commission, the Council of Europe and some Foreign Ministers of the EU member states.

In 2013, the Belarusian Foreign Ministry expressed its position on the EU initiative – the European Dialogue on Modernisation with Belarus (EDM). In late January 2013 European capitals received a non-paper where the Belarusian side expressed its views on further development of this initiative and

conditions, under which the Belarusian government is ready to join it. According to this document, the official Minsk proposed transforming EDM into a Partnership on Modernization (on the model of the one between Russia and the EU); the partnership is to be an instrument for social and economic support in the first place; any help is to be based solely on the needs of Belarus and approved by it; the structure of the partnership is to be similar to that of the Eastern Partnership. Therefore, this proposal envisions if not total reformatting of EDM than starting a new, bilateral, dimension of communication on the governmental level without the opposition and the civil society.

Another important event of 2013 was the Ministry's statement that Belarus made a positive decision of accrediting the Swedish temporary Charge d'Affaires. After the scandal with mutual closure of embassies in August 2012 this step gives a positive impulse to Belarusian-European relations.

Nevertheless, the key event for the Belarusian diplomacy in the West is Belarus' participation in the Eastern Partnership Summit in Vilnius, November 28–29.

### **The Eastern Partnership Summit: Belarusian surprise**

The intrigue around Belarus' participation in Vilnius EaP Summit continued until the very last moment. Some observers forecasted that Belarus' full participation would have been conditioned by the significant improvement in the human rights situation and release of at least some political prisoners. As a matter of fact the previous Warsaw Summit in 2011 ended in Belarus' demarche due to underrepresentation. Nevertheless, this time the European diplomacy decided to abstain from discriminating measures toward the official Minsk despite the lack of significant improvements in the sphere of human rights and democracy.

On October 15, Vice-Minister for Foreign Affairs of Lithuania Andrus Krivas sent out invitations for the November summit to all diplomatic missions of the EaP participant states. According to the FM of Lithuania, the invitations were for the countries as a whole, not for specific officials. This approach was

welcomed in Minsk and contributed to Belarus' representation on the highest level and full participation in the summit's work.

In his plenary speech the head of the Belarusian delegation Uladzimir Makei spoke on the necessity of equal and indiscriminative relations. In his speech, he outlined three 'false choices' that, according to the minister, the EU puts before its EaP partners: 'their own development model or the EU model', 'take it or leave it' ("partners should equally work out rules and models of the partnership"), and 'West or East'.

To the summit organizers' joy, Makei stated that Belarus is ready to start negotiating visa facilitations and readmission agreements with the EU "on conditions of a constructive attitude from both sides". This statement, together with the planned initialling of the Association Agreements with Georgia and Moldova, became one of the few positive achievements of the summit. It was especially prominent after the failure to sign the association agreement with Ukraine and the abrupt turn of Armenia's foreign policy toward the Customs Union.

The final Declaration<sup>2</sup> of the Summit in Vilnius also reflected the yearning of Belarus and the EU for more constructive relations. It speaks about "the important contribution of Belarus to Europe's energy security by providing significant energy transit", it supports further dialogue between Minsk and Brussels in the field of energy and the active involvement of Armenia and Belarus in the EU's nuclear stress tests. The participants "noted the enhanced bilateral sectoral dialogues between the EU and Belarus on issues such as economic and financial cooperation, the environment and education". The declaration restated that "the EU remains engaged in a European Dialogue on Modernisation with Belarusian society and that exchanges are ongoing between the EU and the Belarusian government with a view to determining the best future form of cooperation on modernisation issues".

It should be noted that at the previous summit in Warsaw (2011) the European participants adopted a separate *Declaration*

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<sup>2</sup> See: Joint Declaration of the Eastern Partnership Summit, Vilnius, 28–29 November 2013: [http://static.eu2013.lt/uploads/documents/Programos\\_12/131129%20Vilnius%20Summit%20Declaration.pdf](http://static.eu2013.lt/uploads/documents/Programos_12/131129%20Vilnius%20Summit%20Declaration.pdf).



on the situation in Belarus, in which they called for the release and rehabilitation of political prisoners and expressed their concern at the violation of human rights in the country.<sup>3</sup> Due to proactive actions of the Belarusian diplomacy the participant countries did not sign this declaration. Over the last two years the situation has changed significantly and the EU is making attempts to find a different approach to the official Minsk.

Another sign of Belarus' positive reception of the Summit in Vilnius was participation of the Minister of Economy of Belarus Mikalai Snapkou in the Eastern Partnership business forum. The official Minsk from the outset initiated the institutionalization of the business forum because this format better corresponds to Belarus' vision of the idea and purpose of the Eastern Partnership in general.

Therefore, the key result of Belarusian diplomacy in the European direction in 2013, including the result of the Eastern Partnership Summit, was formulating the agenda of bilateral relations for at least the coming year. Starting from the presidential election 2010 there has been no such agenda. At the moment there are plans to negotiate agreements on visa facilitations and readmission and launch consultations on the potential EU assistance in modernization of Belarus.

### **Subdued rhetoric**

During the year the degree of anti-European rhetoric from the highest Belarusian functionaries was gradually subduing. Neutral was the message during the yearly address of President Lukashenko to the Belarusian people and the parliament as well as his statements during visits to the regions. The Belarusian president spoke about his intention to establish friendly relations with the EU on conditions of equal treatment and absence of double standards from the side of Brussels.

Before the Eastern Partnership summit Mr. Makei gave a large interview to the Polish weekly *Dziennik Gazeta Prawna*<sup>4</sup>,

<sup>3</sup> <http://www.easternpartnership.org/publication/2011-09-30/eastern-partnership-summit-warsaw>

<sup>4</sup> See: <http://wiadomosci.dziennik.pl/swiat/artykuly/443633,szef-msz-bialorusi-uladzimier-makiej-o-integracji-bialorusi-z-europa.html>.

where he stated that Belarus joining the EU in the future is not ruled out. He noted that a dialogue with the EU is being conducted in “an open but informal way”. But this dialogue could not be promoted by sanctions and pressure.

As for the sanctions, on October 29 they were prolonged for another year, but the list of people and the number of companies was changed: 13 names and 5 companies were excluded, but 5 new names were added. By doing so Brussels showed its flexibility, which evoked a quite reserved reaction of the Belarusian Foreign Ministry.

Absence of pointed anti-European rhetoric from the official Minsk came nevertheless side by side with persistent emphasis on existence of double standards in the EU attitude to Belarus. With this propagandistic goal the Foreign Ministry issued a report titled “Violation of human rights in some countries in 2012”. According to the authors it is aimed at “drawing attention to violation of human rights in the countries that refer to themselves as ‘developed democracies’”.

The EU, in its turn, was also decreasing the grade of criticism of the Belarusian authorities; this topic started to lose its urgency against the other events in the region (especially those in Ukraine). Nevertheless, Brussels did not gave up its main demand – release of political prisoners.

On September 12, the European parliament passed the report on the situation in Belarus presented by Justas Paleckis<sup>5</sup>. The main conclusion of it was that, despite the reduced number of politically motivated arrests, the atmosphere of threats and repressions prevails. At the same time MEPs called the executive bodies of the EU “to encourage dialogue with those functionaries that took no personal part in repressions to promote Belarusian-European cooperation”. The report underlined that Lithuania’s chairmanship in the EU and the Eastern Partnership Summit in Vilnius should be used to promote relations with Minsk and resume political dialogue. In the sphere of economics the report suggested constructive technical dialogue on macroeconomic development and finance.

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<sup>5</sup> Recommendation to the Council, the Commission and the European External Action Service see: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fNONGML%2bREPORT%2bA7-2013-0261%2b0%2bDOC%2bPDF%2bV0%2f%2fEN>.

## Conclusion

During the year intensive diplomatic contacts helped to clear up positions and expectations from both sides but did not result in drastic changes on the Minsk–Brussels vector. The earlier harsh rhetoric subdued, which, on the one hand, indicates lower interest of Brussels in ‘the Belarusian issue’, and, on the other hand, reflects the yearning of the official Minsk to improve relations with the EU before the Ice Hockey World Championship and the upcoming presidential elections. After the EaP summit in Vilnius and its preparatory stage for the first time in several years the agenda for the Belarusian-European relations has been formulated.

In 2014, the relations between Minsk and Brussels are going to concern visa facilitations and readmission; there are going to be consultations on modernization on the intergovernmental level, technical dialogue on economic, financial, transport, border protection and other issues. If Minsk compromises and releases political prisoners, there might be a discussion of the basic agreement between Belarus and the EU, which will replace the *Agreement on partnership and cooperation* signed in 1995, which has still not come in force.

## **BELARUS – U. S.: THE ‘COLD PEACE’ PERIOD**

**Andrei Fyodarau**

### **Summary**

Last year's Belarusian-American relations can be described as relatively calm. Despite the never-ending tension, quite frequent meetings held by high-ranking officials, which began in autumn 2013 and continued in the first months of 2014, conveyed the impression of certain positive developments. The meetings did not produce any remarkable improvements, and it did not raise much of an eyebrow when it all ended and both countries seemed to roll back to the usual state of confrontation. However, the unexpected visit of a senior official from the Department of State to Minsk at the end of the year showed that the situation was not that clear.

### **Trends:**

- The lack of decisive steps from both sides, which could aggravate mutual relations;
- Continued official contacts suggesting that certain rapprochement was possible;
- Absence of essential prerequisites to defrost relations.

### **Rapprochement attempts**

Quite frequent contacts between Belarusian officials and U. S. Charge d'Affaires in Belarus Ethan Goldrich, which started few months before, unexpectedly continued early in the year<sup>1</sup>. Goldrich met with Deputy Minister of Economy Anton Kudasov on January 14 and Deputy Foreign Minister Alexander Guryanov on February 8. The sides discussed Belarusian-American cooperation in the political, economic, trade, investment and humanitarian sectors, international security matters, and Belarus' opportunities regarding its accession to the WTO. Small and medium business development in Belarus and international technical aid were also on the agenda.

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<sup>1</sup> Information from *BelTA*, *BelaPAN*, and *Interfax* news agencies was used in this article.

This did not mean, though, that Minsk had completely forgotten about its claims to Washington. In January, the Foreign Ministry spokesman stated once again that the economic sanctions imposed on Belarus violated the 1994 Budapest Memorandum on Security Assurances and discredited the United States. He also noted that “in the spheres where the parties managed to avoid political clichés, the dialogue went fairly smoothly”, and referred to the joint monitoring of nuclear nonproliferation as an example.

At a press conference on January 15, Alexander Lukashenko made a critical comment on the concern about new integration processes in the post-Soviet area voiced by then U.S. Secretary of State Hillary Clinton. “Wherever you set foot all over the world, there would be a zone of interests of the United States of America... She said it and, on the next day, all State Department officials started denying it fiercely, that it was not what she really meant. What was that? A hangover blurt, or what?” First of all, the situation not directly concern Belarus. More importantly, it was already known at the time that Clinton was about to resign. So, no diplomatic reaction of Washington followed.

By the way, the Belarusian leadership could have well-founded fear with regard to the new Secretary of State, Senator John Kerry: two years ago, Kerry and his colleague Joe Lieberman urged the West through *The Washington Post* to apply targeted economic and visa sanctions against Belarus for the post-election crackdown on the opposition<sup>2</sup>.

And yet, ways to alleviate the tension were still looked for despite old and new problems. Lukashenko’s meeting with a delegation of American political scientists headed by president of *The Jamestown Foundation* Glen Howard held on January 21 evidenced Belarus’ high motivation. According to the official website of the Foundation, the experts visited Minsk to survey the situation and talk about Belarusian relations with the U.S., EU and Russia. The program of the visit was impressive. It included a meeting with Vladimir Makei, representatives of

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<sup>2</sup> Kerry J., Lieberman J. *Five Steps to Take on the Crackdown in Belarus* // [Electronic resource] Mode of access: <http://www.washingtonpost.com/wp-dyn/content/article/2011/01/28/AR2011012805860.html>.

the Ministry of Defense, Belarusian Railways, the Polish community in Lida, and European diplomats accredited in Minsk.

One of the delegation members, Radford University Professor Grigory Ioffe said that the main message conveyed by the Belarusian leader was that Belarus was keen to put foreign policy in equilibrium and normalize relations with the United States. Lukashenko thus demanded respect for Belarus as an independent state. Belarus was not going to “be friends with anyone against” Russia or America. He said the sanctions were nothing but absurd, and many began to realize that. The president expressed confidence that the door to the West would open sooner or later, but sooner would be better than later.

Also, it was confirmed after the meeting that Belarus would substantially contribute to the so-called Northern Distribution Network, NATO vital logistic supplies in support of the War in Afghanistan, which was very important to the Americans, who played the leading role there. The amount of non-military goods delivered from Klaipeda doubled in 2012. The route will be even more important in view of the planned pullout of the Alliance’s troops from Afghanistan.

Although Coordinator of U. S. Assistance to Europe and Eurasia Daniel Rosenblum, who visited Minsk right after the experts of the Department of State, said that they did not speak on behalf of any government institutions, it is possible that Alexander Lukashenko was very much inspired by the talks and, when hearing Makei’s report on January 29, he gave special consideration to the Belarus-EU and Belarus – U. S. relations outlook. Even the sanctions against TM Services Limited and Republican Design Bureau Radar for “having the potential to make a material contribution to weapons of mass destruction or cruise or ballistic missile systems” imposed by Washington in February did not cause a usual angry reaction from the Belarusian side. According to the Foreign Ministry, “it was a customary practice used by the United States... So we simply took note of this decision.” Probably, in addition to the desire to improve relations, the reason for such restraint was that this time the sanctions were not a response to domestic policy of the Belarusian regime, to which the latter usually reacts very strongly.

The meeting between Sergei Rachkov, chief of the Foreign Ministry's Department for the USA and Canada, and representatives of the Department of State, U. S. Congress and analysts' community with a very broad agenda held in late March in Washington can be considered as another clear manifestation of the Belarusian authorities' desire to establish a dialogue. According to the official report, the sides discussed bilateral political and economic relations, feasibility of joint humanitarian projects in the field of health, social security and education in Belarus. The United States was informed about Belarus' efforts aimed at accession to the World Trade Organization. The Department of State shared its media relations experience. It is particularly remarkable that both sides agreed to further exchange working visits to develop Belarusian-American relations. In April, something that had not happened for a long time took place: the Belarusian authorities expressed condolences to the United States three times: on the terrorist attack in Boston, the explosion that destroyed the West Fertilizer chemical plant in Texas, and the devastating tornadoes in Oklahoma.

Finally, on April 26, Vladimir Makei accepted Ethan Goldrich again to discuss current and future matters on the bilateral agenda and cooperation in the multilateral format. The American diplomat was handed over a message from the Belarusian foreign minister to John Kerry, in which Makei stated his vision of future Belarusian-American relations. It would be logical to assume that the Belarusian minister hoped to meet with his American counterpart face-to-face during the visit to New York. Makei was going to attend a high-level session of the UN General Assembly to review the implementation of the Global Plan of Action to Combat Trafficking in Persons scheduled for early May. But, apparently, this hope was wrecked, because Makei did not go to America.

Nonetheless, at the first glance, Minsk managed to achieve certain improvement. In particular, Alexander Lukashenko said addressing the National Assembly on April 19, "The United States let us know recently that it will not politicize our accession to the WTO, impede it, or oppose this process." On top of this, in late May, the United States lifted sanctions against

OJSC Belarusian Optical and Mechanical Association and ZAO *BelTechExport* imposed two years ago.

### **Full circle**

However, it turned out later that the sanctions were lifted not because of appreciable political improvements in Belarus, but because the period of the sanctions had expired. In fact, no dramatic changes occurred. On June 13, Barack Obama extended sanctions against senior Belarusian officials for another year. The Belarusian Foreign Ministry disappointedly called it “the inertial decision as part of the approaches that have proved their futility” and “another missed opportunity to take our contacts onto a constructive level.”

The Belarusian leadership turned back to militant eloquence. Alexander Lukashenko used the notorious Snowden case to accuse Washington of total spying. Media reports on U.S. ambassador’s meetings with Belarusian officials were not released anymore.

Some of Lukashenko’s statements just favored the view that the year would end in the atmosphere of continuous sluggish confrontation. In an interview to the Kazakh state-run media in early October, he made stinging remarks against Obama, and, two weeks later, told students of the Mogilev State University that the people who traveled across the ocean to found the United States were “freedom-loving bandits” and that nearly 50 million people “were dying in a ditch” there without medical care.

### **New glimmer of hope?**

Against this background, the visit of U.S. Deputy Assistant Secretary of State for European and Eurasian Affairs Eric Rubin to Minsk on December 11–12 looked really surprising. The American guest held talks at the Foreign Ministry and met with a group of representatives of the opposition and civil society. As one would expect, Rubin kept the agenda of the talks with the authorities to himself. He only said that the Belarusian government seemed to be willing to reconsider its position on the full resumption of the foreign diplomatic presence.



Since there was not even a minor improvement at the Belarusian-American ‘front’, the visit caused some confusion and even outright indignation among those who hoped for the most severe response from the West to the day-to-day realities in Belarus. The latter regarded this step as “an unambiguous offer of constructive cooperation to the dictator<sup>3</sup>”, which would encourage the regime to continue its home policy.

Indeed, when Rubin expressed his gratitude “for having him here”, it looked like the visit was initiated by the American side. Besides, he noted that a progress in the field of human rights and democracy in Belarus would facilitate U. S. support for cooperation with the International Monetary Fund, which Minsk keenly sought. This might lead one to suspect that the U.S. was retreating from the repeatedly outspoken categorical imperative, according to which the release of political prisoners remained a fundamental and indispensable condition for the resumption of cooperation, as no progress in this matter was observed. The Belarusian government did not make this step even considering that the November Eastern Partnership summit in Vilnius was close at hand and the prisoners’ release would be more than opportune.

This conclusion seems to be premature, though. The experience of many years shows that the Americans least of all deserve the criticism for overly hasty wriggling out of their commitment to fundamental values. Therefore, even if Washington was actually trying to use a different way to stimulate democratic processes, it would be unjust to throw stones at the White House, the more so because no one has yet proved that the most rigorous approach is the only correct one. Remember how West Germany bought freedom for 33,755 political prisoners kept in East Germany for money and commodities equivalent to nearly EUR 33 billion 1963 through 1989 and has never been subjected to criticism for that.

## Conclusion

So, all Minsk’s attempts to normalize relations between Belarus and the United States made in the first half of the year did not

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<sup>3</sup> Sannikov A. *Santa Claus for the Dictator* // [Electronic resource] Mode of access: [www.charter97.org/ru/news/2013/12/14/81872/](http://www.charter97.org/ru/news/2013/12/14/81872/)

produce tangible results. It is still unclear whether Rubin's mission led to anything useful, but the fact that the Russian loan granted to Belarus at the end of the year, which slightly reduced the need for IMF support, does not instill hope for a substantial progress in this direction.

The already very limited economic cooperation continued to decline. Over the past year, the bilateral commodity turnover amounted to less than USD 200 million (255 million a year before). For reference, the turnover with Bulgaria, which is scale-wise comparable to Belarus, is almost four times larger, and the turnover with neighboring Lithuania is more than 10 times larger, the latter having a considerable trade surplus.

At the same time, unlike previous years, no major escalation was observed in 2013. Today's relations between Minsk and Washington can be described as 'cold peace' without glowing prospects.

The consolidated position of American political elites on the issue of political prisoners and, in general, on the political situation in Belarus can hardly be shaken by any lobbying efforts. Accordingly, some changes may only occur if political prisoners are released that will be inevitably followed by new demands.

As concerns the Belarusian leadership with its undeniable desire to shake off all sanctions among other things to be able to meet with their American counterparts on more or less equal terms, the government does not feel an urgent need to make concessions.

But still, despite the stalemate and setbacks, a resumption of dialogue does not seem impossible. To begin with, the parties could agree on a resumption of full-scale functioning of the diplomatic missions. However, unfortunately, there is no good reason to expect more radical changes in the near future.

## **POLISH-BELARUSIAN RELATIONS: LET'S MAKE MONEY, NOT WAR**

**Anna Maria Dyner**

### **Summary**

The year 2013 has brought no drastic change in Polish-Belarusian relations. Notwithstanding frozen political relations and sanctions by the European Union after the events of 19 December 2010 both countries developed trade and, to some extent, cross-border cooperation. Nonetheless, Poland has still not been notified about ratification of the bilateral agreement on small border traffic. Visa questions, the Pole's Card and the number of the corps diplomatique issues remained traditionally disputable.

### **Trends:**

- Political relations remain frozen; nevertheless, in 2013, unlike in 2011–2012, Poland was not treated as enemy №1;
- The military question became a disputable issue again, which was caused by military trainings *Zapad 2013* ('*West-2013*') in Belarus and *Steadfast Jazz* – in Poland;
- Despite frozen political relations, Poland and Belarus are developing regional cooperation;
- The year 2013 became another year of the rising trade turnover;
- Although border traffic remained on the level similar to 2012, border exchange developed.

### **Politics in icy shackles**

Bilateral relations remain frozen since the presidential election of December 2010, resulting in a lack of interstate contacts on the highest level. At the same time the countries do not shun technical contacts, and in 2013 the EU resumed financing a number of cross-border projects, among others – the program of cross-border cooperation *Poland – Belarus – Ukraine 2007–2013*. Within this program the EU supports some Belarusian hospitals and Brest and Hrodna. Two euroregions – *Niemen* and *Bug* – offer possibilities for cooperation as well. It should also be noted that, despite frozen political relations on the line Warsaw – Minsk, in 2013, Poland, Belarus and Ukraine inked a trilateral agreement on state border junctions.

Interestingly, in 2013, the wave of media attacks from the side of Belarus was smaller than those in previous years. The key reproofs against Poland concerned consular services unable to manage visa procedures properly. The Belarusian TV broadcasted materials about various intermediary companies that, supposedly, share their visa services profits with Polish consuls. These programs indeed touched upon a significant problem that an ordinary Belarusian faces when travelling to Poland, i. e. difficulties with obtaining a Polish visa without applying to intermediaries. The reasons are both hacker attacks on Polish consular servers and blocking of available appointment times and resistance of the Belarusian side to increase the Polish consular staff. Nevertheless, despite these problems last year over 360,000 Belarusians obtained Polish visas.

An old reproof is the Pole's Card issued by consular sections (in the 4<sup>th</sup> quarter of 2013 it was used by 11.6% of the Belarusians crossing the Polish border). Moreover, Belarus still restricts its citizens in obtaining this ID. In 2013, a decision was passed that the Pole's Card (as well as any other document giving privileges in any other country) cannot be obtained by the military and employees of the Interior Ministry and Ministry of Emergency Situations.

Meanwhile, the most resounding story from the eastern neighbour in Polish media was the case of Teresa Strzelec. The woman was prohibited to leave Belarus due to complications resulting from her operations with her car that violated Belarusian customs procedures. Thanks to the work of Polish diplomatic services and the good will of the Belarusian authorities the Pole was able to return to Poland. Nevertheless, she is not going to receive compensation for the confiscated car. Importantly, in 2013 there were no reports about complications around the non-recognized Union of Poles in Belarus.

In 2013 mistrust between the two countries was awoken by military issues. The majority of the Polish public did not welcome the military exercise *Zapad-2013* of Belarus and Russia. According to its scenario, the external forces (generally understood as Poland and the rest of the NATO states) seek to destabilize the situation in Belarus, which must be opposed by the Belarusian army backed by Russia's aviation, land and

marine forces. Aviation and air defence are to isolate the area of operations, while the land and marine forces neutralize the enemy troops.

The public was concerned by the information about Russia taking over military duties over Belarus' territory, plans to construct a military base for Russian fighter jets (initially at Lida, afterwards – at Baranavichy), and deployment of 4 divisions of S-300 rockets in Belarus.

In his turn, President Lukashenko was critical about NATO exercise *Steadfast Jazz* in November in Poland. Belarus was also visibly worried by the plans to redeploy a number of US F-16 fighter jets from the Italian base Aviano.

Nevertheless, it is obvious that in 2013, with Alaksandr Aviaranau appointed a new ambassador to Poland, anti-Polish rhetoric in Belarus subsided, whereas in Poland, Belarusian issues retreated to the background as well.

## **Economic relations**

Despite frozen political relations Poland and Belarus are developing trade contacts. According to the information of the Chief Statistic Committee of Poland (GUS) the Polish export to Belarus in 2013 increased by 17.1% compared to 2012 and went beyond EUR 1.8 billion. At the same time Poland recorded an import decrease from Belarus by 23.5% down to EUR 490 million. Therefore, the Polish trade balance increased by EUR 450 million—up to EUR 1.2 million. It should be noted here that in 2013 Poland recorded increased trade balances with the CIS countries—the total export to all these countries increased by 7.8% and reached EUR 15.3 billion, whereas the import decreased down to EUR 21.9 billion (by 11.7%). As a result, the negative trade balance with all the CIS countries fell from EUR 10.5 billion in 2012 to EUR 6.5 billion in 2013.

Moreover, border trade is developing, too. According to GUS, in 2013, customers who declared Belarus as their permanent residence country spent PLN 2.4 billion (nearly EUR 600 million) in Poland, and those from Poland – PLN 76.3 million in Belarus. Only in the 4th quarter of 2013 each Belarusian spent in Poland nearly PLN 840 (nearly

EUR 200) buying radio- and TV electronics and domestic appliances, clothes, footwear, spare parts and accessories for automobiles. The greatest number of purchases was made in the 50 km border zone. This situation has attracted attention from Belarusian carriers, who have introduced new bus trips to Poland; railway services of both countries have also announced more intensive cooperation in passenger traffic between Hrodna and Bialystok.

Therefore, it is small wonder that the Belarusian authorities are fearing that introduction of the small border traffic will increase expenses of the Belarusians in Poland, especially as shopping has already become the most frequently declared reason for visiting the western neighbour. Despite absence of the small border traffic in 2013 over 7.8 million Belarusians crossed the Polish border, and slightly over 1 million Polish citizens went to visit Belarus. Although this number is comparable to that of 2012, judging by the popularity of small border traffic passes among the Ukrainians and Russians, the similar situation could be expected in Belarus as well.

The topic that was enthusiastically welcomed in Belarus but triggered a political storm in Poland was an announcement that Russia is ready to construct a second line of *Jamal–Europe* pipeline, or the so called ‘crosspiece’. The Belarusian authorities were very optimistic about that seeing a chance for extra finances from Russia, even in the form of transit payments. Nevertheless, the Polish side expressed no readiness for participation in the project, and it was dismissed.

Despite that economic cooperation can be considered one of the few positive aspects in Polish-Belarusian relations, it does not imply its complete independence of what is happening in the political dimension. And this is also true about the relations Poland – Russia (or, broader, with the European Union), which can be illustrated by the case when Belarus blocked Polish pork on the hint from Russia on the pretext of unpermitted salt pork discovered in a shipment of meat from Poland. Later it turned out that the blame was on the Russian importer. Due to the escalating political conflict in the region Polish-Belarusian economic relations might deteriorate in the near future.

**Summary**

The year 2013 has brought no considerable change in the Polish-Belarusian relations. Political contacts remained frozen, but both states cooperated in the technical dimension and the number of mutual media attacks has fallen drastically. At the same time, despite political issues, Poland and Belarus recorded another increase in trade turnover.

If it were not for sanctions, human rights issues and partially military issues (that also concern the blocks the both states are allied with – namely CSTO and NATO), we could describe the relations as ordinary relations between neighbours.

## **BELARUS – UKRAINE: A THAW WITHOUT SIGNIFICANT PROGRESS**

**Aleh Bahutski**

### **Summary**

In 2013, Belarusian-Ukrainian relations were as always primarily determined by the economic component, while politics remained less important to the leaderships of both countries. There was however one milestone event: Belarus finally ratified the bilateral *border treaty of 1997* after six years of procrastination. Alongside the lifting of restrictions on the export of Belarusian oil products to the Ukrainian market, this largely promoted a thaw in political relations between Kiev and Minsk. In June, Alexander Lukashenko made an official visit to Kiev, which he studiously avoided since the inauguration of Viktor Yanukovich in 2010. The interpersonal conflict between the two presidents was thus forgotten for a while. Despite Moscow's pressure, official Minsk almost openly supported the Ukraine's ambition to be a part of United Europe.

### **Trends:**

- The conflict in the trade in oil products, the very sensitive area for both states, was resolved that helped to 'unfreeze' political relations;
- Official Minsk was interested in Ukraine's policy towards European integration, which is why the Kremlin failed to mobilize the Customs Union to apply joint economic pressure against Ukraine;
- Despite a decline in bilateral trade turnover, Ukraine remained one of the leading trade partners of Belarus;
- Due to similar currency supply problems, both sides were determined to curb imports that led to trade wars.

### **Gasoline as a foundation for relations**

The year 2013 started with Ukraine's attempts to open one more anti-subsidy investigation against the import of oil products from Belarus. Four out of six Ukrainian refineries lodged a complaint claiming that Belarus provides its refineries six types of subsidies totaling USD 180.84 per metric ton. Despite the controversial nature of the arguments, the Ministry of Economic Development and Trade of Ukraine admitted the



complaint to examination in March. The Ukrainians did not like that the Belarusian competitors were exempted from the mandatory sale of a part of currency earnings. Kiev regarded that as “government support” and reported the amount of USD 165 per ton<sup>1</sup>.

Most Ukrainian experts were critical about the claim, regarding it as lobbying of interests of domestic producers, which would obviously have a negative impact on Ukraine’s economy. The cost of production at Ukrainian refineries is high. They have not been upgraded for long, and oil refining depth is not very satisfactory. The lack of competition in imports can result in a considerable price rise for consumers<sup>2</sup>. Besides, Ukrainian refineries are not capable of producing Euro 5 fuels, only Euro 3<sup>3</sup>. Euro 5 were imported from Belarus. Also, considering that the Ukrainian refineries were going to focus on resumed oil supplies from Russia, the discontinuance of the diversified oil import would mean total dependence on Russian traders.

The loss of the Ukrainian market can be very painful for Belarus. Ukraine is the primary buyer of Belarusian oil products: in 2012, Ukraine bought 4,358,379 tons of fuel out of a total of 17,493,386 tons. In this regard, the actions of the Ukrainian government were to a large extent determined by one of the leading oligarchic groups led by Dmitry Firtash, who decided to take oil refining under control and was highly motivated to push a strong competitor (Belarus) out of the market. The Firtash group was planning to buy refining facilities of Russian TNK-BP and *Lukoil* in Ukraine, namely the Odessa and Lisichansk refineries.

At that time, the group was represented in the Ukrainian government by Vice Premier for Energy Yuri Boyko, who

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<sup>1</sup> Belarus: Refineries do not receive government subsidies // [Electronic resource] Mode of access: <http://ukrchem.dp.ua/2013/02/21/belarus-neftepererabatyvayushhie-zavody-ne-poluchayut-gossubsidij.html>.

<sup>2</sup> Opinion: Customs duties on Belarusian oil products repeat the mistake of 2009 gas contracts // [Electronic resource] Mode of access: <http://m.interfax.by/news/belarus/126941>.

<sup>3</sup> Which means that it is not suitable for long term use in modern cars, see: <http://m.interfax.by/news/belarus/126941>.

instigated Ukrainian refiners to apply for the anti-subsidy investigation. Having connections in the Russian gas monopolist Gazprom and the Kremlin, the group also hoped to achieve the resumption of Russian oil supplies to Ukraine. The situation changed in March 2013. Another oligarchic group, the so-called 'Family' linked with the eldest son of the president of Ukraine, Oleksandr Yanukovich, announced its intention to take control over the refining industry. The anti-subsidy investigation was pushed on with active support of Energy Minister Eduard Stavitsky, the lobbyist of the second group in the government.

The oil ambitions of Firtash and the Family got stuck on the position of the Russian side. The Lisichansk refinery fell under control of Rosneft, which stopped the deal on its sale. Rosneft is a co-owner of the Belarusian Mozyr refinery. It was therefore not interested in blocking supplies of Belarusian gasoline to Ukraine.

In April, all stakeholders held informal consultations and managed to reach a compromise. On April 25, Ukraine's Inter-Departmental Commission for International Trade made the decision to stop the anti-subsidy investigation. The parties agreed on the following: the Lisichansk refinery remained the property of Rosneft, Russia did not resume full-scale oil supplies to Ukraine, and the Family represented by VETEK bought the Odessa refinery from Lukoil and took control over the import of gasoline.

The import of oil products is one of the most attractive sectors in Ukraine, in which corruption is blooming astonishingly. According to the official data provided by the Ministry of Finance of Ukraine, in 2011, the proportion of smuggled and adulterated gasoline in the domestic market reached 22% (almost 1 million tons)<sup>4</sup>. Chairman of the Fuel and Energy Committee of the Supreme Rada Mykola Martynenko said that the amount actually exceeded 50%<sup>5</sup>. The Odessa refinery

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<sup>4</sup> See: "May god speed you..." // [Electronic resource] Mode of access: [http://gazeta.zn.ua/energy\\_market/bog-v-pomosch-.html](http://gazeta.zn.ua/energy_market/bog-v-pomosch-.html).

<sup>5</sup> The Proportion of smuggled gasoline is estimated at 50%, see: <http://inpress.ua/ru/economics/5951-dolyu-kontrabandy-na-rynke-benzina-otsenili-v-50>.

was an important link in the scheme to legalize smuggling. The Ministry of the Interior of Ukraine declassified this scheme after the fall of the Viktor Yanukovich regime<sup>6</sup>.

### **Political discourse: a thaw through demarcation**

The compromise on products supplies promoted a rapid thaw in political relations between Minsk and Kiev.

In summer (June 18–19), President of Belarus Alexander Lukashenko made an official visit to Ukraine. The final ratification of the 1997 border treaty and the exchange of instruments of ratification topped the agenda. Resolution of the border issue was crucial to Ukraine, which pursued the policy of the European integration and proclaimed the willingness to join NATO more than once. The updated *National Security Strategy of Ukraine* of June 8, 2012 called the demarcation of the borders with Russia, Belarus and Moldova one of the main challenges to national security<sup>7</sup>.

Belarus had been purposefully stalling the resolution of this issue for 18 years, seeing it as effective leverage in relations with Kiev. Ukraine's unpaid government debt was the formal reason for the delay. The Ukrainian authorities did not want to acknowledge the debt for years.

President Viktor Yushchenko managed to resolve this problem in 2009. Ukraine acknowledge the debt (USD 134 million), and Belarus ratified the treaty of 1997. However, Lukashenko had evaded the exchange of instruments of ratification with

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<sup>6</sup> In 2012–2013, VETEK imported 25 billion hryvnas' worth of oil products to Ukraine allegedly for refining as give and take raw materials and then their re-export. What actually happened is that the oil products were sold in the territory of Ukraine without customs clearance and payment of taxes and duties, as a result of which the Ukrainian budget lost around UAH 7 billion (almost USD 1 billion), see: <http://argumentua.com/novosti/mvd-raskrylo-skhemy-kontrabandy-i-realizatsii-nefteproduktov-kompaniyami-kurchenko-na-25-mlr>.

<sup>7</sup> New national security strategy in Ukraine // [Electronic resource] Mode of access: <http://www.unian.net/society/660111-v-ukraine-novaya-strategiya-natsionalnoy-bezopasnosti.html>.

the new President of Ukraine Viktor Yanukovich for over three years.

A number of analysts believe that the Belarusian side quickly reconsidered the attitude once the compromise on oil products was achieved, as the border ratification was allegedly included in a batch of informal agreements. Anyway, the long-standing problem was solved, and the intensive process of creation of a required regulatory framework and demarcation procedures started in autumn 2013.

### **A ‘thaw’ without significant progress**

Although Lukashenko’s visit to Kiev in June marked a ‘de-frosting’ of the political dialogue between the neighbors, no breakthrough followed. It is obvious that, despite the exterior reconciliation after the scandalous events of 2011<sup>8</sup>, Yanukovich and Lukashenko still showed signs of strong repulsion for each other. As a result, the bilateral political agenda remained as narrow as it used to be.

Theoretically, Yanukovich might be interested to have Belarus as an ally in the Customs Union so that it could obstruct anti-Ukrainian initiatives of the Kremlin. It did happen every now and then, but this benevolence can be explained by Belarus’ own mercantile interests.

New Ukrainian President Viktor Yanukovich was unable to initiate alternative political and economic projects within the CIS like his predecessors Leonid Kuchma and Viktor Yushchenko tried to do (such as GUUAM, GUAM, etc.), because he did not have the political weight or true potential in the eyes of post-Soviet leaders. Lukashenko disregarded Yanukovich’s attempts to proffer his help as a lobbyist of official Minsk in the West, because the Ukrainian president quickly turned into a persona non grata there himself.

Belarus’ refusal to deliver Venezuelan and Azerbaijani oil through the Ukrainian Odessa-Brody main practically brought

<sup>8</sup> Alexander Lukashenko: *I did not go to Kiev, because Yanukovich is a lousy one and Barroso is a bastard* // [Electronic resource] Mode of access: [http://censor.net.ua/news/166592/lukashenko\\_ya\\_ne\\_poehal\\_v\\_kiev\\_tak\\_kak\\_u\\_yanukovicha\\_vshivost\\_a\\_barrozu\\_kozel](http://censor.net.ua/news/166592/lukashenko_ya_ne_poehal_v_kiev_tak_kak_u_yanukovicha_vshivost_a_barrozu_kozel).

cooperation in the energy and transit sectors to naught. Kiev's attempts to persuade Minsk to redirect at least a part of the exports from Baltic to Ukrainian ports were met with no or little success. Some progress in certain areas was made, though. For instance, in 2013, after the residual fuel transit from Russia and Kazakhstan dropped dramatically, the transit of residual fuel from Belarus through Ukraine increased 40% year-on-year<sup>9</sup>.

### Trade exchanges

The Ukrainian government wants the bilateral trade with Belarus to be more balanced and tries to reduce the trade deficit. The Belarusian side makes promises from time to time, but does nothing. In 2013, Belarus' export surplus in the trade with Ukraine amounted to USD 2,138 billion. It dropped one-third from USD 3,248 billion since 2012. Both exports and imports decreased considerably: in 2013, Belarus' exports to Ukraine went down from USD 5,557 to 4,195 billion year-on-year, and imports declined from USD 3,247 to 2,138 billion<sup>10</sup>.

Oil products still constitute the major proportion of exports to Ukraine (USD 2,849 billion or 67.9% in 2013) and a one-third decrease in this area was also reported. Belarus also supplies Ukraine with tractors and truck-tractors (USD 101.1 million), liquefied gas (USD 99.8 million), tires (USD 89.6 million), mixed mineral fertilizers (USD 79.9 million), and potash fertilizers (USD 67.4 million).

Metallurgy products remain the major item of import from Ukraine totaling USD 409.1 million. Ukrainian largest player in this market – Rinat Akhmetov's Metinvest Holding – decided to expand its own sales network in Belarus in late 2013. Belarus is the largest importer of electric energy

<sup>9</sup> Up to 1.41 million tons; see: <http://rian.com.ua/economy/20140211/340086612.html>.

<sup>10</sup> Here and below, see: The foreign trade of the Republic of Belarus (per commodity, country, continent, average price) in 2013 (preliminary data). Ministry of Statistics and Analysis of the Republic of Belarus.

from Ukraine (a third of the total Ukrainian export amounted to USD 184.7 million as of late 2013). Belarus however informed in December that the import of electric energy would be reduced by 30% in 2014<sup>11</sup>. Ukraine also supplies Belarus with oil cakes, vegetable oil, rail cars, confectionery, and pharmaceuticals.

Most problems arise in the trade in meat, milk, beer and confectionery. Trade wars are common in these sectors. For example, in January, the State Veterinary Service of Ukraine restricted the import of dairy products supplied by *three* major Belarusian producers: Orsha Dairy Plant, Mahilieŭ-based *Babushkina Krynka* and Homiel-based *Molochnye Produkty*. The official reason was that the three failed to meet Ukrainian safety standards. Experts say the reason was that Belarus aggressively escalated supplies, which, according to the State Statistics Committee of Ukraine, more than doubled up to 10,500 tons worth nearly USD 23 million in January-November 2012. Early in April, in response to the milk war, Belarus actually banned Ukrainian confectionery keeping the cargoes at the border for additional checks<sup>12</sup>.

Dairy, confectionery and beer wars break out over and over again because these three industries are well developed in both countries, and lobbyists pressurize their governments seeking protection in the domestic markets. Cyclical escalations happen when curators of the Belarusian direction in the Ukrainian government are replaced. So it was in early 2012, when Andriy Klyuev left the Cabinet of Ministers of Ukraine, and in early 2013, when Petro Poroshenko resigned from the government.

In May 2013, the new curator, First Vice Premier of Ukraine Serhiy Arbuzov and his Belarusian counterpart Vladimir Semashko settled all major disputes. No aggrava-

<sup>11</sup> In January 2014, Ukraine reduced the export of electric energy by 8.3%, see: <http://bin.ua/news/economics/faec/151717-ukraina-v-yanvare-2014g-snizila-yeksport.html>.

<sup>12</sup> Ukrainian confectionery products are subject to “thorougher inspection” at the Belarusian border // [Electronic resource] Mode of access: [http://naviny.by/rubrics/disaster/2013/04/21/ic\\_news\\_113\\_415236/print/](http://naviny.by/rubrics/disaster/2013/04/21/ic_news_113_415236/print/)

tion in the bilateral trade was observed till the end of the year. On the contrary, despite Russia's pressure, Belarus refused to ban Ukrainian *Roshen* confectionery in August. In turn, the Ukrainian authorities took no notice of regular requests made by Ukrainian milk producers, who complained about the boosting import of Belarusian milk, which soared 80% in the first half of 2013.

### Foreign policy games

The preparation for signing of an *association agreement* and an *agreement on free trade area* between Ukraine and the European Union was the most important point on the agenda in 2013. The Kremlin displayed its extremely critical attitude towards the European integration plans of Ukraine. Alongside a massive media campaign in August, Russia exerted economic pressure on Ukraine and almost completely blocked Ukrainian exports for a few days. Alexander Lukashenko thus constantly reaffirmed his support for Kiev's aspiration.

Throughout October and in the first half of November, Belarus de facto conducted an information campaign in support of the Ukraine-EU *association agreement*, the main message being "We do not see any problems in cooperation between the European Union and Ukraine." Lukashenko consistently emphasized (apparently to irritate the Kremlin) that politicization of the 'Ukrainian question' would result in nothing but damage. He not only publicly supported Ukraine, but also, together with President of Kazakhstan Nursultan Nazarbayev, thwarted Putin's attempts to launch economic attacks on Ukraine on the part of the Customs Union. The three presidents agreed on November 15 that each Customs Union member is entitled to independently take protective measures against Ukraine in case the *agreement on free trade area* with the European Union is signed.

The support for the European integration policy of Ukraine proclaimed by Lukashenko was apparently not caused by his fellow-feeling for Kiev or, especially, the European Union. The geopolitical choice made by Ukraine in favor of the West means that Belarus remains almost only ally of Russia, which

gives Minsk an opportunity to request new and much bigger economic preferences. Also, the change in the geopolitical situation in the region could stimulate Europe's interest in Belarus, and the Belarusian authorities would have a chance to return to their favorite policy of a geopolitical 'swing.'

The Belarusian president was obviously irritated by Viktor Yanukovych's refusal to sign the *association agreement*, and he has not supported the Ukrainian president in any way since the beginning of the mass protests in Kiev.

## Conclusion

The collapse of the Viktor Yanukovych regime means that Minsk will have to build up relations with the new Ukrainian leadership. Lukashenko officially stated that Belarus was "fated to live in peace and harmony" with the new government of Ukraine. Speaking about the Russian-Ukrainian conflict over the Crimea, Foreign Minister of Belarus Vladimir Makei said during his visit to Riga, "Minsk is interested in Ukraine remaining a sovereign, independent and territorially integral country<sup>13</sup>."

So, as concerns future relations with the new leadership of Ukraine, Minsk has a reason to hope for an outlook with fair promise.

*Firstly*, Alexander Lukashenko is known for having better, trust-based relations with leaders of pro-Western regimes in the CIS (Mikheil Saakashvili, Ilham Aliyev, Viktor Yushchenko, Mihai Ghimpu) than with pro-Russian ones. Besides, he already maintains relations with two potential presidential candidates in Ukraine, Yulia Tymoshenko and Petro Poroshenko.

*Secondly*, dramatic geopolitical shifts in the region related to Ukraine will help to strengthen Minsk's position as the "only ally" of the Kremlin. Also, the West will have to intensify the Eastern Partnership project, which can give a new impetus to the attempts to unfreeze the dialogue between Belarus and the

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<sup>13</sup> Vladimir Makei: *Belarus is interested in Ukraine remaining a sovereign, independent and territorially integral country* // [Electronic resource] Mode of access: [http://www.belta.by/ru/all\\_news/politics/Belarus-zainteresovana-v-soxranenii-Ukrainy-nezavisimoi-i-territorialno-tslostnoj---Makei\\_i\\_661507.html](http://www.belta.by/ru/all_news/politics/Belarus-zainteresovana-v-soxranenii-Ukrainy-nezavisimoi-i-territorialno-tslostnoj---Makei_i_661507.html).



European Union. Finally, in the face of the military threat from Russia, the new Ukrainian government will be interested in a partnership with official Minsk and, probably, they can become new advocates of Alexander Lukashenko in the West. The Belarusian leadership will thus be able to get back to its favorite policy of a geopolitical 'swing.'

## **BELARUS AND DEVELOPING COUNTRIES: LOOKING FOR NEW FORMS OF ECONOMIC COOPERATION**

**Andrei Yeliseyeu**

### **Summary**

In 2013, Belarus apparently intensified political relations with Turkey, South and Southeast Asia and some countries of Latin America. Having realized that it was impossible to boost commodity turnover using traditional cooperation patterns, Belarus shifted the focus on qualitatively new forms of trade and economic cooperation with third world countries<sup>1</sup>. This process, however, takes time, so that the results of many announced joint ventures remain very modest. Besides, the talks on free trade zones of the EurAsEC Customs Union and a number of developing countries have not led anywhere so far.

### **Trends:**

- Considerable intensification of political, economic and trade cooperation with several partners in South and Southeast Asia, Latin America and Turkey;
- Continuous stagnation in economic and political relations with Iran, Syria, Egypt, Libya, and Iraq;
- Strategic (political) partnership with China, although benefits of trade and investment cooperation with it are quite unobvious;
- Minsk's orientation on innovative forms of trade and economic cooperation;
- Expanded diplomatic presence of Belarus on the African continent.

### **Political and diplomatic relations with developing countries**

The year 2013 saw plenty of political and diplomatic contacts between Belarus and developing countries. Below is a brief description with respect to the geographical setting.

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<sup>1</sup> For conceptual convenience, the author considers the EU and associated states, the United States and Canada in North America, Australia and New Zealand in Oceania, Japan, South Korea, Singapore, Taiwan, and Israel in Asia, and the Southern African Customs Union “developed” countries and regions. The countries of former Yugoslavia, CIS republics and Georgia are not related to the category of “developing countries” here.

**Latin America:** Belarus cultivated close relations with Bolivia and Ecuador, and continued all-round cooperation with Venezuela. Newly elected President of Venezuela Nicolás Maduro visited Belarus in early July. Minsk welcomed Bolivian leader Evo Morales in September and Ecuadorian President Rafael Correa Delgado in late October. In 2012, a delegation of Belarusian ranking officials went on tour to Latin America visiting Cuba, Venezuela and Ecuador.

Before the visit to Minsk, Bolivian President Evo Morales met with Alexander Lukashenko, who went to Caracas in March 2013 to pay last respects to passed Hugo Chavez<sup>2</sup>. Lukashenko declared his intention to establish “the same relations with Bolivia” as he maintained with Venezuela. Meanwhile, Belarusian-Venezuelan relations definitely needed a new impetus: in 2013, Belarusian exports to Venezuela shrank three-fold to USD 83 million against USD 254 million in 2012. Trying to revive fading cooperation, Minsk and Caracas worked out a new road map.

A decline in the price of potash fertilizers in late 2013 led to a considerable drop in Belarusian exports to Brazil (from USD 802 million in 2012 to USD 519 million in 2013). An official delegation of Belarus formed of representatives of industrial enterprises visited Brazil in November hoping to diversify Belarusian exports to this country in every possible way (in 2012, potash fertilizers constituted 99%)<sup>3</sup>. The sides considered a project on assembly of Belarusian tractors and signed an agreement on abolition of short-term visas. Belarus thus closed a consulate general in Rio de Janeiro in autumn 2013 to optimize the structure of government agencies<sup>4</sup>.

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<sup>2</sup> During the visit, Alexander Lukashenko also held a meeting with the leaders of Ecuador, Cuba and Haiti.

<sup>3</sup> Detailed analysis of the composition of Belarusian exports to developing countries, see Yeliseyeu A. Belarus and developing countries: Faulty single-commodity export orientation // *Belarusian Yearbook 2012*. Minsk, 2013. P. 222–128. Graphical description of the composition of trade between Belarus and developing countries, see Yeliseyeu A. Belarus and developing countries: trade specifics (special study by BISS) // [Electronic resource] Mode of access: <http://belinstitute.eu/ru/node/1659>.

<sup>4</sup> Resolution by the Council of Ministers of the Republic of Belarus No.803 on the closing of the consulate general of the Republic of Belarus in Rio de Janeiro (Federative Republic of Brazil) of September 11, 2013, see <http://pravo.by/main.aspx?guid=3871&p0=C21300803&p1=1>.

**Southeast Asia:** Belarus put much effort into development of relations with several countries in the region, especially Indonesia, Vietnam and Laos. In late June and early July, President of Laos Choummaly Sayasone visited Belarus. Belarusian ministerial delegations went to Vietnam, Cambodia, Laos, Mongolia, Myanmar, and Sri Lanka where they signed dozens of agreements. The Belarusian Foreign Ministry explains this activity referring to pragmatic interests, specifically the outlined “shift of the global center of trade and investment to rapidly developing countries in Asia.”<sup>5</sup>

The visit of a delegation headed by Alexander Lukashenko to Indonesia and Singapore in March was one of the most important events in relations between Belarus and countries of the region. Alongside potash fertilizers, Belarus supplies Indonesia with engineering and defense products. When accepting an Indonesian delegation in May 2013, Lukashenko said that Belarus hoped to “create a trade base in Indonesia to approach markets in Southeast Asia.” Although Singapore is recognized as a developed country, it is contextually important that it hosts a number of regional offices of Belarus’ leading enterprises, such as the Belarusian Potash Company, *Belshina* tire manufacturer and the Belarusian Automobile Plant (BelAZ), targeted at developing countries of South and Southeast Asia<sup>6</sup>.

**South Asia:** A delegation of Bangladesh headed by Prime Minister Sheikh Hasina visited Belarus in July. Sri Lankan President Mahinda Rajapaksa arrived in August. Belarus, Sri Lanka, India and Bangladesh exchanged interdepartmental visits. At the same time, no progress in construction of five joint plants in Bangladesh and India was reported in 2012. Moreover, a visit of the president of India to Belarus announced at the end of the year did not take place. India repeatedly expressed interest in acquiring Belaruskali stocks. The parties probably need more time now to analyze the situation in the potash market after the

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<sup>5</sup> Review of foreign policy of the Republic of Belarus and activities of the Ministry of Foreign Affairs in 2013, see [http://lithuania.mfa.gov.by/docs/review\\_mfa\\_2013.pdf](http://lithuania.mfa.gov.by/docs/review_mfa_2013.pdf).

<sup>6</sup> Minsk also expressed interest in attracting investments from Singapore and the possibility to float Belarusian bonds in the financial market of Singapore.

Belaruskali-Uralkali potash cartel break-up. As a result of a fall in potash prices at the end of the year under review, Belarus' exports to India sharply declined from USD 266 million in 2012 to 170 million in 2013.

**Middle East:** Minsk and Tehran made no headway in political and economic relations despite a series of interdepartmental meetings held throughout the year and communication between the foreign ministers of Belarus and Iran during United Nations events in New York. The project on assembly of *Samand* cars in Belarus started in 2007 but soon stalled and did not gain momentum in 2013. The launch of the first phase of the transport and logistics complex *Prilesye* built by Iranian Cason was probably the only success in bilateral economic cooperation.

Belarus' relations with several Arab states of the Persian Gulf (especially Qatar and the UAE), and also with Turkey were developing quite actively over the past few years against the background of underwhelming political and economic relations with Iran. The foreign ministers of Belarus and Turkey exchanged visits in 2013. In March, they entered into an agreement on visa-free regulations and readmission. The intention to negotiate a free trade zone between Syria and the Customs Union<sup>7</sup> voiced in 2012 could not but agitate Ankara. Throughout the year, Belarus and Turkey discussed regional developments, including the situation in Syria and Iraq, more than once.

**Africa:** There was no breakthrough in political, diplomatic and economic relations with the African region, although Belarus expanded its diplomatic presence on the continent. An embassy in Ethiopia opened in 2013. The Belarusian ambassador to Egypt presented his credentials to the president of the Sudan, and ambassadors to Nigeria and the Republic of South Africa to the leaders of Ghana and Mozambique. A Belarusian delegation visited Gabon and Equatorial Guinea. Belarus continued cooperating with Nigeria, which is regarded as a foothold in West Africa.

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<sup>7</sup> See: Why Syria wants a free trade zone with the Customs Union // *Our Opinion* [Electronic resource] Mode of access: <http://nmnby.eu/news/analytics/5078.html>.

**China:** Political relations with China were formally taken to a higher level of comprehensive strategic partnership. Benefits of trade and investment cooperation with China are quite unobvious, though. The China-Belarus Industrial Park was not given a qualitative impetus. The deficit of Belarus' trade with China in 2013 increased even more<sup>8</sup>.

### **Looking for innovative forms of economic cooperation**

The Belarusian leadership realizes the futility of boosting exports to developing countries based on old schemes due to the lack of real opportunities to expand it by adding new commodity items. Therefore, in 2013, Minsk stated the intention to prioritize new, more flexible types of trade and economic cooperation, like those below.

**Joint ventures:** During a meeting with an Indian delegation in May, Alexander Lukashenko said that the parties "should have switched from simple commodity exchanges to cooperation ties and joint ventures here and there, in India." The media reported that Belarus negotiated trilateral projects with Venezuela and Bolivia totaling USD 2 to 3 billion and joint participation of Belarus and Vietnam in a tender on construction of potash fertilizer production facilities in Laos. During an official visit to Mongolia in September, Prime Minister of Belarus Mikhail Myasnikovich spoke about the plan to "launch new enterprises with Mongolian colleagues and generate added value."

**Export crediting and leasing:** The use of these trading tools was discussed during meetings with the leaders of Indonesia and Sri Lanka. As concerns Sri Lanka, Belarus has expressed interest in setting up joint ventures and opening head offices of Belarusian companies to trade with the countries of South and Southeast Asia given the favorable tax system in the country. In 2013, Belarus gave Bangladesh USD 50 million worth export

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<sup>8</sup> More information about the specifics of Belarusian-Chinese relations is available here: Yeliseyeu, *Belarus and developing countries: Faulty single-commodity export orientation*, op. cit.

commodity loans to supply road-building machinery and municipal vehicles.

***Stronger technological cooperation:*** In 2013, Belarus and Laos signed a memorandum of cooperation to establish a joint mineral prospecting laboratory in Laos, which possesses considerable potash reserves, but needs help to step up production processes. Belarus also agreed to cooperate with Ecuador in prospecting and extraction of oil, construction of power lines, and joint production of engineering goods and agricultural machinery.

Belarus has been developing industrial and technological cooperation with Vietnam and Turkey. In 2013, the Belarusian-Turkish working group on industrial and technological cooperation held its first meeting to consider the creation of a joint industrial area.

### **Fruitless negotiations on free trade zones**

The objective to commence negotiations on free trade zones between the EurAsEC Customs Union and a number of developing countries (Vietnam, Syria, Mongolia, and Egypt) was set back in 2012. As many as *four* rounds of talks had been held with Vietnam by the end of 2013, but the date of agreement has not been announced yet.

At a session of the Supreme Eurasian Economic Council in October, Russian President Vladimir Putin said that India's interest to negotiations with the Customs Union should have been "taken very seriously."<sup>9</sup> Given that exports of industrial goods from the Customs Union to South and Southeast Asia is relatively insignificant, and that a reduction in customs duties on light industry products in the region will hit manufacturers, it is very unlikely that a swift progress in launching a free trade zone will be achieved. The talks on free trade zones with Mongolia,

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<sup>9</sup> Turkey wants to join the Customs Union, India asks for a free trade zone with the CU // *Yezhednevnik*. 2013. October 24. [Electronic resource] Mode of access: [http://www.ej.by/news/economy/2013/10/24/turtsiya\\_i\\_indiya\\_hotyat\\_vstupit\\_v\\_tamozhennyj\\_soyuz.html](http://www.ej.by/news/economy/2013/10/24/turtsiya_i_indiya_hotyat_vstupit_v_tamozhennyj_soyuz.html).

Egypt and Syria did not give much hope for a breakthrough in 2013 either<sup>10</sup>.

## Conclusion

In 2013, Belarus markedly intensified political and diplomatic contacts with Turkey, a number of countries of Latin America (Bolivia, Ecuador and Venezuela) and South and Southeast Asia (Indonesia, Vietnam, Laos, India and Bangladesh). At the same time, political and economic cooperation with Iran, Syria and North African countries remains stagnant due to the complicated political and economic situation there.

Introduction of innovative forms of trade and economic cooperation is an adequate step taken by the Belarusian leadership, but tangible results of this strategy are unlikely to be obtained soon. Belarus did not commission any promising assembly plants or joint ventures in Venezuela after a series of successful projects implemented in the past few years.

The Belaruskali-Uralkali breakup caused world prices for potash fertilizers to drop and intensified competition between potash producers in the third world markets. The potash price drop together with an inability (or reluctance with a view to follow the price-before-volumes strategy) of Belaruskali to scale up sales in the 4<sup>th</sup> quarter of 2013 have resulted in a decline in the value of the Belarusian potash export to many developing countries.

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<sup>10</sup> The progress in this area has also stalled as concerns the Customs Union and developed countries. Despite numerous rounds of negotiations between the CU and New Zealand, the agreement date has not been set yet. European Free Trade Association members (Norway, Switzerland, Iceland, and Liechtenstein) suspended negotiations on a free trade zone with the Customs Union in March 2014 due to the events in Crimea.



**SOCIETY**



## **THIRD SECTOR: SORTING OUT RELATIONS AND CLARIFYING POSITIONS**

**Irina Dunaeva**

### **Summary**

The law on nongovernmental organizations enacted in 2013 pretty much determined the third sector's agenda. Despite a certain progress in the mutual interaction between the government and civil society organizations, the authorities still pursue a restrictive policy towards the third sector.

The press highlighted a split in the National Platform of the Eastern Partnership Civil Society Forum (National Platform) caused by divergent views on the role of civil society. Against the background of marginalization of a large part of nonprofit organizations (NPOs) and the government's reluctance to cooperate with them, civil society faces the risk of losing the status of a privileged partner of the European Union, which leads to an identity crisis within the organizations united by the National Platform.

### **Trends:**

- NPOs actively use the Internet to communicate with the government and Europe in many respects because the dialogue with the authorities has been fruitless for a very long time;
- Opinions on the role of civil society in the dialogue with the authorities and Europe are increasingly confronting;
- Strategies offered by National Platform members still lack creative thinking, as sorting out relations and clarifying positions take all the steam there is.

### **Size and structure of the third sector**

According to the official statistics provided by the Ministry of Justice of Belarus, in 2013<sup>1</sup>, the number of registered nongovernmental organizations increased very slightly (they were 2,402 in 2011, 2,477 in 2012, and 2,521 in 2013) mostly owing to sports (595, 626 and 649, respectively) and youth NGOs (234, 248 and 256). The official statistics however do not give an exact number of NPOs and third sector entities in Belarus. Firstly, more and more organizations tend to seek registration as nonprofit institutions, or registration outside Belarus.

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<sup>1</sup> See [http://minjust.by/ru/site\\_menu/news?id=1512](http://minjust.by/ru/site_menu/news?id=1512).

It is hard to say how many they are in Lithuania, Poland, the Czech Republic or somewhere else because registration there is ideology-free.

Secondly, the classification with respect to lines of activity suggested by the Ministry of Justice does not give a clear picture of what this or that organization is doing. On the one hand, this uncertainty helps some of them to survive. On the other hand, real third sector institutions are often mixed with state-controlled ones purposefully established by the authorities, which contradict the basic principle of free and voluntary self-organization. For example, the Belarusian Republican Youth Union and the Young Pioneer Organization are listed as “youth organizations, including children’s ones.” In such a way, the statistics contributes to creation of a nice picture of developed civil society.

Besides, many experts insist that the actual number of NPOs is smaller than commonly believed. According to an NGO activity analysis made by Pyotr Kuznetsov, leader of the Gomel Democratic Forum, “only 52 out of 200 organizations can be called “nominally alive.”<sup>2</sup> The situation is likely to be more or less the same in other regions. The information about liquidation of NPOs, reasons of their liquidation, or registration denials remains classified, which also camouflages the increasingly alarming situation in the third sector of Belarus.

Experts and public activists agree that there were no high-profile events in 2013. The government’s restrictive policy towards the third sector did not change either. Fewer organizations were given office rent discounts (coefficient at 0.1 of the base rate) from 451 to 195<sup>3</sup>, which put many legal organizations on the brink of survival. Opinions different from the official point of view get those who voice them publicly into trouble. Demonstrations, pickets and isolated spontaneous protest actions are regarded as breaking the law on mass events even if they are sanctioned by the authorities (for example, many were detained without excuse during the celebration of the Freedom Day on

<sup>2</sup> ‘Alive’ NPOs get fewer in Belarusian regions // [Electronic resource] Mode of access: <http://eurobelarus.info/news/society/2013/10/09/v-regionah-belarusi-zhivyh-npo-stanovitsya-vse-men-she.html>.

<sup>3</sup> See <http://www.government.by/ru/solutions/2021>.

March 25, or Chernobyl Shliakh on April 26). It should be noted that the number of politically motivated detentions and arrests has been steadily declining. According to the Human Rights Center Viasna, 222 detentions and 100 arrests were reported in 2012, and 153 and 49, respectively, in 2013<sup>4</sup>.

### **Attempts to dialogue with the government: legislative initiatives**

Amendments to the law on nongovernmental organizations<sup>5</sup> did not mitigate restrictions on grassroots initiatives. The history of the preparation and debates on the amendments say almost as much about their essence, as their content. The government demonstrated a biased, negative attitude and unwillingness to treat civil society as a full partner in September 2013 when proposals on the bill made by the Legal Transformation Center were rejected as inappropriate. Nevertheless, civil society organizations still attempted to fight for their interests throughout the year.

In July, twenty-five NPOs addressed the parliament and the Council of Ministers of Belarus requesting a hearing to improve the legal framework for their formation and operations. “Irrelevant” was the answer received on July 25. An attempt of legal experts of the third sector to meet with parliamentarians in August was met with no success.

On October 9, the Legal Initiatives Center and the Assembly of Pro-Democratic NGOs initiated a public hearing on the bill. Experts came to the conclusion that the new version of the law does not stimulate development of civil society, does not resolve problems with registration of NPOs and arbitrariness of officials, and limits domestic and foreign funding.

The law still prohibits acting on behalf of unregistered organizations. Section 193.1 of the Criminal Code establishes criminal liability for creation and participation in activities of unregistered organizations. Although no one has been actually

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<sup>4</sup> See <http://spring96.org/ru/publications>.

<sup>5</sup> The law passed on October 2, 2013 and endorsed by the president on November 4, 2013 took effect on February 20, 2014.

prosecuted for that (just five official warnings in 2013), the threat still restrains civic engagement.

Democratic parties and organizations submitted their proposals on amendments to the laws on elections and referendums, which were ignored again: on October 2, the House of Representatives passed the bill, which does not guarantee free and fair elections<sup>6</sup>.

In January, the Belarusian Association of Journalists (BAJ) sent proposals on amendments to the bill on the mass media aimed at securing freedom of the media to the parliamentary commission on human rights, national relations and the mass media. The proposals prioritized cancellation of obligatory permits for registration of media outlets and regulation of electronic media, which leads to the total control over the Internet, as well as restrictions on activities of independent journalists. Parliamentarians took some of the amendments into account when passing the bill in the second reading on June 24. In particular, they crossed out the requirement for re-registration in case of a changed legal address. However, independent journalists say that those adjustments had little effect on the general anti-democratic orientation of the law<sup>7</sup>.

Next time, civil society attempted to get itself noticed when the Public Bologna Committee proposed amendments to the laws on education<sup>8</sup>. The PBC offered a new version of the *Education Code* thus consolidating student advocacy groups, employers, and other stakeholders for more profound involvement of society in education management. Parliamentary hearings on amendments to the *Education Code* held on December 4, 2013 showed that decentralization of education management was supported not only by civil society, but also by all participants in

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<sup>6</sup> Review "Freedom of Associations and the Legal Status of Nonprofit Organizations in Belarus" («Свабода асацыяцыяў і прававы стан некамерцыйных арганізацыяў у Беларусі»), 2013, see <http://www.lawtrend.org/ru/content/about/news/Svaboda-asaciasii-v-Belarusi-2013-obzor/>

<sup>7</sup> Parliamentarians took several proposals made by the Belarusian Association of Journalists, which, however, did not change the essence of the law on the mass media. See <http://baj.by/be/node/9579>.

<sup>8</sup> Education Code. New Version, <http://bolognaby.org/?p=1028>.

the educational process. Government agencies however proved to be not ready for a real reform in this area.

So, the attempts to call attention to the perspective of the legal rules established for civil society and to publicly discuss and make use of amendments, which bring the laws to conformity with the Constitution, can hardly be regarded as effective. The authorities do not openly refuse to talk. They more likely sidestep the issue and only hear proposals, which do not fundamentally alter the essence of the laws.

Local authorities avoid taking responsibility for making uncomfortable decisions, which may irritate higher-ups. They are very cautious when communicating with NPOs and prefer to prohibit grassroots initiatives to be on the safe side. Cooperation between local authorities and NPOs is maintained on the level of personal contacts and only concerns politically neutral areas, such as environment, business development, ecotourism, etc.<sup>9</sup>, although all problems are politicized by the very fact of civil society involvement.

### **Revaluation of the Internet activity**

In the absence of freedom of the media and a public discourse on crucial social issues, the work done by NGOs goes unnoticed by most people. Only organizers and participants are usually aware of local actions (pickets, seminars, aid programs, etc.). Pro-democratic and human rights NGOs are rarely mentioned on television or in newspapers, or, if they are, the attitude is mostly negative. As never before, the life of NGOs is concentrated within the groups of persons who have the same position, or on the Internet, which has remained the prime means to make a public statement. Since street actions are almost always met with fierce resistance of the authorities, the value of the cyberspace for formation and manifestation of a civic position has raised manifold. Last year's online activism of NGOs was particularly heightened. They posted petitions, appeals, demands, letters of support and statements on a wide range of political and social problems, such as the release of political prisoners, the attitude

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<sup>9</sup> See the monitoring by the Centre for European Transformation.

towards the death penalty in Belarus, deployment of Russian air force units, landscaped areas clearance, etc. Although all organizations have their own websites, Internet users not involved in the third sector's life can get there only incidentally. The Internet basically responds to search requests, which leaves NGOs marginalized.

Internet opportunities, which might be used to induce civic engagement, were discussed during the conference 'Civil Society in Belarus in 2013' held on June 14-15 in Warsaw under the auspices of the Council of Europe. The euphoria about possible protest surges like the Revolution through Social Networks of 2011-2012 has evaporated. The potential of the Internet activism is mostly estimated in a low key today. Skeptics say that the online activity cannot substitute for real actions. Moreover, it only weakens the real activity being a kind of emigration to the virtual world.

### **Dissociation of the third sector and dialogue with Europe**

In 2013, Belarusian civil society organizations continued debates on the role of NGOs in the political process, their influence on social development, interaction with the authorities, institutions and initiatives of the European Union, and joint action strategies. The content of the discussions was largely determined by disadvantageous conditions for development and expansion of the scope of NGOs' activities, and, accordingly, the increasing competition among them.

The debates on centralization of management of the National Platform of the Eastern Partnership Civil Society Forum, which unites around 60 third sector entities, stood out and were extensively covered by the independent media<sup>10</sup>. Heated discussions among the National Platform members showed that the third sector lacks unity. Opposition members of the National

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<sup>10</sup> Position of the National Platform of the Eastern Partnership Civil Society Forum on development of the European Dialogue on Modernization, see <http://eurobelarus.info/news/policy/2013/09/25/pozitsiya-natsional-noy-platforny-grazhdanskogo-obschestva-otnositel-no-razvitiya-edm.html>.



Platform (the Belarusian Institute for Strategic Studies, the Brussels-based Office for a Democratic Belarus, the Assembly of NGOs, and the Belarusian Association of Journalists among them), which have become less active as National Platform stakeholders, disagree with the strategy proposed by EuroBelarus, which, in turn, has pulled out of the House of Mutual Understanding initiative of the Office for a Democratic Belarus and the Minsk-based Office for European Expertise and Communication.

## **Conclusion**

The government still has no interest in supporting grassroots initiatives and public examination of bills. The government's policy towards the third sector is generally restrictive, and the situation was not remedied by the new law on public associations in any way.

However, some positive developments in relations between the state and third sector organizations have been outlined in 2013, e. g. introduction of a state order for social services, or the law on cruelty to animals as a result of a public campaign.

One should not, however, expect that the government policy will change significantly. Nevertheless, stepped up cooperation to address politically neutral questions is still possible.

In 2013, debates on the role of civil society and interaction between third sector organizations within the National Platform have shattered hopes to use the National Platform to consolidate civil society.

## TWO PARTY COALITIONS: NEW CONFIGURATION OF THE OPPOSITION

**Yury Chavusau**

### **Summary**

The year 2013 became a year of summarizing the results of the parliamentary elections of 2012 and further regrouping of the oppositional structures. By the results of the parliamentary campaign the authorities made amendments to the Election Code and changed legislation on political parties. During 2013, two coalitions formed within the opposition – *Narodny referendum* ('Popular Referendum') and *Talaka* (in Belarusian *talaka* means 'cooperative work, mutual aid'). These coalitions position themselves as long-term associations, within them preparation for the presidential election of 2015 will be organized. Formation of the oppositional coalitions inside the country influenced the trend of reducing influence of the emigration structures. This factor affected evolution of the rhetoric of the oppositional activists: issues of economic policy, necessity of reforms, democratization of the election legislation and threats to the sovereignty came to the foreground. These topics became elements of the election platforms of the oppositional parties in the local councils election campaign.

### **Trends:**

- Recurrent changes to the legislation on elections and political parties are aimed at reducing chances of the opposition;
- The theme of boycott seized to be in the focus of attention of the oppositional parties;
- *Popular Referendum* and *Talaka* promise to be key players in the preparatory stage for the presidential election of 2015;
- The influence of emigration structures of the Belarusian opposition is decreasing.

### **Changes in the regulations on political parties and elections**

As of January 1, 2014 there were 1,057 organizational structures of parties, which means that during 2013 36 new divisions of political parties were registered (as of January 1, 2013 there were 1,021 organizations). In September 2013, the Ministry of Justice for the fifth time denied registration to the Belarusian Communist Party of Workers. The reason for the denial was

legal violations during the nomination of candidates to the party congress. The neo-communists have been trying to achieve legal status since 2009.

The total number of the political parties has not changed – currently there are 15 registered parties, and the last successful attempt of registration was in 2000, when the Conservative Christian Party of the Belarusian Popular Front (CChP-BPF) was registered.

Passed in the second reading on October 2, 2013 and signed by the president on October 4 was the law *On amendments and changes to the laws of the Republic of Belarus on political parties and other public associations*. This law came into force on February 20, 2014. It should be noted that the legislation on political parties has been very unstable: since 1999 the law *On political parties* has been changed 11 times, save in 2000, 2002, 2004, 2006, and 2012.

According to the new law, the government is to establish a national information resource for the unified system of registration of public associations and political parties. According to the Ministry of Justice, a number of its departments is going to be involved in this work, and the public will have access only to part of the stored data. The law has a new norm that a public association can be converted into a political party according to an order set by the regulations of the Republic of Belarus. Earlier legislation did not prohibit turning a public association into a political party.

The law stipulates that a public association and its legal persons are not eligible to any direct or indirect financial funding from abroad six months before the decision on transforming into a political party. Observers pointed out that the legal mechanism of transforming a public association into a political party was developed with the view of establishing a party of the ruling power on the basis of the public association *Belaya Rus* ('White Ruthenia'). On April 30, 2013 ordinance No. 327 limited by more than two times (from 451 to 195 organizations) the list of public associations eligible to the reduced rate 0.1 for tenancy.

On November 25, 2013, the Election Code was amended by another law. This bill had been developed since late 2012 (immediately after the parliamentary elections), but its contents

had been kept secret until September 2013 both from the public and the core international organization – the OSCE Office for Democratic Institutions and Human Rights (ODIHR). The bill of amendments to the Election Code<sup>1</sup> elaborated by the opposition was ignored by the state authorities, so were the demands to organize public discussions of the bill.

The majority of the changes are aimed at reducing election financing (less budgetary financing for campaigning together with an increased number of options for establishing election funds) and eliminating the loopholes that the opposition used to turn to during election campaigns (e.g. the introduced ban on campaigning for ignoring the elections). Some amendments to the Election Code were tested during the elections to local councils of deputies of the 27<sup>th</sup> convocation on March 23, 2014. Others, e. g. the permit to establish election funds during registration of action groups, will be tested for the first time during the next presidential election.

## Political agenda

The key discussion of 2012 regarding the tactical actions of the opposition did not continue in 2013. The pro-boycott forces failed to unite their efforts based on the common vision of non-participation in the parliamentary elections. The CChP-BPF, *European Belarus*, *Belarusian Movement*, some civil entities remain uncoordinated and separated. Before the local elections 2014 there was no significant campaigning for non-participation, and the reason seems to be not the ban introduced into the Election Code.

From the most topical issues for the opposition in 2011–2012, in 2013 the only discussions in the media were those of release of political prisoners and necessity to develop the common format of nominating the joint oppositional candidate for the presidential election in 2015. The competing suggestions were the option of primaries (suggested by the United Civic Party

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<sup>1</sup> The bill *On changes and amendments to the laws of the Republic of Belarus on elections and referenda* was prepared by the BPF Party, the Movement *For Freedom*, the campaign *Tell the Truth*, the party 'A Just World', the Belarusian Green Party; see <http://narodny.org/?p=4646>.

(UCP), backed by BChD and entities of *Talaka* coalition) and a congress of democratic forces (suggested by the BPF Party, backed by the BChD and entities of the coalition *Popular Referendum*). Besides the issues of nominating the joint candidate and potential nominees for the presidential candidate, this block of issues also includes the issues of the future Ploshcha (*Belarusian Maidan*) and the necessity to fight for free elections.

The political agenda of the opposition in 2013 witnessed an increase of communication on social and economic, as well as program issues. The Belarusian Christian Democracy continued its campaign for family values and against abortion, backed the campaign criticizing state policy on fighting swine fever and the campaign against cruel treatment of animals. For the UCP the priority campaign was against increasing taxes and introduction of various new duties (including a traffic permit for cars). In 2013, the BPF Party campaigned against the introduction of a new mechanism of owner's control in joint stock ventures that infringed upon minority stockholders' rights for the benefit of state interference with the management of companies.

During 2013, the issue of protecting the country's sovereignty became more and more topical. Starting in the spring of 2013, when first information appeared that Russia might deploy an air force base on the territory of Belarus, this topic became leading for the BPF Party. As far as the deployment of Russian planes became reality, other parties got involved, too. The issue of protection from foreign intrusion became acute in November 2013, when, being pressed by Russia, the Ukrainian government renounced signing the agreement on association with the EU, which triggered mass protests in the country. During this crisis practically all oppositional forces expressed their stance toward its development, many political leaders personally visited the sites of protests (heads of the Movement *For Freedom*, the BPF Party, the campaign *Tell the Truth*, the UCP spoke at Euromaidan).

It should be noted that when the campaigning for the election to local councils started, the political parties staked on nation-wide campaigns of a general character—related to the general political and not local issues: the BChD focused on the campaign against excessive alcohol consumption, the UCP

gathered signatures for the resignation of the government, the BPF Party campaigned for protection of sovereignty and against Russian military bases.

### **Formation of two oppositional coalitions**

After the parliamentary campaign in 2012 the opposition was extremely fragmented. The coordination structures (the so-called *The Six*) virtually stopped functioning, during the parliamentary elections new associations were not established. Nevertheless, during 2013, an initially situational, then strategic, partnership within the informal association the Movement *For Freedom* – the campaign *Tell the Truth* – the BPF Party started developing into a fully-fledged coalition. Despite having no agreement on tactics during the parliamentary election, these organizations managed to build trust in mutual relations. On this ground in May 2013 the three political entities announced a common initiative called *Popular Referendum*, which later was joined by the Belarusian Social Democratic Party (Assembly) and the Party of Freedom and Progress, as well as several regional public initiatives.

The declared goal of the *Popular Referendum* was to gather signatures for the referendum on the most crucial social issues. Although the initiators of the campaign cherish no illusion of the possibility for a real referendum in Belarusian reality they declare the determination to gather so many signatures that the authorities would not be able to ignore. During the summer of 2013 representatives of the new initiatives visited tens of Belarusian cities and towns to determine the most burning social issues. The information collected during these visits was analyzed by the experts and they formulated six questions for the gathering of signatures:

1. Do you agree that public health and educational institutions should provide free services for the citizens of Belarus?
2. Do you agree that heads of executive councils of towns, districts, and regions should be elected by the citizens by direct vote?
3. Do you support economic integration, association and visa-free area with the European Union?

4. Do you agree that to secure the neutral status of Belarus, any deployment of foreign military objects, or nuclear weapons, should be banned and Belarusian soldiers should not serve abroad?

5. Do you agree that one person cannot take the position of the president for more than 2 terms?

6. Do you agree that money received from the projected privatization, should be directed, in the first place, to compensate deposits lost during the devaluation in 2011 and to create new jobs?

Participants of the *Popular Referendum* initiative declared their partnership to be long-term, including the next presidential and parliamentary elections. The *Popular Referendum* suggests a 'congress of democratic forces' as a mechanism of nominating a joint presidential candidate from the opposition. Although the mechanism of the new initiative was formulated quite vaguely, the popularity of the approach 'to talk to people' and the weight of the coalition members stimulated structuring in those circles of the opposition that had not joined this initiative.

On September 22, in Minsk an agreement was signed on establishing a new oppositional coalition—the Civil Alliance for Fair and Honest Elections for a Better Life *Talaka*. It included two parties (the UCP, the Belarusian United Left Party 'A Just World') and a number of organizing committees or non-registered entities (the organizing committee of the Party of Workers, the Belarusian Women's Party *Nadzieja*, the civil human rights association *For Fair Elections*, *Belarusian Movement* party, movement *Young Belarus*). The goal of the coalition is to change the authoritarian regime and restore the constitutional rights of the citizens, in the first place – the right for free election of the government and the country's course of development. As the creators of the new association see it, the authoritarian regime could be changed through free and fair elections.

The agreement also points out that differences in programs, corporate or personal ambitions must not hinder cooperative work of the coalition. Having the common vision of the agenda for changes, the politicians intend to establish a joint strategy, form a joint team and nominate a joint presidential candidate from the alliance.

In reality, the political activities of the *Popular Referendum* were more visible during the year than those of *Talaka*. The declared intention to hold primaries to define the joint presidential candidate from the opposition remained unrealized. During the local elections the structures of the *Popular Referendum* had common tactics for participation in the election and became initiators of the observation campaign *Right for Choice*, joined by the BChD and the Green Party.

### **Beginning of local elections: ‘business as usual’**

The alliance *Talaka* had no common tactics for the local elections: some *Talaka* structures called for a boycott, but its key participants – the UCP and the Left Party—decided to participate in the elections. Their initiated campaign *For Fair Elections* remained on paper.

The elections of the deputies of local councils of the 27<sup>th</sup> convocation took place on March 23, 2014. In 2013, two important stages of the election campaign took place—nomination of representatives to territorial and constituency election committees (TEC and CEC respectively). Already at the stage of forming TECs and CECs the election campaign took its usual way, which did not allow the oppositional parties and associations to participate in the work of election organizing bodies. The majority of the nominees from pro-regime associations were included into TECs and CECs, whereas the absolute majority of the oppositional and independent nominees were denied participation.

Compared to local elections 2010, the oppositional parties demonstrated the regular activity in nominating members to TECs and CECs. Whereas in 2010 five oppositional parties nominated 229 representatives, in 2013 there were 4 democratic parties with a total number of 227 nominees to TECs and CECs. At the same time, pro-regime parties and public associations, loyal to the ruling power, nominated more representatives.<sup>2</sup>

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<sup>2</sup> Here and further—information from ‘Progress report on formation of territorial and constituency election commissions’ by the observation campaign *Right for Choice*; see <http://narodny.org/?p=5074>.



5,438 people were nominated to 364 CECs, with 504 – from the political parties (9.3%). The members of the campaign *Right for Choice* nominated 56 people to CECs, and only three were included: Ihar Menshykau to Biarozaŭskaja CEC No.24 in Brest region, Lera Som—to Polack central CEC No. 25 in Viciebsk region, Aleksei Charniayeu – to Siennieskaja CEC No. 19 of Minsk region (all three from the BPF Party). The ratio of the *Right for Choice* representatives' inclusion into commissions accounted for 5.4%. Compare: during the parliamentary elections in 2008, 32% of the nominees from oppositional parties were included in the CECs; during the parliamentary election in 2012 – 24%.

As for pro-regime organizations, *Belaya Rus* had 96.5% of its members included in the CECs, the Belarusian Republican Youth Union (BRSM) – 89.5%, the Belarusian Women's Union – 98.2%, the Belarusian Public Organization of Veterans – 91.8%, the Communist Party of Belarus – 85.5%, the Republican Party of Labor and Justice – 71.9%, the Belarusian Agrarian Party – 77.8%, the Belarusian Social and Sports Party – 100%.

**Table 1. Representatives of the opposition in TECs and CECs compared to local elections in 2010**

Name of the party	2010 elections		2014 elections	
	Nominated to TECs (included)	Nominated to CECs (included)	Nominated to TECs (included)	Nominated to CECs (included)
Belarusian United Left Party 'A Just World'	21 (9)	104 (48)	23 (3)	97 (8)
Belarusian Social Democratic Party (Assembly)	8 (2)	10 (3)	2 (0)	8 (0)
United Civic Party	14 (4)	43 (14)	11 (1)	36 (0)
the BPF Party	6 (0)	22 (6)	6 (1)	44 (3)
Belarusian Social Democratic Assembly	—	1 (1)	—	—
<b>Total from opposition</b>	<b>49 (15)</b>	<b>180 (72)</b>	<b>42 (5)</b>	<b>185 (11)</b>
<b>Total nominated from opposition in TECs and CECs (included)</b>	<b>229 (87)</b>		<b>227 (16)</b>	

The number of representatives of the oppositional parties in TECs and CECs turned out to be even smaller than that of local elections in 2010: the total number of oppositional representative was 87 (15 of them – in TECs) in 2010, in 2013–16 (5 of them – in TECs). Therefore, despite that the number of nominated oppositional candidates was the same as in the local elections in 2010, the number of oppositional representatives in TECs fell by three times, in CECs – by 6.5 times.

## Conclusion

The coalitions of the oppositional parties and associations *Popular Referendum* and *Talaka*, which formed in 2013 and were tried out during local elections, are likely to be key subjects during preparation for the presidential election in 2015. During 2014 these two coalitions are likely to discuss the possible procedure of nominating a joint candidate and launching a process of nominating candidates from both coalitions. The chance of a compromise between them is small. At the same time, the absence of concord about the joint candidate might stimulate other structures, not participating in the two coalitions, to nominate their own candidates.

## **MEDIA: NO PREREQUISITES FOR DEVELOPMENT**

**Alena Artsiomenka**

### **Summary**

The traditional media still lead the field of mass communications despite the fact that the number of Internet users has been growing steadily. No prerequisites for qualitative development were created in 2013 either in the state-controlled or independent media segments. Commercialization of the media could contribute to greater independence, stronger competition or higher quality of the content. The authorities try to enhance cost-efficiency of the state-controlled media, but the actions taken, such as creation of print media holdings and restructuring of TV channels broadcasted by the Belarusian National TV and Radio Company (BTRC) are either not working or pretty much perfunctory. The past year saw a certain mitigation of pressure on the independent media probably because there were no significant political events or campaigns to cover. In general, the government's policy towards the media is mainly focused on taking Internet domains under control.

### **Trends:**

- Attempts to enhance cost-efficiency of the state-controlled media;
- Certain improvements in the field of freedom of speech;
- A search for new leverage to control and harass the independent media.

## **Maintaining the traditional media's predominance and benefits of the state-controlled media**

Traditional outlets retain leadership in the field of mass communications, including the news and general interest media. Although the number of Internet users has been steadily growing<sup>1</sup>, e-mail services, search engines and social networks are still in greater demand in Belarus than news websites, and the proportion of online news consumers is declining. For instance, in the 4<sup>th</sup> quarter of 2012, the average monthly audience coverage by *news.tut.by* was at 23.3%, while in October-December 2013,

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<sup>1</sup> In early 2013, the number of Internet users reached 8.4 million, including 7.5 million individuals; see [http://naviny.by/rubrics/computer/2013/05/17/ic\\_articles\\_128\\_181785/](http://naviny.by/rubrics/computer/2013/05/17/ic_articles_128_181785/)

it declined to 19.9%. The same happens with *naviny.by* (6.7% in late 2012 and only 5.0% at the end of 2013).<sup>2</sup>

Very few new traditional media outlets opened in 2012<sup>3</sup>. The registered printed media in Belarus totaled 1,555 outlets (1,145 private and 410 state-run) against 1,482 in 2012 (1,071 private and 411 state-run)<sup>4</sup>.

The independent and state media are still treated differently. According to the Belarusian Association of Journalists (BAJ), in 2013, the government allocated € 60 million or more to support controlled media outlets<sup>5</sup>. Alongside other advantages, state newspapers are sold through the national distributors *Belpochta* and *Belsoyuzpechat*, which not all independent periodicals have access to.

### Do you trust the following state and social institutions?

#### June 2013

	Trust	Do not trust	Do not know/ No answer	Index
Independent media	31.1	51.6	17.3	-0.205
State-controlled media	33.6	53.0	13.3	-0.194
President	48.9	40.6	10.5	0.083

#### June 2012

	Trust	Do not trust	Do not know/ No answer	Index
Independent media	35.5	48.1	16.4	-0.127
State-controlled media	32.4	58.4	9.2	-0.261
President	38.5	51.9	9.6	-0.135

<sup>2</sup> *GemiusAudience* research, October-December 2012, October-December 2013.

<sup>3</sup> Nesterenko A. Media: Conservative reform/migration // Belarusian Yearbook 2012. Minsk, 2013. P. 164.

<sup>4</sup> Information about the media and licensees, see <http://www.mininform.gov.by/smi/>

<sup>5</sup> Mass Media in Belarus. Electronic Bulletin, January-April 2013; see [http://baj.by/sites/default/files/monitoring\\_pdf/1-230-312013\\_mass\\_media\\_in\\_belarus\\_ru\\_0.pdf](http://baj.by/sites/default/files/monitoring_pdf/1-230-312013_mass_media_in_belarus_ru_0.pdf).

Competition killing advantages given to the state media however undermine their credibility to a certain extent. A last year's survey showed that in 2012, independent outlets enjoyed more trust than the president, which can be explained by the financial recession in 2011<sup>6</sup>. In 2013, the situation changed and the level of confidence in the president and state media went up considerably. According to the Independent Institute of Socio-Economic and Political Studies (IISEPS), in 2013, respondents trusted the state-run media more than independent outlets, which means that the media scene was recovering after the crisis.

### **State mass media: attempts to improve profitability**

Low commercialization has always been very typical of the Belarusian media market. Neither state nor independent outlets can be regarded as effective business projects, because most of them have to seek financial support from the government or foreign donors.

The state media fall under the general strategy of spending cuts. Attempts have been made to carry out a reform to increase their self sufficiency and profitability. In late 2012, President Lukashenko insisted on cutting government spending on TV channels. Creation of a media holding together with China was announced with a view to start making money in the mass communications market. Lukashenko spoke about it during a meeting with member of the Political Bureau of the Communist Party of China Liu Yunshan<sup>7</sup>. Joint projects with China are however unlikely to take off quickly, given that China is quite prudent when it comes to economic cooperation with Belarus.

The government has made certain adjustments seeking spending cuts and improved profitability of the media. Print media holdings were established in 2013 on the basis of *Zvyazda*

<sup>6</sup> Nesterenko, op. cit, p. 166–167.

<sup>7</sup> “Lukashenko suggested China creating a media group in Belarus” // [Electronic resource] Mode of access: <http://telegraf.by/2013/09/lukashenko-predlozil-kitayu-sozdat-v-belarusi-mediaholding>.

and *Sovetskaya Belorussia* newspapers. The merger officially aimed at synergizing and competitive recovery of the periodicals, which primarily implies a reduction in production costs and personnel retrenchment.

Making comments on the results of the merger, Information Minister Oleg Proleskovsky said that the media reform did not require extra expenditures and even lead to significant budget savings<sup>8</sup>. Notable is that cost saving has been always prioritized when the print media or public sector enterprises and organizations are talked about instead of trying to enhance the quality of their products and competitive performance.

In response to Lukashenko's demand to increase the attractiveness of television products, the BTRC set a course for segmentation and diversification of its TV package. The TV channel Lad, which covered sport and cultural events, was replaced by Belarus-3 and Belarus-5 channels with a specialized content. Belarus-4 with family shows is on the way.

The segmentation of TV channels and their specialization is a very popular strategy, which can result in a bigger commercial return. However, a content quality improvement and effective brand promotion is what the channels really need to attract viewers. Apparently, the channels have plenty of work to do to build up product awareness, win the audience, and make their names recognizable.

In order to earn profit and bring in investments, the traditional media should have adequate infrastructure to collect and analyze information about ratings, sell advertising spaces and air more commercials. This infrastructure in Belarus is coming apart instead of getting upgraded. Before 2012, there were a media panel of the *NOVAK* Axiometrical Research Laboratory, *GEVS* people meters and advertising monitoring by the International Agency of Social and Market Research *MASMI*. Only *GEVS* has remained by now. An ambitious project to create a unified system of rating data acquisition and monitoring of TV commercials failed as the *GFK Group*, which won the tender

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<sup>8</sup> O. Proleskovsky: *No shocks in creation of media holdings in Belarus* // [Electronic resource] Mode of access: [http://www.belta.by/ru/all\\_news/culture/Sozdanie-mediaxoldingov-v-Belarusi-proshlo-bez-potrjasenij--Proleskovskij\\_i\\_658683.html/](http://www.belta.by/ru/all_news/culture/Sozdanie-mediaxoldingov-v-Belarusi-proshlo-bez-potrjasenij--Proleskovskij_i_658683.html/)

in 2011, was not given proper financial guarantees from the Belarusian side and pulled out<sup>9</sup>.

### **Independent media segment: positive developments in the field of the freedom of speech**

The independent media's functioning in Belarus usually depends on political cycles. There were no election campaigns in 2013, which determined the authorities' conniving attitude to the media. Minsk was gradually improving relations with the European Union, maintaining active diplomatic contacts with EU institutions. The thaw was accompanied by some positive trends in the field of the freedom of speech, although the situation was still far from substantial improvements.

A number of independent journalists were no longer persecuted. Prominent publicists, who took part in protest actions after the presidential election in December 2010, such as Irina Khalip, Sergei Voznyak and Alexander Feduta, could breathe a sigh of relief (mostly because charges against them expired).

According to the KGB, Anton Suryapin, who posted photos of teddy bears with notes of support for the freedom of speech on the Internet in July 2012, was vindicated from the charge on June 28. Andrzej Poczobut, reporter of Polish *Gazeta Wyborcza* daily indicted of insulting the president, was released from penalty after his suspended sentence ended<sup>10</sup>.

It was informed a week after Poczobut was granted a discharge that ARCHE Pachatak magazine would not face charges and its blocked accounts were released. The magazine was included in the subscription catalog of *Belpochta* and it has been available on subscription since January 2014. The independent newspaper *Borisov News* is also back on the subscription catalog since June 2013 after a ban imposed before the 2006 presidential election, but it is still not available through the *Belsoyuzpechat* network.

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<sup>9</sup> GFK Group rejects the idea to launch people meters in Belarus // [Electronic resource] Mode of access: [http://marketing.by/main/market/company\\_news/0064100/](http://marketing.by/main/market/company_news/0064100/)

<sup>10</sup> *Mass Media in Belarus*, ref. source.

## New tools for control and pressure

The independent mass media are still under pressure, regardless of certain improvements. Non-state outlets feel more freedom and journalists are detained less frequently when there are no significant political events in the country. Nonetheless, *six* reporters were detained in Astravets during traditional actions in commemoration of the Chernobyl accident.

The police detained a number of journalists and public activists, who came to the Minsk railway station on October 19 to meet co-chairman of the organizing committee of the Belarusian Christian Democracy party Pavel Sevyarinets, who was released from a penitentiary. After the detention, leaders of the Belarusian Association of Journalists Zhanna Litvina and Andrei Bastunets asked Minsk Chief of Police Alexander Barsukov for a meeting, which was fruitless.

On June 24, the photo book *BELARUS PRESS PHOTO 2011* was officially pronounced extremist, which also displays the lack of progress in the field of the freedom of speech. The independent Logvinov Publishing House, which printed the book, was closed by a court ruling. The Ministry of Information revoked its license and the petition for a rehearing was dismissed. The accusation of extremism is used again to restrict the freedom of speech.

Tightened control over the Internet is another accelerating trend in this area. Deputy Information Minister Dmitry Shedko has announced plans to introduce obligatory registration of major news websites as media outlets. The purpose is to acquire additional regulatory tools to take web resources under control and terminate their registration<sup>11</sup>. Deputy Chairman of the Belarusian Association of Journalists Andrei Bastunets thus notes that it can have a positive effect, because, theoretically, online media reporters will be able to obtain accreditation like their colleagues from the traditional media.

The president instructed head of the Ideology Department of the Presidential Administration Vsevolod Yanchevski to coor-

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<sup>11</sup> Deputy Minister of Information: Most influential Internet resources in Belarus may be given the status of media outlets // [Electronic resource] Mode of access: <http://news.tut.by/society/375495.html>.



dinate activities of the online media and TV broadcasts (decree No. 531 on informatization of December 2, 2013<sup>12</sup>), which also indicates the authorities' intention to tighten control over web resources.

## Conclusion

The year 2013 did not see any preconditions for qualitative development of the state-controlled and independent media. Although commercialization of the state media has been the order of the day for quite a while, all measures taken in this direction are perfunctory. Besides, there are no conditions for development of an infrastructure, which is needed badly to increase the commercial and investment attractiveness of the media and the advertising market.

No conditions for development and improvement are seen in the field of the independent media either. The pressure on the media slightly decreased in 2013 because there were no significant political events or campaigns in the first place. The Belarusian authorities are seeking new leverage to control the media sector, including independent online news resources. It is however possible that another round of dialogue between official Minsk and the West can produce a short term positive effect on the freedom of speech in Belarus.

In general, the media situation still depends on the political climate. It is not in any way determined by media market laws, and nothing is going to change in the foreseeable future.

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<sup>12</sup> President of Belarus signs decree on informatization; see <http://www.pravo.by/main.aspx?guid=131223>.

## **INTERNET MANAGEMENT: IT IS TIME TO REVIEW PRIORITIES**

**Mikhail Doroshevich, Marina Sokolova**

### **Summary**

In 2013 the growth of the number of Internet users was due to the development of infrastructure of broadband Internet access, which is a priority of Internet policy. The necessary quality of access encounters obstacles connected with the state monopoly for telecommunication networks and external channels: with one of the lowest speeds of data transmission in the region, Internet access cost in Belarus is higher than in neighboring countries. Statements of representatives of state structures and acts adopted in 2013 testify to the general tendency of restrictive policy in the sphere of management and development of Internet use. In case the priorities concerning the Internet stay as they are one can forget about the termination of lagging behind in the sphere of effective use of the Internet.

### **Trends:**

- The government policy concerning the Internet has a restrictive character and is defined by bureaucratic priorities;
- Possibilities of extensive development of infrastructure are nearly exhausted;
- Preservation of monopoly for Internet access slows down the improvement of its quality as well as its reduction in price;
- Belarusian users still visit mainly foreign resources.

### **Interests of bureaucracy dominate over strategic planning**

In the Republic of Belarus the functions of management and use of infrastructure, resources and services of the Internet are carried out by: the president and the Council of Ministers, the Council for development of information society under the president (an advisory body on policy development in the sphere of information society), the Council of the independent regulator in the sphere of information and communication technologies under the Operational Analytical Center (OAC). According to some experts, the number of regulators is superfluous. Nevertheless in December 2013 one more regulating structure under

supervision of the Head ideological department of the Presidential Administration was created.

The abundance of centers with interrelated and often uncertain functions leads to duplication of coordination mechanisms and rule-making powers, which negatively influences the quality of the decisions made. The bureaucratization of the political process actually excludes the possibility of multilateral partnership. In particular, *the Council for development of information society* which theoretically could provide a coordinate development of decisions taking into account the interests of all parties concerned actually is just one more command and control mechanism. The absence of the private sector<sup>1</sup> and civil society associations in the Council is a serious obstacle for the development of effective policy.

It is not a surprise that in Belarus there are no policy documents defining the priorities of the development of the Internet. The acts that in a way raise 'some questions' in this sphere (e.g. presidential decrees *On measures for improvement of the use of a national segment of the Internet* (2010); *On the concept of national security of the Republic of Belarus* (2010); *On some questions of informatization* (2013), and also numerous resolutions of the Council of Ministers essentially do not change the situation.

At the legislative level the policy in the sphere of Internet management is regulated by legal acts: the laws *On information, informatization and information security*; *On population register*; *On Mass Media*; *On copyright and the adjacent rights*; *On the fight against terrorism*; *On counteraction to extremism*, and also by civil, administrative and criminal Codes of the Republic of Belarus<sup>2</sup> and by some other normative documents. Shortcomings of the law *On information, informatization and information security* noted by experts (including the changes made to the law in January 2014), the absence of special laws on the access to information and protection of personal information allow the conclusion that the process of formation of legislative grounds of state policy in this sphere is far from being completed.

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<sup>1</sup> Formally the private sector is represented by the deputy director of the State Institution "Administration of High-Tech Park", though the *Park* itself is a state organization.

<sup>2</sup> See: [www.pravo.by](http://www.pravo.by).

The agenda in the field of the use of Internet potential as in previous years includes such aspects as infrastructure development (telecommunication networks), administration of a national domain zone, creation of state Internet resources (electronic government, telemedicine, electronic education, etc.), development of 'national content' controlled by government institutions, regulation in the field of electronic business and electronic trading, access and content control. Issues of human rights and freedoms in the digital environment are eliminated from strategic documents in spite of the fact that the developers of the strategy refer to the international principles established by the Charter of the UN and decisions of the *World Summit on the Information Society*.

Though the number of successful initiatives in the field of the electronic government increases, the systematic effect is not obvious both to civil servants and to citizens and representatives of business.<sup>3</sup> The Ministry of Economics and the Ministry of Communications, which on a regular basis carry out monitoring of the quality and availability of electronic administrative procedures, do not inform citizens on the results of their researches. The independent monitoring of the online representation of information of governmental bodies organized by the Center of Legal Transformation showed that none of 45 republican executive authorities fulfill the legislation requirement concerning the information online placement: the maximum value of the coefficient of representation of information is 52%, and the average — 31%. The experts also pay attention to the fact that the rating of productivity of the Belarusian projects, estimated by UN Department on Economic and Social Problems, is lower than its average value across Eastern Europe.<sup>4</sup>

### **Ensuring Internet access**

The Belarusian government still did not develop a program to overcome digital inequality on the basis of providing free Internet access. Though the Ministry of Communications of Belarus declares that "destruction of the digital barrier between the village and the city" is one of the most important tasks, the launching in

<sup>3</sup> See: <http://it.tut.by/366732>.

<sup>4</sup> [http://naviny.by/rubrics/computer/2013/04/29/ic\\_articles\\_128\\_181627/](http://naviny.by/rubrics/computer/2013/04/29/ic_articles_128_181627/)

2013 of 163 nodes of paid collective access (as a rule, in *BelTeleKom* and *Belpochta* offices) can hardly be considered as a serious break in this sphere. The introduction of new technologies of Internet access is carried out mainly in Minsk and Minsk region. *BelTeleKom* and secondary providers do not plan to distribute the *Ethernet* and *PON* projects for rural areas, referring to the high cost of the technology. As a result, in 2013 the share of users in Minsk and Minsk region was 36% of all Internet users.

Positive tendencies concerning the overcoming of age inequality continue: the number of users who are over 55 increased – from 270,000 in 2012 to 405,653 in 2013. For the previous three years this group has been marked by the most significant growth. Among Internet users the share of people with secondary vocational education also increased – from 28% in 2012 to 48% in 2013. This tendency is however connected not with the purposeful policy of the government, but is a consequence of Internet penetration into everyday life. Representatives of business and civil society work actively to increase Internet literacy of users. The Belarusian association of social workers realizes the project ‘City University of the Third Age’ including programs for development of skills of working with information and communication technologies. The mobile operator MTS carries out the projects ‘To Internet all ages surrender’ and ‘Children on the Internet’.

However in the country there is no state program on the increase of computer literacy of citizens, there are no state projects of open education at the national level. As far as these directions are not included into the subprogram ‘Electronic training and development of human capital’ of the *National program of the accelerated development of services in the ICT sphere for 2011–2015*, it is obvious that in the nearest future there will be no essential changes in this sphere.

Various restrictions of the development of the Internet market lead to the fact that the greatest part of the Belarusian Internet users adheres to foreign resources whereas the government does not manage to stimulate activization of ‘creation of national content’. The most visited resources continue to be: *google.com* (67.0%), *mail.ru* (62.0%), *youtube.com* (56.4%), *vk.com* (56.2%), *yandex.by* (52.0%), *tut.by* (42.9%), *ru.wikipedia.org*

(37.9%), *odnoklassniki.ru* (29.8%), *onliner.by* (28.7%), and a Ukrainian video service called *megogo.net* (23.0%). Thus, the tendency of lagging of Belarusian resources in popularity in comparison to Russian ones also continues. As well as in 2012, only *tut.by* (the 6th position) and *onliner.by* (the 9th position) entered the top ten.

Statements of representatives of governmental institutions and acts adopted in 2013 testify to the general tendency of restrictive policy in the sphere of Internet management. The new edition of the law *On information, informatization and information security* contains prerequisites for obligatory registration of non-state information resources and systems (including electronic mass media). If earlier it was a question of registration on a voluntary basis, now the corresponding articles (24 and 26) contain the phrase “unless otherwise stipulated by acts of the Republic of Belarus”.<sup>5</sup>

The use of various technologies of supervision and censorship on the Internet increases<sup>6</sup>. Governmental structures continue to block certain resources. At the same time the principles according to which the so-called ‘black list’ of Internet resources is formed, remain unclear. In the legislation there are still no norms defining the order of decision making on blocking of sites that promote violence, cruelty and other acts forbidden by law. As a result the blocking is carried out without judgment, on the basis of internal decisions of officials of Operative-Analytical Center or the Belarusian State Telecommunications Inspection. There were cases of prosecution of founders of Internet resources and online content.<sup>7</sup>

Last year the increase in the number of Internet users was provided first of all due to the development of infrastructure of broadband Internet access, which is a priority in the policy

<sup>5</sup> The law of the Republic of Belarus *On information, informatization and information security* of 10.11.2008 No. 455-3. Changes and Amendments: The law of the Republic of Belarus of 04.01.2014 No. 102-3 // [Electronic resource]. Mode of access: <http://www.pravo.by/main.aspx?guid=3871&p2=2/1552>.

<sup>6</sup> <http://www.electroname.com/story/10593>.

<sup>7</sup> See: [http://naviny.by/rubrics/society/2013/12/27/ic\\_articles\\_116\\_184080/](http://naviny.by/rubrics/society/2013/12/27/ic_articles_116_184080/); <http://freeregion.info/1751-avtor-rolikov-o-maze-i-zhizni-kurasovschiny-osuzhden-na-7-sutok-aresta-za-necenzurnuyu-bran-v-video.html>.

concerning the Internet. During 2013 the number of Belarusian Internet users increased by 223 thousand people (the growth in a year is 4.8%). In December 2013 in Belarus there were 4,847 million (in 2012 – 4.62 million) users at the age of 15–74; the level of penetration of the Internet in the country was 65.7%. 83.12% of Belarusian users use the Internet every day (in 2012 this number was 80.0%). The main age group of users is 25–34 years (29.49%). More than half of households have a personal computer (55.0%, in 2012 – 46%) and Internet access (52.0%, in 2012 – 40.0%).

### Infrastructure development

In 2013 the main policy direction of *BelTeleKom* was the development of national infrastructure of telecommunications on the basis of broadband networks of data transmission. The priorities were: the construction of a multiservice network (288,154 users are connected); introduction of optical network technologies (xPON) and *Ethernet* (the increase in GPON users was 100,513 people); organizational preparation for creation and development of networks of mobile broadband access including the use of WIMAX and LTE technologies; construction of fiber-optical communication lines (2,786,684 km of lines were launched); modernization and development of networks of stationary broadband Internet access (ADSL); increase in capacity of external lock (in 2013 it grew by 100 Gbit/s compared with the previous year and was 450 Gbit/s).<sup>8</sup> The network of broadband access develops mainly in Minsk – 2.2 million out of 4.689 million ports.

### Types of Internet access, % of users

Type of access	2010	2012	2013
Broadband	52.4	69.68	70.78
Fixed location, dial-up	18.7	4.9	4.6
Mobile line (GPRS/EDGE/CDMA)	5.6	11.97	10.53
Other, I do not know	23.03	14.29	14.12

<sup>8</sup> See: <http://www.mpt.gov.by/ru/content/2592>; [http://www.mpt.gov.by/ru/new\\_page\\_5\\_6\\_15108/](http://www.mpt.gov.by/ru/new_page_5_6_15108/)

The attempts to launch infrastructure LTE which have been made since 2011 are still no success. Belarus considerably lags behind its neighbors regarding the number of Wi-Fi access points.<sup>9</sup> As of November 2012, there were 1300 Wi-Fi access points in the country, of which 699 in Minsk. Generally hot spots work in hotels, shopping centers, student dorms and higher education institutions. At the same time access to the wireless Internet is provided mainly for a fee.<sup>10</sup>

In 2013 the total number of ports of broadband access (3.59 million) exceeded the number of subscribers and users (2.6 million people), which testifies to the fact that the possibilities of extensive growth of infrastructure are close to exhaustion. Large providers exhausted their subscriber base and are reoriented to keeping the subscribers by providing better services and services in demand. However the ensuring of the necessary quality of access encounters obstacles connected with the state monopoly for telecommunication networks and external channels (that is actually the access to resources and services of the Internet).<sup>11</sup>

The data transmission speeds from the end user to the global network and loadings of data increased a little bit. In particular in 2012 Belarus lagged behind Lithuania sevenfold, in 2013 this figure decreased by 2 points. The data transmission speed in all neighboring countries, including Ukraine and Russia, is higher than in Belarus.<sup>12</sup> In comparison to 2012 the cost of a domain name increased – from USD 11 (2012) to USD 14 in 2013. Since May 2012 till October 2013 the number of domains registered in the zone *.by* increased from 55 to 93 thousand. The leaders of registration of domains are again Minsk and Minsk region which constitute 77% of all domain names in the *.by* zone.<sup>13</sup>

<sup>9</sup> <http://marketing.by/main/school/personally/0061304/>

<sup>10</sup> <http://www.kv.by/content/328363-besplatnyi-wi-fi-v-belarusi-chto-zachem-i-pochemu>

<sup>11</sup> <http://marketing.by/main/school/personally/0061304/>; <http://it.tut.by/374787>

<sup>12</sup> See: <http://marketing.by/main/school/personally/0061304/>

<sup>13</sup> [http://naviny.by/rubrics/computer/2013/10/10/ic\\_articles\\_128\\_183284](http://naviny.by/rubrics/computer/2013/10/10/ic_articles_128_183284).



## Conclusion

Despite some activation of the government in the sphere of the Internet (adoption of decrees, amendments to laws, creation of new coordinating structures), in 2013 all negative tendencies of previous years continued. The main reasons are connected with lacunas in basic documents — *Strategies of the development of the information society* and *The National program of development of electronic services*; with a restrictive nature of regulation of development and use of resources and services of the Internet; with the excessive and unproductive system of bodies of development and policy realization in the sphere of information technologies (which, in particular, does not include all the mechanisms of involvement of the interested parties); with the preservation of the state telecommunication monopoly. If the priorities concerning the Internet stay as they are, Belarus will keep lagging behind in the sphere of effective use of the Internet.

## **MANAGEMENT CRISIS IN EDUCATIONAL SYSTEM**

**Vladimir Dunaev**

### **Summary**

The recognition that the Belarusian educational system is unbalanced and that the quality of the human capital leaves much to be desired, is not new. Only recently, however, the authorities have started to discuss this openly, following independent experts. Last year showed that all attempts to optimize this sector and to increase the efficiency of educational expenditures just confirm the inability of the authorities to develop and carry out a balanced educational policy. The helplessness of the State in educational policy means a serious challenge for the existing authoritative model of management of the sector.

### **Trends:**

- Increased tension in education concerning the relations between various state institutions and interest groups, including the Ministry of Education, the Ministry of Labour and Social Protection, the managements of universities;
- Conservative interventions in education from a presidential chain of command;
- Aggravation of the systematic disproportions in education that do not lead to a real democratization of the management.

### **Key disproportions**

In Belarusian education the most remarkable feature of 2013 is a well coordinated criticism of the inner system imbalances. Independent experts and analysts have spoken about the crisis of the national educational system before that; the news is a large-scale involvement of the heads of various branches of government. Until now the myth about the originality and completeness of the national educational system allowed to speak only about some ‘final polishing’ of the details. Nowadays even one of the main creators of this myth — Anatoly Rubinov — applies the measures of developed countries to Belarusian education. According to him, in the republic there are nearly three specialists with the higher education per worker. “It is obviously an abnormal proportion. It doesn’t correspond to international experience. In

the developed countries this ratio depends on labor productivity: the higher the productivity is, the more specialists with higher education there are in relation to workers.”<sup>1</sup>

Reproaches to the educational system, e.g. in connection with the excessive number of trained lawyers and economists could be heard earlier as well, at the same time it wasn't proposed to follow the example of the West. On the contrary, in 2008 Rubinov formulated the fundamental principle of the Belarusian national myth: “One man's meat is a Belarusian man's poison”.<sup>2</sup> And now at last it became clear that the ‘original’ educational policy is unable to rescue the national educational system.

In February 2013 the World Bank submitted the report *Belarus Public Expenditure Review* in which the main disproportions of the Belarusian educational system were formulated:

1) for all the amazing progress in coverage of the population by all education levels, the quality and relevance of education services remain low;

2) though expenses for education are comparable to similar indicators in other countries of the region, their efficiency is low;

3) the existing system of financing creates weak incentives for a rational distribution of resources in the educational system.

Such a key indicator of cost efficiency as the number of pupils per teacher in the systems of both primary and secondary education is one of the lowest in the region. Moreover, despite the reduction of the number of pupils, the number of teachers continues to grow rather than to fall.<sup>3</sup> In the World Bank report attention is paid to a remaining social inequality in access to education of good quality among needy groups of the population and inhabitants of rural areas.

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<sup>1</sup> Ministry of Education of the Republic of Belarus. Press release based on the materials of press conference dedicated to the results of the 2013 enrollment campaign into the institutions of higher learning, 30.08.2013 // [Electronic resource] Mode of access: <http://edu.gov.by/main.aspx?guid=18021&detail=820323>.

<sup>2</sup> Rubinov A. *Pedagogical itch of reformativeness* // [Electronic resource] Mode of access: <http://www.sb.by/post/64375/>

<sup>3</sup> The World Bank. Review of the state expenses in the Republic of Belarus. Part II. 2013. 21 February, pp. 68–70.

If to judge according to the formal indicators of literacy, Belarus should have an exclusively high quality of human capital. In Belarus the coverage of general secondary education increased from 86.3% in 2000 to 107.4% in 2011 (excess of 100% due to those who get re-education). The coverage by the higher education reached 85.0%, which makes 467 students per 10,000 inhabitants and is one of the highest rates in the world. However, according to World Bank data, the country shows an unprecedented gap of supply and demand of professional competences. If to compare to the Central European region, Belarusian companies suffer most from the absence of workers with an adequate set of competences even when they have a significant number of specialists with official diplomas of a high level.<sup>4</sup>

Last year statements on imbalances in education were found in speeches of state functionaries. The Deputy Prime Minister Anatoly Tozik complained about the inability to satisfy the needs of the population for preschool institutions.<sup>5</sup> Agreeing with the conclusions of the World Bank experts, he was distressed that twenty years ago in Belarus there were 123 thousand teachers per 1.5 million pupils, and today there are 132 thousand teachers per 900 thousand pupils. Besides according to the Deputy Prime Minister, this situation is only aggravated by disproportions in training of pedagogical staff. He complained: “In 1990 there were 1 million 508 thousand pupils. And 4.7 thousand teachers were trained. Today there are 910 thousand pupils, and 10 thousand teachers are trained. As a result we face a vicious circle. Ideally, under today’s number of pupils we should train 3–3.5 thousand specialists for schools, and today we have 4.5 thousand state-financed students and moreover nearly 5.5 thousand are trained at their own expense.”<sup>6</sup>

### **Secondary education: sharp decrease in quality**

According to the Minister of Education Sergey Maskevich, “the network of the general secondary education which has developed in

<sup>4</sup> The World Bank, op. cit, p. 72.

<sup>5</sup> See <http://edu.gov.by/main.aspx?guid=18021&detail=1315583>.

<sup>6</sup> See: Overloaded children, teachers’ salary, lack of hours: what is the weak point of the modern school? Round table // *Sovetskaya Belorussiya*. 2013. 23 May.

Belarus is inefficient from the economic point of view”<sup>7</sup> However the results of the authorities’ efforts, undertaken in 2013 to correct shortcomings, were discouragingly insignificant. In the course of optimization of higher schooling in 2013, according to the branch labor union, only 249 teachers were dismissed, while the number of pupils also reduced. The requirements for maximum number per class are not met. Closing small schools and classes, local authorities at the same time open others. The attempts to improve the salary of educators were not a success either. The increase of tariff rates with a simultaneous increase in workload from 18 to 20 hours per week led to the growth of salaries by 3% only. In the educational system not a single task of optimization of expenses and increase of the income of teachers was fulfilled.

The reasons for pessimism were intensified by the failed enrollment campaign. Instead of the planned 80 thousand first-year students, institutes of higher education could enroll only 68.7 thousand people. For the first time the shortage concerned a considerable number of the budgetary places for specialties of military, pedagogical and agricultural profiles. Discrimination enrollment restrictions for private institutes of higher education could not rescue the situation. Though it was obvious that the disproportion between the number of school graduates and the number of places at the first year increased, the authorities didn’t take any measures to improve the situation. In 2013 they continued to plan an 80-thousand enrollment in institutes of higher education whereas the number of school graduates didn’t even reach 60 thousand people (see the table 1).

**Table 1. The number of school graduates and students enrolled to institutes of higher education**

	2005/ 06	2009/ 10	2010/ 11	2011/ 12	2012/ 13	2013/ 14
Received secondary education (thousand of people)	100.1	105.4	92.6	79.9	68.9	59.0
Enrolled students (thousand of people)	90.5	97.8	100.5	96.0	88.1	68.7

<sup>7</sup> Press release of the Ministry of Education of Belarus; see: <http://edu.gov.by/main.aspx?guid=18021&detail=1305083>.

The incomplete enrollment in higher education institutions revealed another problem — a disastrous condition of secondary education. The data of 2013 enrollment campaign became especially evident for the public. The Republican Institute for Control of Knowledge of the Ministry of Education shocked the public with its statement that 32.7% of participants of the centralized testing (CT) on mathematics received 15 points and below, and 37.0%<sup>8</sup> showed a similar result at physics. There was nothing new in such results, but for the first time the society understood that a third of entrants could not cope with a basic task and, thus, could not be enrolled as students. The underestimated lowest passing score — 15 out of 100 — appeared extremely sensitive for completing of the institutes of higher learning.

But even more scandalous was the fact that the results of CT did not correlate with the marks in school registers. Monitoring of pupils' educational quality, carried out by the National Institute of Education, made it clear that the problem-free secondary school is a consciously cultivated mirage that camouflages the decline in the quality of secondary education.

### **Management crisis and the attempts to stop it**

Officials of all levels, being perplexed concerning disproportions and failures, prefer to get rid of responsibility for the imbalance of the educational system. 2013 is marked by searches of euphemisms that would allow throwing the onus onto certain anonymous forces or natural processes. The reference to demographic problems is especially popular. Though both depopulation and the growth of birth rate are perceived as an irresistible force that threatens the Belarusian school. But no matter what tricks the ministers and parliamentarians resort to, it is obvious that recognition of the inability to develop and carry out a balanced educational policy means a serious challenge to the existing authoritative model of management of this branch. First of all it means the veiled doubt in the ability of the President and Presidential administration to play a successful role of the only developers of educational strategy.

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<sup>8</sup> See: <http://news.tut.by/society/355336.html>

Article 107 of the *Educational Code* assigns an exclusive right to the President to define a state policy in education and to guarantee the realization of its main directions.

As the state educational policy is to balance the main variable systems — availability of education, its quality and expenses, — the existence of the disproportions which are constantly aggravating in this sphere shows not only a failure of the policy, but also the unfitness of the existing principles of educational management in Belarus. It leads to the fact that Alexander Lukashenko's fears about the transformation of education into a political scene start becoming true. In the educational sphere the inquiry for participation of different interest groups during the taking of strategic decisions can be persistently heard. However now it comes mainly from the authorities. Therefore these claims cannot democratize a control system of education.

The management crisis is aggravated also by the fact that some actors who managed to get on a political scene can block rather than realize the undertaking of each other. For example, new Enrollment Regulations that reduce the level of social protection of the rural youth (refusal of separate competition) and orphan children in order to improve the quality of entrants has not been approved in the Presidential Administration for some years already. At the same time, a Presidential requirement to reduce the training process in higher education up to two years under the pretext of increasing work practice, which is detrimental for the schooling process, is successfully blocked at the level of the Ministry of Education.

It would be a big mistake not to notice invasions of foreign interest groups on the national political scene. The Belarusian market of educational services is actively dominated by providers from neighboring countries. Their lobby groups actively join the game.<sup>9</sup>

The democratization of higher education is blocked not only by the position of the authorities, but also by the absence of the articulated request for participation in management of higher education from other stakeholders — employers, students, par-

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<sup>9</sup> [http://www.ej.by/news/sociaty/2013/06/30/rossiyskie\\_vuzy\\_zahvatyvayut\\_belorusskiy\\_rynok.html](http://www.ej.by/news/sociaty/2013/06/30/rossiyskie_vuzy_zahvatyvayut_belorusskiy_rynok.html)

ents, the teaching community. In 2013 there appeared grounds to speak about the window of opportunity opening the prospect of some democratization of the legislative base of higher education.

Two events are able to create the conditions for expansion of public participation in education management: the second attempt of the Ministry of Education of Belarus to enter the European Higher Education Area (EHEA) in 2015 and the task connected with it to reform the Educational Code and the adjacent legislation which in their present form block the European vector of the development of Belarusian higher education. The unwillingness of the Belarusian authorities to recognize that the failure to enter EHEA in 2012 was connected with the conflict of European and Belarusian academic values has been replaced by a careful recognition of the fact that this conflict probably exists and demands some solution.

During 2013 the joint efforts of the European Commission, the Council of Europe, the European Union of Students and the Independent Bologna Committee succeeded in creating a more realistic view of the problems of the internationalization of Belarusian higher education among some of the heads of education. Since the Bologna seminar on May 16, 2013 where, thanks to the European commission, it was possible to begin some sort of a dialogue between civil society and the representatives of the Ministry of Education, the subject of a university autonomy, the decentralization of management and public participation in management of the higher education has been more and more discussed at the official level. The parliamentary hearings that were held on December 4, 2013 concerning the *Educational Code* showed that the reforming of legislation finds supporters in this direction among some head of state universities and officials.<sup>10</sup> Besides, suggestion of the Ministry of Labour to reform the national system of qualifications creates prerequisites for a more active inclusion of associations of employers in quality management of higher education.

However the discussed changes fail to go beyond the redistribution of powers among the groups of a ruling class. Management decentralization is treated only as a transfer of the right to

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<sup>10</sup> <http://edu.gov.by/main.aspx?guid=18021&detail=1305083>



decision-making to the level of regional executive committees and district executive committees, and also to the level of heads of educational institutions.<sup>11</sup>

The events at Hrodna State University showed how the strengthening of influence of regional power threatens the traditional academic values. Such decentralization leads to the abuse of power by local heads and increase the violation of rights of academic staff. But even when it concerns the expansion of autonomy of educational institutions, this independence does not go beyond some expansion of the rights of their heads in financial, staff and academic spheres. It should be recognized that no attempts of expansion of an organizational autonomy of educational institutions are planned in the short term.

However, the organizational autonomy is the main problem and obstacle of Belarus in its way to EHEA. As long as the rectors of higher educational institutions are 'small cogs' of the authoritarian machine rather than the representatives of the academic community no harmonization with European university values will ever happen.

Especially the discussion about the autonomy of educational institutions does not lead to a decrease in mass academic repressions initiated by representatives of a presidential chain of command at some Belarusian universities. Hrodna State University became the leader among the institutes that violate the rights of teaching staff in 2013 where according to the instructions of the governor not only a number of teachers, but also the rector Evgeny Rovba were dismissed, the reason for the latter was the fact that he hesitated with implementation of the order on dismissals.<sup>12</sup> The particular feature of dismissals in Hrodna is the lack of an obvious political involvement of the victims. Teachers suffered for the contents of their publications, rather than for political activism. During 2013 the press reported about prosecution of professors in other higher educational institutes: at the Belarusian National Technical University<sup>13</sup>, Brest State

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<sup>11</sup> <http://edu.gov.by/main.aspx?guid=18021&detail=1315583>

<sup>12</sup> <http://charter97.org/ru/news/2013/4/2/67422/>

<sup>13</sup> [http://www.ej.by/news/sociaty/2013/11/21/delovoe\\_soobschestvo\\_vstupilos\\_zatreh\\_professorov\\_bntu.html](http://www.ej.by/news/sociaty/2013/11/21/delovoe_soobschestvo_vstupilos_zatreh_professorov_bntu.html)

University<sup>14</sup>, the Belarusian-Russian University (the case of a professor with a 50-year teaching history).

Last year the rights of pupils and students were widely and systematically violated. In Belarus annually about 80 thousand graduates of technical training college and institutes of higher education become victims of compulsory job placement, tens of thousands are involved in agricultural and construction work during class hours. Besides forced labor, the restriction of the rights to freedom of movement, associations, to participation in management of educational institutions, etc. is widely practiced.

## Conclusion

Last year showed that as soon as the myth about the national identity of the Belarusian education with its illusory and false aims failed, the actions of the authorities became more rapid. In many respects it was caused by timid attempts to optimize expenditures and to increase economic efficiency of the educational system. The state cannot fulfill its social obligations any more. Therefore education has to survive at the expense of its own internal resources.

Officials call upon private capital to be admitted in the educational sector, rest their hopes for inflow of foreign students or for dismissal of the teaching staff. They are even ready to decentralize the educational management, which challenges an exclusive role of the presidential administration. But the authorities are not ready for any real democratization and abandoning authoritarian management principles. However now it can effectively use the traditional mechanisms of management. Even recognizing the existence of disproportions and imbalance of the educational system, the authorities are not capable of decisive actions, limiting themselves to shy palliatives and modest experiments which do not change an overall picture of stagnation in the sector.

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<sup>14</sup> <http://charter97.org/ru/news/2013/10/3/76843/>

## **‘CATCHING UP’ IMPROVEMENT STRATEGY FOR SCIENCE AND INNOVATION**

**Andrei Laurukhin**

### **Summary**

In the first two months of 2014, the State Committee for Science and Technology (SCST) did not submit traditionally optimistic reports on the advancement of science in 2013. The National Academy of Sciences of Belarus (NASB) made even more optimistic one instead. In 2013, a reform of the science sector entered an open phase after the NASB presented a draft *scientific development program*.

The science sector saw a number of staff reductions and reshuffles. Thirty-one legislative acts were issued to regulate scientific and innovative activities. However, taken together, all these measures create an ambivalent impression, showing the problem of coherence of education and science reforms.

### **Trends:**

- The regulatory framework gets too complicated, which amplifies excessive regimentation in the area of science, technology and innovation;
- High-tech exports slow down and the proportion of pioneer products is declining;
- The scientific manpower is shrinking and there are little human resources to take over;
- The system of centralized management of the innovation system has been latently eroding against the background of increasing particularism.

2013 was a year of staff reductions and reshuffles in the Belarusian science sector. By the end of the year, the National Academy of Sciences reduced the number of employees engaged in research and development by 12%. On October 15, Alexander Shumilin superseded Igor Voitov as head of the State Committee for Science and Technology, and Vladimir Guskov took office as the NASB presidium chairman, which had been vacant for a year. Personnel reshuffles zeroed executives' responsibility and increased their credit of trust in the eyes of the head of state.

### **Regulatory framework improvement specificity: create difficulties to successfully overcome them**

The year 2013 saw a great number of legislative acts (31), which regulate research and innovation activities, including the law on commercial secrets, *five* presidential decrees, *twelve* resolutions by the Council of Ministers, an order by the Ministry of Finance, a resolution by the National Statistics Committee, a resolution by the Ministry of Health, a resolution by the Ministry of Economy, a resolution by the Ministry of Housing and Communal Services, and eight resolutions by the State Committee for Science and Technology. The House of Representatives of the National Assembly passed the bill on amendments to the law on patents for plant cultivars (May 17, 2013) and the law on amendments to some laws of the Republic of Belarus on entrepreneurial activities and tax liabilities (December 16, 2013). Amendments were made to a number of presidential decrees directly or indirectly related to scientific and research-and-technology activities.

The law on commercial secrets, which was passed on January 5 and came into effect on July 11, is worth special attention. It became relevant because the previous law on commercial secrets expired after over 20 years in use (since 1992). The positive aspect of the new law is that it defines trade secrets as information or data, like it is defined by most European legislative instruments. At the same time, the range of secrets is considerably expanded as compared with the version of 1992. Although there are plausible reasons for that given the development of the institutions of patenting, intellectual property rights, etc., making a secret out of some kinds of information (for instance information on salaries, which is in open access in most developed countries) can hardly be justified.

Presidential decree No. 59 of February 4, 2013 on commercialization of scientific and research-and-technology activities funded from the republican budget creates an ambivalent impression. On the one hand, it stimulates these activities by exempting them from VAT and income taxes when it comes to property rights to their results described in a corresponding national registry. On the other hand, according to the decree,

commercialization “of results of scientific and research-and-technology activities fully or partly funded from the national and/or local budgets, including state special-purpose budget funds and state extra-budgetary funds is mandatory.” In case the results are not monetized within three years, the provided funds must be “repaid without right of appeal to the budget they were allocated from with interest equal to the refinancing rate established by the National Bank as of the date of collection.”

This regulation is absurd and repressive because, in fact, it prohibits unavoidable risks associated with commercialization. The threat of a claim with interest will most likely repel potential researchers from the republican and local budgets and bring on all sorts of imitation of commercialization. It is quite possible that the idea of the decree is to save state funds and reduce their proportion in the cost of research. Then what is the purpose of presidential decree No. 229 of May 20, 2013 on stimulation of innovative projects, Council of Ministers’ resolution No. 423 of May 29, 2013 on creation of pilot innovative facilities at the National Academy of Sciences and a number of other regulations specifically targeted at financial support for individuals and legal entities engaged in implementation of innovative projects?

It should be noted, though, that Council of Ministers’ resolution No.680 on the list of significant external circumstances, which make it impossible for a public sector customer to secure mandatory commercialization of scientific and research-and-technology activities within the established deadline issued on August 2, 2013 mitigates the repressive nature of decree No. 59 to a certain extent.

### **Science sector reform: a dissonance between progressive plans and regressive methods of their implementation**

A draft *program on the science sector improvement* was presented at a general assembly of the National Academy of Sciences on December 12. The program was incomplete and only described development options as the academicians saw them, but, nonetheless, the document shows where and how far the Academy can go with this reform.

The *program* is based on five conceptual components and suggests three phases: short-term (2014–2015), medium-term (2016–2020) and long term (2021–2025) ones. Fundamentally, the *program* addresses key problems of Belarusian science, i.e. (1) demotivation of scientists, the negative image and low social status of science; (2) proficiency and age imbalances with the risk to face the lack of next-generation human resources; (3–4) ineffectiveness of the institutional and management structure, and the system of expert evaluation of achieved results, and (5) the anachronistic funding model.

The very fact that the acute problems, which the scientific community and independent experts had been pointing at many times in recent years, were officially recognized means that there is an adequate and quite sober assessment of the situation. On the other hand, the ‘therapeutic’ part of the *program* displays the retrograde mentality dominating in the scientific community of Belarus, which totally depends on decisions made by influential political actors. This dissonance between progressive plans and regressive methods of their implementation will inevitably affect the depth, innovativeness and comprehensiveness of the planned reforms.

In this respect, the idea of integration of education and science by creation of an ‘academic university’ is indicative. Being adequate to modern trends in education and science, the idea is however retrograde when it comes to the ways of its actualization. The anachronistic name, which brings to mind the time of Tsar Peter I, is not as important as the suggested political establishment’s headship (“the most eminent statespersons of our country will be rectors”) and the example to be followed (the Russian Federation<sup>1</sup>). Russia can afford impressive financing, and human resources are incomparable with those in Belarus, yet innovative scientific, educational and economic projects leave much to be desired there. Besides, the Belarusian copy will certainly be a pale imitation of the Russian original, primarily because the available amounts of funding differ immensely.

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<sup>1</sup> See: Laurukhin A. *Academic University of Belarus: Pale Copy of Poor Experience?* // [Electronic resource] Mode of access: <http://nmnby.eu/news/analytics/5435.html>.

The funding is a determining factor here because much depends on whether big-name professors will come to teach, and whether the new establishment will be of interest to the world's leading universities in terms of real inter-institutional cooperation. All hopes that the financial deficit may be compensated by certain non-material benefits like good management or strong motivation are deflated by the "political establishment's headship." Judging by the announced plans, the new university will suffer from the same management model, which actually caused the current problems and made the reform necessary. The recent criminal case against professors<sup>2</sup> thus shows that the centralized management model has been gradually turning ineffective being eroded by growing self-interest aspirations and strong lobby groups.

### **Funding for science and innovation: modest but unsafe**

In 2013, the proportion of republican budget expenditure for scientific, research-and-technology and innovation activities in GDP slightly increased from 0.26 to 0.29%, which is still very moderate not only in comparison with the members of the Organization for Economic Cooperation and Development, but also with Belarus' neighbors in the CIS. Alongside with Malta and Macedonia, this proportion in Belarus is one of the smallest in Europe<sup>3</sup> (for comparison, it is at 1.4% in Russia and 1.2% in Ukraine). But even these moderate funds are not fully spent.

Most of the unspent money is reported regarding the material and technical base update, training and appraisal of personnel, and development of the State System of Scientific and Technical Information (as it was in 2012). The attempt to modernize and expand the funding of science and innovation that followed presidential decree No.425 on grants of the president of the Republic of Belarus for science, education, health, and culture

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<sup>2</sup> Three professors of the Belarusian National Technical University at once are under criminal investigation; see <http://news.tut.by/society/371977.html>.

<sup>3</sup> *Science and Innovation in the Republic of Belarus*. Statistics digest, Minsk, 2013. pp. 114–116.

of September 9, 2013 was torpedoed by the professors' case and, wider, the repressed motivation of scientists.

As concerns the Internal expenditure on R&D, spending from budget and off-budget sources is going down from 58.0% in 2005 to 43.6% in 2012 (budget) and from 5.% to 0.3% (off-budget)<sup>4</sup>. Commercial R&D expenditure remains low in percentage of GDP (0.46% at the end of 2012). The tiny proportion of small and medium enterprises contributing to joint innovation projects (0.69% of surveyed organizations in total)<sup>5</sup> dashes the hope for alternative sources of funding for innovative projects.

### **Research-and-technology and innovation activities: inhibitory reality and reassuring plans**

Regretfully, in 2013, the main indicators of innovative achievements in Belarus were not very encouraging. The proportion of shipped innovative products slightly increased. At the same time, high-tech exports slowed down significantly. At the end of 2012, high-tech exports increased by USD 7.6 billion year-on-year from USD 3.2 billion to 10.8 billion. At the end of 2013, only a 0.2 billion increase to 11 billion was reported. The proportion of shipped innovative products in the total output went up, but new products constituted a smaller part: 15% for the domestic market and 0.5% for the world market. The coefficient has not changed since 2011, remaining at 1.8<sup>6</sup>.

A slight increase in the proportion of innovatively active organizations has not resulted in appreciable improvements in the slow-moving process of creation of a new segment of the national economy, i.e. high-tech enterprises and Mode 5 and 6 industries. At the same time, more and more organizations are being established to engage in research and development. The number of R&D personnel is thus decreasing. Around 1,000 people lost their jobs in the government, commercial, and higher education sectors (almost evenly in absolute terms)<sup>7</sup>: from 94

<sup>4</sup> *Science and Innovation in the Republic of Belarus*, ref. art., p. 9.

<sup>5</sup> Ibid, p. 11.

<sup>6</sup> Ibid, p. 10.

<sup>7</sup> Ibid, p. 18.



in 2005 to 57 in 2012 per organization, and from 68.5 to 66.6 people per 10,000 employed in the economy<sup>8</sup>.

Only plans are sounding encouraging. BelBioGrad Science & Technology Park is supposed to open by 2020. It is meant to bring high-yielding and rapidly developing 21<sup>st</sup> century technologies to Belarus, including the pharmaceutical industry with a 5% annual growth and USD 1 trillion in global revenues, biotechnology with over USD 400 billion, and nanotechnology with over USD 1 trillion worldwide, to breathe new life into institutions of the National Academy of Sciences and significantly promote the research intensity.

## Conclusion

Although the planned ‘major domestic indicators’ of scientific and innovative development have been achieved, Belarus still remains an outsider on a world-wide scale and a pretty average player among developing nations. At the same time, one should still appreciate certain achievements of Belarusian scientists. There are more links to articles in international databases than in 2012 (up 68.2% in *Web of Science* and 70.6% in *Scopus*); Belarus retains its international ratings assigned in 2012 (45<sup>th</sup> in the Knowledge Index, 59<sup>th</sup> in the Knowledge Economy Index, and 6<sup>th</sup> with respect to the number of applications for inventions). The High-Tech Park’s sales proceeds have doubled since 2012. The plans to improve the research and innovation sectors are quite ambitious.

The government innovative development program for 2015 is coming to an end, so the new management is already looking at new ones. The question is how the innovations brought by new managers to old institutions will meet present-day challenges. Reforming of science should obviously be comprehensive, which will inevitably require adequate changes to the higher education system. Improvements depend on how the reforms in education and science will accord with each other.

The aspiration to follow in Russia’s tracks means that Belarusian managers are unable to come out with their own innova-

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<sup>8</sup> *Science and Innovation in the Republic of Belarus*, ref. art., p. 9.

tive solutions based on international experience. Therefore, the risk of creation of ineffective institutions, which will reproduce all defects and weaknesses of the existing scientific, educational and innovation infrastructure, is very high.

Science and innovation development encounters serious obstacles, such as an increase in the number of innovation entities alongside stronger spontaneous particularism and underdeveloped horizontal ties on the one hand, and preservation of the top-down management system, which gets less and less effective on the other.

## **CHURCHES IN BELARUS: OLD PROBLEMS AND NEW LEADERS**

**Natallia Vasilevich**

### **Summary**

In 2013, the religious field in Belarus was significantly controlled by the state, which was characterized not only by minor 'clean-ups' of Protestants, but the Orthodox and Catholic Churches also suffered some blows, although they tried to control conflict situations. Pro-life values (family, demography, abortions) prevailed on the social agenda of the churches and this caused both unification and protest potential, which, nevertheless, was used too little.

The confrontation in the administration of the Orthodox Church in Belarus regarding the change of the patriarchal exarch was intensified by interference of the state authority, on the one hand, and, on the other hand, by the Moscow center, which finally made a single-handed decision and appointed a new Metropolitan of Minsk – an ordinary Russian hierarch without any relations to Belarus.

The arrest of the Roman Catholic priest Uladzislau Lazar by the secret services threatened the established balance between the Belarusian authorities and the Catholic Church and created prerequisites for reformatting their relations in the context of significant staffing changes in the Vatican.

### **Trends:**

- State authorities tend to avoid open confrontation with the Protestant churches, and build communication with them in line with the regulations;
- Churches present themselves in the public sphere around pro-life themes, of which uniting and protest potential remain unrealised;
- Internal controversies in the administration of the BOC and influence of Moscow centre in it are increasing;
- Staff changes on the highest level of the Roman Catholic Church do not improve its relations with the Belarusian authorities.

### **General update**

The number of religious organizations gradually increased during the year, without drastic leaps. According to the official information<sup>1</sup> the total number of registered religious

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<sup>1</sup> Information of the Commissioner for Religious and Ethnic Affairs on the ethnic and confessional situation in the Republic of Belarus and cooperation in the compatriots abroad in 2013, see: [http://www.belarus21.by/ru/nashi\\_novosti?id=391774](http://www.belarus21.by/ru/nashi_novosti?id=391774).

organizations in Belarus reached 3,280 religious communities as of January 1, 2014, of which 1,615 were of the Belarusian Orthodox Church (49.24%), 488 – of the Roman Catholic Church (14.88%), 907 – of the Protestant parishes (27.65%), 520 (15.85%) being of Pentecostals and 287 (8.75%) – of Baptists.

In the summer 2013, a number of mass events in different denominations took place. The number of their participants can give information about activities of believers of different denominations. According to the information of the Interior Ministry 85,000 people participated in the celebration of the 1025<sup>th</sup> anniversary of the Baptism of Ruś with the highest hierarchs of local Orthodox churches. The 400<sup>th</sup> anniversary celebration of the Budslaŭ icon, attended by papal legate Cardinal Tauran, was visited by around 40,000 people.<sup>2</sup> The regional congress of Jehovah's Witnesses attracted around 10,000 people at the stadium *Tractor*.<sup>3</sup> Despite its situational character, this data has informative potential in the light of the absence of official statistics on the number of believers of each denomination because mass surveys of state and independent agencies differ significantly depending on methodology. Nevertheless, their conclusions are quite similar: those who refer to themselves as Orthodox are the most numerous but the least active, Catholics are significantly less numerous with a medium level of activity, and the not so numerous Protestants are active both religiously and socially.<sup>4</sup>

## **Legislation and institutions:**

### **A decade of partnership with the Orthodox Church**

On the occasion of the 10<sup>th</sup> anniversary of signing an agreement between Belarus and the Belarusian Orthodox Church a number of events was held to summarize the results of cooperation. Legal

<sup>2</sup> Information of *BelTA* information agency.

<sup>3</sup> See: <http://news.tut.by/society/361081.html>.

<sup>4</sup> See more: Vasilevich N. Belorusskaya pravoslavnyaya tserkov v teni gosudarstva [Belarusian Orthodox Church in the shadow of the state] // *Pro et Contra*, 2013, 5(60): 80–96; Vasilevich N. Churches and the State: Ten years after the law *On religion* // *Belarusian Yearbook* 2012. Minsk, 2013.

agreements of this kind were enabled by the amendment to the law *On freedom of conscience* in 2002, according to which “the state can establish relations with religious associations by signing agreements according to the civil legislation of the Republic of Belarus”.<sup>5</sup> This type of agreements have been concluded only with religious associations of the Orthodox Church – the Belarusian Exarchate and single eparchies. *Firstly*, the Roman Catholic Church has no national religious association, which hinders signing agreements on the national level. *Secondly*, it yearns to conclude an agreement of a higher level and based on another mechanism—international law. This very form of concordat is traditional for the Roman Catholic Church, but in the Belarusian context, despite numerous statements during the last 6 years, it seems non-realizable.

At the moment, the following documents regulate relations between the church and the state: 1) *Program of developing the religious sphere, national relations and cooperation with the compatriots abroad for 2011–2015*<sup>6</sup> agreed with the only religious organization—the Belarusian Orthodox Church; 2) Framework agreement on cooperation between Belarus and the BOC with priorities set in “public morals, education, culture and creative activities, health, social welfare, charity, support for the family, maternity and childhood, spiritual guidance of the imprisoned, educational, social and psychological work with the military, environmental protection”; 3) agreements and programs with state bodies and organizations that do not have a unified structure and are formulated in the form of “declaration of purposes” or a calendar plan of events, or give the sides certain rights; 4) regional programs and agreements; 5) special statutes or instructions that regulate cooperation:

- Instruction on the procedure of work of the priests of the Belarusian Orthodox Church in correctional institutions, medical and preventive treatments facilities, investigatory isolation wards of the criminal and penal system of the Interior Ministry (2007);

<sup>5</sup> Art. 8 of the law *On freedom of conscience and religious organizations* № 2054–XII.

<sup>6</sup> [http://www.belarus21.by/dfiles/000343\\_178124\\_Programma\\_\\_razvitija\\_etnokonfess\\_otrasli\\_20112015\\_gg.doc](http://www.belarus21.by/dfiles/000343_178124_Programma__razvitija_etnokonfess_otrasli_20112015_gg.doc)

- Regulations of the order, conditions, contents and forms of cooperation of educational institutions with religious organizations in the issues of moral education (2011);
- Methodical recommendations on organization of cooperation of educational institutions with the Belarusian Orthodox Church (2011).

According to the Regulations (2011), the Ministry of Education concludes agreements on cooperation only with those national religious associations which have agreements on cooperation with the Republic of Belarus in compliance with the civil law, and the only organization of this kind is the BOC. As for the Roman Catholic Church in Belarus, it, firstly, has no national religious association, secondly, it did not signed any agreement on cooperation with the Republic of Belarus, thirdly, the form of such an agreement is concordat, which is not a civil, but an interstate document. Opening a Catholic class in Homiel secondary school № 34 for the school year 2014–2015 failed despite its previous announcement because the respective organs had to explain why it is not possible to cooperate with any religious organization, except the BOC.<sup>7</sup>

The new version of the law *On social welfare* active of January 1, 2013 introduced the common form of cooperation between non-profit organizations (including religious ones) and the government – the state-guaranteed social order. It stipulates financing of social services of non-profit organizations from local budgets, which potentially could provide budgetary financing for churches to implement their social programs. Nevertheless, religious organizations failed to compete in the pilot tender on nursing services put out by local executive and administrative bodies and centres of social welfare as unable to provide the required level of service. The mechanism of the government order for social services is applied in cooperation with the House of Mercy (Minsk) and its rehabilitation centre *Eleos*.

The management of the religious sphere in regions was transferred from independent departments on religious and national affairs to structural units within chief directorates on

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<sup>7</sup> Information of the Commissioner, 2013.

ideological work, culture and youth affairs of regional executive councils and Minsk city council. Independent departments on religious and national affairs remained only in Brest and Viciebsk regional executive councils.

**Points of tension: registration, places of worship, fingerprinting, death penalty, abortions.**

Confrontation with non-registered organizations continues, and is connected both with article 193-1 of the Criminal Code criticized by human rights activists and with issues beyond it. The initiated criminal case against the Catholic Shchadrou who organized a shelter for the homeless in the village of Aliaksandraŭka, Ščučyn district was closed after he registered a private social organization *Pavier u siabie* ('*Believe in yourself*'). A wave of persecution rose against non-registered Baptist communities in Homiel that gather in private homes for services. First, after the KGB-initiated search on April 14, leaders of the communities Yashchanka and Shchadrenka were sentenced to a fine under article 23.34 part 1 of the Administrative code "Organization and participation in a non-sanctioned mass event". On December 22, the police conducted another spot check and drew up a report under the same article.<sup>8</sup>

There was another attempt to put pressure on the New Life church related to its exploitation of the building at Kavaliova Street 72, confrontation around which had lasted for 10 years and which seemed to have been resolved in late 2012.<sup>9</sup> The case was renewed for a short time, long enough for the pastor to land in an intensive therapy ward with a stroke, as a result of a long-term confrontation, when on June 13, the marshal of the Economic Court once again demanded that the church vacate the building. The next day the news arrived that the plaintiff – the Directorate of Housing – asked the court to stop the eviction. It is not clear if the decision is final.

What concerns places of worship of the Orthodox and Catholic churches, according to the information of the

<sup>8</sup> <http://forb.by/node/398>

<sup>9</sup> See: Vasilevich, *Churches and the State*, op. cit.

Commissioner, provision with them is 92 and 98% respectively. Meanwhile, only half of submitted applications for endorsement of locations for constructing religious buildings (22 of 49) were approved.<sup>10</sup> The reasons for denials are the following: unfinished construction of other buildings and violation of the order of documents submission. In this situation religious communities of the BOC arbitrarily occupy ground areas and construct religious buildings (for example, in Zarečča of Kamianiecki district and Ploščava of Pinsk district, both in Brest region). Although administrative bodies express their discontent with this course of affairs, they treat the Orthodox communities relatively mildly.

The topicality of the fingerprinting issue has lessened<sup>11</sup>; nevertheless there are still cases when Orthodox priests are sentenced to fines for refusing to undergo the procedure<sup>12</sup>.

Whereas the public interest in the issue of death penalty has decreased, the question became topical again at the round table of the Council of Europe *Religion and death penalty* in Minsk on June 21, when Metropolitan Filaret backed abolition of the death penalty.<sup>13</sup> Being of relatively little topicality at that moment, this statement drew a wide response in democratic circles but did not turn into a conflict point in relations with the state authorities.

The promotion of family values and campaigns against abortions in the context of both demographic and moral crises remains a source of conflicts. Pro-life values became a uniting discourse for Christian churches in 2013. Moreover, being put on the agenda, this topic has protest potential and the churches might “take to the streets” and work together with civic forces. After the city administration cancelled the national march *For*

<sup>10</sup> Information of the Commissioner, 2013.

<sup>11</sup> Vasilevich N. *Daktiloskopirovaniye i Tserkov: kontury soprotivleniya* [*Fingerprinting and the Church: contours of resistance*] // [Electronic ressours] Mode of access: <http://nmnby.eu/news/express/4863.html>.

<sup>12</sup> Prilepskiy B. Fr. *Obiazatel'naya daktiloskopicheskaya registratsiya: itogi* [*Compulsory fingerprinting registration: results*] // [Electronic ressours] Mode of access: <http://churchby.info/bel/906/>

<sup>13</sup> Metropolitan of Minsk Filaret (Vakhromeev). The welcoming speech for the participants of the round table “Religion and death penalty”; see <http://church.by/ru/node/1085>.



*the life, for the family, for the children* scheduled for September 21 and organized by the Christian churches and non-governmental organizations of Belarus, the common pro-life movement revealed discrepancies. Firstly, from the outset, the protest component was diligently levelled and confrontation with the authorities was avoided, which did not prevent the latter from banning the march. Cooperation between the churches, despite value and strategic grounding, turned out feeble, which was revealed by the ban.<sup>14</sup> And finally, instead of cooperating with political and civic forces, the churches distanced themselves from the BChD petition for amendments to the Belarusian legislation to restrict induced abortions. The churches and pro-life organizations associated with them spoke out, on the one side, for a more radical position—no half-measures, only an outright ban on abortions, on the other hand, their position was less radical in means — they avoided any protest tone in their statements.<sup>15</sup>

### **Belarusian Orthodox Church: the end of the Metropolitan Filaret epoch**

For the administration of the BOC, the whole year 2013 was filled with confrontations caused by preparations for the potential replacement of the patriarchal exarch to Belarus, which, nevertheless, happened unexpectedly and with no influence from internal ‘parties’. The decision on the succession of the BOC head was fully concentrated in the hands of the Moscow center, which formally complied with the staffing procedure of the ROC Statute, according to which the Metropolitan of Minsk, Patriarchal Exarch of all Belarus, unlike other bishops of the Belarusian exarchate, is appointed by the Synod of the Russian Orthodox Church without nomination from the local Belarusian Synod. Nevertheless, there remained informal means of lobbying a desired candidate given some leverage was still

<sup>14</sup> <http://www.pro-life.by/analyst/demograficheskaja-dinamika-v-rb/pervy-j-obshhenatsional-ny-j-marsh-v-zashhitu-zhizni-i-sem-i-opy-t-rekonstruktsii/>

<sup>15</sup> <http://www.pro-life.by/life-protection/ofitsial-noe-zayavlenie-dvizheniya-prolajf-belarus/>

available. But neither the administration of the BOC nor the top administration of Belarus managed to find this leverage, and the Synod of the ROC made a single-handed decision, avoiding open confrontation because of the forced dismissal of the reputable hierarchy, and using the formal cause – the statute application for resignation filed by Metropolitan Filaret in 2010 – and sugaring the pill with honorable titles.

At the meeting of the Synod on December 25 a new exarch was appointed—an ordinary hierarchy, Razan Metropolitan Pavel (Ponomarev), citizen of the Russian Federation, with no ties to the Belarusian church elites or Belarus in general. This appointment demonstrated a few points. Firstly, the status of the BOC within the Moscow Patriarchate was marked as ‘provincial’ and ‘secondary’. Secondly, it demonstrated mistrust of the local church elites. Thirdly, it ignored the role of President Lukashenka in church issues who, in summer, expressed his readiness to reformat the Orthodox Church in Belarus. Well, the initiative of reformatting was intercepted by the Moscow center.

### **The Roman Catholic Church: the new Pope**

For the Roman Catholic Church the year 2013 was marked by the resignation of the relatively conservative Pope Benedict XVI and election of the new Pope – Cardinal Bergoglio from Argentina, who adopted the name Francis. The new Pope, which became popular in the media, launched a renewal of the Church and made a number of staff and structural changes in the curia. One of the dismissed functionaries was Mr. Bertone, Cardinal Secretary of State, responsible for diplomatic and intergovernmental relations in the Vatican. His visit to Belarus in 2008 marked the start of the so-called ‘turn to the Catholic Church’. Secondly, a number of staff changes took place in Belarus: in spring, Viciebsk bishop Uladzislau Blin resigned, on November 29 three new young bishops were appointed: Aleh Butkevich (Viciebsk diocese), Yury Kasabutski (Auxiliary Bishop of Minsk – Mahiliou) and Iosif Staneuski, which reduced the ‘Polish party’ in the RCC administration, which is experiencing a cutback of priests of the Polish nationality as a

result of pressure from the state authorities: in 2013, only 135 out of 449 Catholic priests were Poles (146 in 2012).

Thirdly, a considerable conflicting moment was the 'espionage case' against priest Uladzislau Lazar, the causes and circumstances of which are still unclear. From their side, the administration of the Roman Catholic Church agreed to publicize his arrest only after the public protests.

As a result, we can speak about the end of the era of promises and relatively friendly air between the state and the Catholic Church that started in 2008, and the inevitability of reformatting bilateral relations.

## Conclusion

Single conflict situations with the Orthodox and Catholic Churches did not cause confrontation with the state authority and, on the whole, did not lead to a crisis in relations. Nevertheless, the staff renewal that both major denominations underwent can potentially cause changes both on the church and state-church level. In the second half of next year the authorities might make some populist steps, due to the upcoming election campaign, for retaining control over religious communities. A good moment for that might be the Orthodox-Catholic forum due in Minsk in early June.

The key social and political topics are sure to be demography and abortions; another attempt of consolidation might be made around this agenda. The change in the administration of the BOC is likely to result in staff and structural reforms after the Russian model and develop toward greater centralization. This might lead to decentralization, which could develop from discontent with the new policy, and cause instability. The relations with the Roman Catholic Church will be based on attempts to exploit its foreign-policy and national potential, the 'espionage case' might remain a conflicting point. Protestant churches might seize the chance of 'visa vacations' during the Ice Hockey World Championship to organize visits for their foreign partners.

## **HEALTH CARE: UNDER THE PRESSURE OF OPTIMIZATION**

**Andrej Vitushka**

### **Summary**

2013 was characterized by a relative stability of economic indicators in the development of the country and therefore by the absence of considerable incentives for changes in the system of health care. There was no revision of the principles of free medicine for some categories of citizens which had been planned for a new edition of the law *On health care*. Meanwhile at the level of by-laws some essential changes were introduced. For the first time in the power discourse one could hear that citizens are responsible for their own health and not the doctor, which is an essential innovation in the Belarusian health care. The priority of the medical care for the first time became the primary health care, but this declarative reorientation had no essential changes in resources and staff. Many speeches were devoted to the optimization of the structure and mechanisms of the branch functioning – except for the ‘educational’ work with the population on prevention of abuse of the availability of medicine, and important by-laws were adopted, which affected the functioning of the primary health care level. The most burning issues of the medical system led to Belarus’ first mass appeals of emergency doctors in order to protect their rights.

### **Trends:**

- Essential growth of paid medical services;
- Optimization of the health care structure and functions based on the stated purpose of additional resources for motivation of the personnel;
- Reductions in the branch which reduced rather than increased the material motivation in the system;
- The statements on global reformatting of the system, starting from the rising of the responsibility of the population for health; the change of primary level, comprehensive medical audit and a personnel motivation reform.

### **Demographic indicators and health status of the population**

In 2013 the tendency of insignificant stabilization of demographic indicators proceeded, since 2012 the birth rate continued to grow (from 12.2 to 12.5 newborns per 1000 people), and mortality decreased (from 13.4 to 13.3 dead per 1000 people), but the demographic balance remained negative, though reached the minimum

values (minus 6.3% (7409 people) against 9.2% in 2012). Thus, the Ministry of Health Care did not cope with the task to bring about an increase of the population, set by the country leaders.<sup>1</sup> However, there was not a single chance for that, at least because according to the criteria of the World Health Organization (WHO) the condition of the medical care determines only about 10–15% of human health, while the way of life determines more than half. Meanwhile according to the last year researches in the country 91.3% of men and 85.7% of women of labor pool have from 1 to 5 of ‘behavioral risk factors’ which worsen the health state. Therefore the task of increasing population was performed by migration in the results of which 11,643 people were added, which provided the increase of the number of citizens by 4,200 people in comparison with the beginning of the last year.<sup>2</sup>

Nevertheless, the Ministry of Health does not shy away from ambitious tasks and does not hesitate to report about its achievements. Thus, the Minister Zharko, analyzing the system development in 2013, pointed out a series of positive results: the already mentioned decrease in mortality by 0.1%, the growth of birth rate by 0.3%, life expectancy by 9.5 months, and also the decrease of the number of deaths from the most serious diseases – heart and coronary (by 0.4%), neoplasm (by 2.6%), and also external factors (by 10.6%). Besides the physicians can add to their achievements one more—the decrease of mortality from oncology as a result of work with doctors of the primary level on purposeful identification of malignant tumors.

There is nothing to be proud of about the stabilization of indicators of mortality rate caused by heart problems and strokes, because for example, in the neighboring Poland it is one third times less than ours (the decrease began in the 1990s), and in the countries of ‘Old Europe’ it is 3–4 times less (decrease since 1980). An undeniable merit of the system in the terminations of this type of mortality is the rise by 20% of the number of cardiac interventions, lots of which are carried out at acute myocardial infarctions, which makes us closer to the civilized world. Among

<sup>1</sup> [http://www.belta.by/ru/all\\_news/society/V-Belarusi-v-2012-godu-slozhilis-nailuchshie-demograficheskie-pokazateli-za-poslednie-10-let\\_i\\_629063.html](http://www.belta.by/ru/all_news/society/V-Belarusi-v-2012-godu-slozhilis-nailuchshie-demograficheskie-pokazateli-za-poslednie-10-let_i_629063.html)

<sup>2</sup> <http://belstat.gov.by/homep/ru/indicators/pressrel/demographics.php>

important preventive measures which can improve situation is the development of the bill *On protection of public health from consequences of tobacco consumption*<sup>3</sup>, because after the introduction of anti-tobacco laws in the developed countries the number of smokers and, respectively, infarcts and strokes decreased significantly.

Decrease of the general mortality affected the rise of life expectancy till 72.2 years. At such rate, in a couple of years we will be able to reach the maximum indicators of the BSSR in 1969 – 72.9 years. Then the next step could be China or Estonia – where the life expectancy is about 73 years, and further – the European Union, where this number reaches 76 years<sup>4</sup>. As for the external causes mortality, its decrease can be explained by the reduction of the number of road accidents with lethal outcome (by 14%), and also murders (by 6.5%)<sup>5</sup>.

The demographic situation and last year's indicators of Belarusians' health again showed the importance of the primary level of the medical care where there is an identification and treatment of socially important and most lethal diseases. Also it became clear that with all statements about the preventive orientation of our medicine under conditions of insignificant financing (5% of the budget in comparison with 50% in developed countries<sup>6</sup>) and chronic overload of medical employees by duties the efficiency of preventive programs cannot but remain low. Meanwhile, in early 2013 an important message about the need to raise the responsibility of citizens for their own health came from the nation's leadership.<sup>7</sup> But as these words did not become the guide to actions, employees in this sector still feel they are being blamed for the poor state of health care in Belarus.

### **Economical economy of the branch**

According to the deputy prime minister Anatoly Tozik, “the government observed the promises to finance the branch with

<sup>3</sup> [www.belta.by/ru/all\\_news/society/Belorusskij-antitabachnyj-zakon-ogranichit-dostupnost-sigaret\\_i\\_646863.html](http://www.belta.by/ru/all_news/society/Belorusskij-antitabachnyj-zakon-ogranichit-dostupnost-sigaret_i_646863.html)

<sup>4</sup> <http://www.mednovosti.by/journal.aspx?article=5050>

<sup>5</sup> <http://mvd.gov.by/ru/main.aspx?guid=8141>

<sup>6</sup> [http://cardio.by/page/view/statyasidorenko\\_page](http://cardio.by/page/view/statyasidorenko_page)

<sup>7</sup> [http://ng.by/ru/issues?art\\_id=72753](http://ng.by/ru/issues?art_id=72753)

not less than 4% of GDP (in 2013 it was 4.09%, and in 2012 – 3.6%)”<sup>8</sup>. The position of the WHO as usual was not voiced, according to which the health system (in particular a state one) can develop only when not less than 5% is spent for it. Governmental officials promise a further but small rise therefore the principle ‘poor but pure’ will remain topical for a long time for Belarusian medicine. While governing bodies of the branch occupy the minds of the top leadership and their subordinated with the idea of saving funds, referring to WHO data that 20–40% of financing of medicine is wasted. The campaign of rationalization of resources use should have been begun with personnel decisions, but our solution was as the proverb says “an old ox makes a straight furrow” therefore last year in the medical public discourse a lot of attention was paid to traditional means of funds saving such as ‘spare water, turn off the light’ with some innovations.

It is worth noticing that there was no revision of the principles of free medicine for certain categories of citizens about which so much was said from different tribunes and which was awaited in the new edition of the law *On health care*.

Nevertheless, the problem of partial compensation to the state of expenses on treatment of drunken patients was solved much more elegantly. At the end of June the resolution of the Council of Ministers approved a new regulation<sup>9</sup> concerning the sick pay according to which the person does not get any pay during the first 6 days if the incapacity to work was a result of a disease or trauma caused by alcohol or drugs intake. Thus it was succeeded to keep the concept of ‘free medicine’ intact and to create the base for receiving compensations.

### **Ways to optimize the branch**

The other way to save funds was a declared by the nation’s leadership ‘optimization and removing of the unnecessary’. During 2013, 1.4 thousand of health care workers, mainly from administration, personnel, economic, accounting and other non-medical departments were dismissed.<sup>10</sup> At the same time

<sup>8</sup> [http://medvestnik.by/ru/issues/a\\_10104.html](http://medvestnik.by/ru/issues/a_10104.html)

<sup>9</sup> For the text of the document see: <http://www.pravo.by/main.aspx?guid=3871&p0=C21300569&p1=1>.

<sup>10</sup> <http://www.pravo.by/main.aspx?guid=3871&p0=C21300569&p1=1>

it was said that the dismissed administrative workers would strengthen an outpatient level. It is interesting that the purpose of 'optimization' was declared as a search of additional resources for medical workers payment. However in practice the salary even became lower. So at the end of 2012 the doctor's salary made 90.8% of an average salary around the country, and in late 2013 only 87.7%.

The old way of 'optimization' of the system continued to be breaking the habit of abusing the availability of medical care. The idea is not new<sup>11</sup>, but in 2013 every medical official – from ministers to deputies – considered it their duty to reproach people for frequent appeals to day hospitals, unreasonable hospitalization and excessive calls to ambulances.

There were some financial measures as well. For example, a new norm was introduced into the above mentioned regulation on sick pay, according to which the sick pay, equal to 80% of an average salary, is extended from 6 to 12 days. As the majority of sick leaves are given for the term till 12 days, no wonder that day hospitals at once experienced a decrease in the number of patients at the expense of elimination of those who want to have a full salary without going to work. As a result the expenses on financing of temporary disability decreased, which, probably, will make citizens be more attentive to doctors' advice.

Paid services which are traditionally perceived as a resource of additional financing of the branch, showed last year an essential growth from USD 23.7 million in 2012 to more than USD 30 million in 2013. Meanwhile, even the enlarged indicators together with other off-budget earnings constituted 10% of the total amount of financing of the branch, which is not so bad, because a more active commercialization of state medicine at its limited resources surely would limit the accessibility of medical care.

Thus, the reasonable idea of optimization of the structure of health care connected with the search of reserves for the motivation of medical workers about the need of which international experts spoke so much, failed. It failed in the sense of compliance with a set target which, however, did not surprise

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<sup>11</sup> Vitushka A. Health Care: End of welfare state // *Belarusian Yearbook 2012*. Minsk, 2013. P. 205–216.



anybody – it was instantly clear that resources are looked not for the motivation of workers, but for the system to live ‘hand to mouth’. On the other hand, last year showed that profile officials can not only do ‘persuasion and educational work’, but also suggest rational mechanisms how to solve problems.

### **Emphasis on the development of primary medical care**

Last year for the first time in Belarus it was clearly declared about placing emphasis on the development of primary medical care.

In order to financially support this extremely important branch statements were made about the growth of expenses on it from 30% to 40%, and it was promised to liquidate staff shortages (from 30% to 40% in different regions) in 2014. The problem of personnel imbalance (in Belarus only about 13% of doctors work at the primary level, whereas in the countries of the European Union this number is twice more) has not even been looked into. Among new measures for relieving the work load of doctors working at day hospitals is the introduction of the position of a medical assistant (who is appointed from nursing staff), but the number of newly created positions hardly exceeds 10% of the number of primary care doctors in Belarus. Therefore it cannot be considered as an essential factor of out-patient load reduction.

As well as in previous years, the question about relieving the work load of state day hospitals due to the permission to issue sick-leaves by private health centers was discussed. But as earlier it reached the form of a farce – at first they almost announced this permission, and after 4 days publicly expressed mistrust and rejected the idea until the right time comes.

### **2013 important events in the health care sector**

At the end of the year doctors of several first-aid stations in Minsk and their colleagues from Baranavičy signed appeals to the Ministry of Health Care and other decision-making centers at the state level where they outlined the problems of the branch and made demands on higher salaries and improvement of working conditions. This event was fixed in public consciousness as ‘a strike of emergency doctors’. Though there was no strike (they

did not stop working, and there were no other forms of struggle except for the appeals), nevertheless it was the first organized action of medical workers for their rights.

As a result the personnel of ambulances received from the government a promise of higher salaries but only in 2014. The branch trade union submitted to the Ministry of Health Care detailed suggestions on how to raise salaries and improve working conditions. The society actively discussed working conditions of doctors. Medical workers of Minsk achieved a pay rise of BYR 160,000–500,000 per month starting in 2014, but at the same time the first deputy chairman of the Health Care Committee of Minsk city executive committee Ihar Yurkevich said that reserves for pay rise of ambulance personnel in the framework of the legislation are already exhausted.<sup>12</sup> The pay rise in 2014 promised by the government turned out to be a recommendation to local executive authorities to raise ambulance personnel salaries by 40% since April at the expense of local budgets.

## Conclusion

One could call the decisions of the final investigating committee of the Ministry of Health Care with the participation of deputy Prime Minister Anatoly Tozik concerning the work of the branch in 2013 as sensational — so many worthy suggestions on optimization of work of the branch. Here one could find a revision of cases when a patient can address day hospitals, when a patient should be taken to hospital, when he/she can call the ambulance, and even plans how to raise salaries to medical workers up to 150% of the level in industry, etc. But the strong feeling of *déjà vu* prevents any rejoicing. A lot of things were once subjects of discussion at the levels of the prime minister and his deputies both last year, and two years ago. The joy caused by the fact that the government understands the problems of the branch gave way to expectations and demands on real actions, often with a very negative emotional coloring.

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<sup>12</sup> <http://doktora.by/novosti-mediciny/srednyaya-zarplata-minskogo-vracha-prevysila-7-mln-rublej-soobshchili-v>

## **SIMPLE MOVEMENTS: BELARUSIAN CULTURE IN SEARCH OF A NATION**

**Maksim Zhbankou**

### **Summary**

Protracted paralysis is becoming the norm for the state culture industry. Residual funding (2.4% of the state's 2013 budget for sport, culture and the media combined) has forced cultural institutions into a trivial role (as opposed to state officialdom and the *siloviki*) – to maintain “social stability”. Flashy cultural offerings “from above” have transformed communication with the consumer masses into an array of basic loyalty rituals: the regime appears to provide culture, and the people seem to absorb it.

The newly emerged “Belarusian neo-naïve” is attempting to bridge the gap between the cultural elite's laboratory experimentation and real, day-to-day practices, producing national pop-culture products with lowbrow overtones. At the same time, a “third culture” is developing, offering neutral content with no clear political affiliation, and education in mind, rather than ideological mobilisation. Lastly, the cultural war rages on, albeit in a slightly altered format: alongside the usual confrontation between state culture and the rebellious “underground”, divergences are also on the increase within creative communities, and cultural experience is becoming “privatised”.

### **Trends:**

- The irrelevance of traditional national identity models has prompted a spontaneous quest for new formats to cover Belarusian themes, turning to grass-roots traditions and lowbrow language.
- The formerly valiant zeal of post-ideological Belarusian culture is consistently being replaced by softer cultural-education tactics and the promotion of nationally orientated, everyday communication.
- Belarusian non-conformist underground culture is increasingly shifting away from slogans and manifestos towards individual expressions of personal experience.

### **Taming mediocrity: new games with emptiness**

In the blurred field of Belarusian culture, any cultural venture's success depends on two basic factors. Firstly, the scope of artists' personal ambition, and their ability to catch the wave of con-

sumer feeling. Secondly, the sphere of influence and symbolic capital of a “support group” of mostly like-minded cultural activists. The first factor allows content to materialise, the second turns it into an event. Both factors were busy turning junk into gold in 2013.

In actual fact, this surge of “neo-naïve” had been maturing for years: early *Lyapis Trubetskoy*, Volski and *Krambambulya*, and *Razbitaje sertsya patsana* (“*A Lad’s Broken Heart*”); in film — Kananovich’s *Dastisch Fantastisch*, and in literature — Prylucki’s *Yopyty* (“*Ickperiments*”). Yet only now has defective street-speak finally become trendy. Viktor Martinovich’s crime novel *Sphagnum*, published concurrently in Belarusian and Russian, met with unprecedented enthusiasm and its first print-run sold out in a matter of days.

*Sphagnum*’s success is easily explicable: a once pretentious stylist reached out to the people as a “down-to-earth guy”. Viktor Martinovich capitalised on the popular crime theme, adding a little light satire and pure Belarusian lunacy. Two-dimensional character masks (a “brawn/brains/poet” criminal trio, a small-town cop, a local stunner with a dipso husband, a Russian hitman) are incorporated into a psychedelic landscape based on trippy local folklore and journalistic sketches from life. *Sphagnum* is as erratic as advertising, familiar as a local beer, undemanding as Dontsova, and verbose as Tarantino — what more could the people want? It scored highly not thanks to quality writing, but rather because of its mediocrity. *Sphagnum* does not yearn to be great literature, which is why it hasn’t scared off the general public. Aesthetes will note the importance of “filling cultural niches”, and create a dazzling media-halo.

Zmicier Vajciushkevich also chose to play in the same field. Following the concept-psychedelia of *Chary* (“*Spells*”, 2011) and *Wojaczek* (2012), he returned with “Belarusian *chanson*” on his new album *Varanok* (“*The Black Maria*”). Although Zmicier’s music is rooted in local folk, poetic cabaret and European singer-songwriter traditions, this time he elected to perform Russian criminal-style *blat* songs in Belarusian. His hopes for commercial success were flawed, however: the Belarusian lyrics in this alien musical format failed to enthuse either lovers of the authentic Russian product or Vajciushkevich’s original fans.

Laboratory experimenter Sergey Pukst also applied a personal touch to *chanson*, adopting the persona of boorish *chansonnier* Georgiy Dobro to sing vicious parodies of Russian *blat* songs. However, very few people grasped his subtle sneering and, commercially, Stas Mikhaylov had more credibility.

Another more sophisticated (but no less controversial) variation on the “lowbrow” theme was Nataalka Kharitaniuk’s novel *Smierc’ lesbijanki* (“*Death of a Lesbian*”). This provocative (right from the title) play on classic detective-genre images was designed to import a European pulp fiction matrix into Belarusian culture. Its success was hampered by what should have been its strong point – the author’s educated, utterly refined style. *Smierc’*... blends the chick lit of Joanna Chmielewska with the intellectual stylishness of Umberto Eco. Agatha Christie chased through the labyrinths of Polotsk by shadows of Nietzsche and Confucius. This seemingly “national” novel is overloaded with references, quotations and allusions. Its constant changes of mood and intonation (often several times per page) deprive the reader of basic, “pop” enjoyment, *i.e.* accessible doses of pure emotion.

Equally overburdened was Artur Klinau’s latest opus *Shklatara* (“*Bottles and Jars*”). Klinau’s novel kept to his earlier, picaresque course while deliberately lowering the bar: his previous novel, *Shalom*, could aspire to being a conceptual pamphlet, whereas the new *Shklatara* was merely a satirical novel. In “gutter” press style, Klinau superficially recounts the real circumstances of his divorce, mixed in with personal anecdotes and chunks of his shelved *Belarusfilm* script for *Shliakhtich Zavalnia* (“*Zavalnia the Nobleman*”).

Assimilating grass-roots cultural forms makes a major gesture towards the local audience, yet such an approach is potentially damaging to quality.

### **Far from the fight: the “third culture” as a covert mainstream**

In the Belarusian cultural field, so full of showy projects (be they pro-state or protest), the most brilliant initiatives of 2013 went against the rules, or lived according to their own. Their goal was

not to fight, but to construct new meanings. Their path was one of individual participation, not public acclaim.

In 2013, Maks Korzh, the brightest Belarusian pop breakthrough in recent years, released his second album *Zhit' v kayf* ("Living on a Buzz"). Korzh speaks for the "un-conscious" majority, converting the "humdrum" into poetry with no posing or histrionics. A successful commercial artist with a Moscow work permit and lyrics of almost Mikhalkovian "sincerity", Maks entirely fits the requirements of his audience – the semi-educated noughties generation, for whom Saturday barbecues rank higher than national identity. Korzh is truly relevant, and has made his own way without presidential backing or TV talent shows.

The "third culture" relies not on slogans, but universal subjects and recognisable content. At the 2013 *Bulba* Movie festival in Warsaw, the top prize went unanimously to Maria Matusevich's animated short *Fokus* ("The Trick") – the wonderful parable of a rabbit carefully tidying up his cosy little world, until he is hauled out of a magician's top hat by the ears. A wordless film that says it all.

Another "post-barricade" writing tactic was demonstrated by the band *BosaeSonca* ("BarefootSun"), with two simultaneous album releases last year – the electric *Zalaty* ("Golden") and acoustic *Adpus'ci* ("Let Go"). Influenced by both Belarusian singer-songwriting traditions and foreign folk-rock, these young musicians craft soundscapes apparently devoid of "chartability". However, they do manage to turn flag-waving, weapon-brandishing "Belarusianness" into a natural experience of *here and now* reality.

Cultural education strategies are also evolving. "Partisan schools" of the past are now transforming into public entertainment, combining education and enjoyment. This was the basis for Sergey Budkin's *Tuzin: niemaulia* ("Dozen: Infant") project, three Belarusian silent films with soundtracks by contemporary musicians. This is cultural education, an introduction to the alternative music scene, and a club event, all rolled into one.

Katya Kibalchich's *Mova ci Kava* ("Language or Coffee") project works in a similar way – a free, mass Belarusian-language-teaching experiment which invariably attracts several hundred participants. Meanwhile, *Dziciachaja zaMova*, Hleb

Labadzenka's language book for children, also took a step towards unofficial education. New cultural strategies not only disseminate knowledge, they also build a unique communication space — a zone for the creation of dynamic, shared cultural environments, free from decrees, rulings and directives.

The “third culture” has given rise to new intellectual, creative works. Released almost at the same time as Klinau's *Shklatara*, Ihar Babkou's book *Khvilinka* (“*Moment*”) is in many ways a borderline text. It is evidently the author's intellectual autobiography encrypted into a series of short stories featuring allegorical characters. It is a sentimental farewell to the nationalist/romanticist era of the 1990s, yet also a harsh condemnation of the period. And, finally, it is prose constantly digressing into poetry, as well as poetry that acts as an intellectual puzzle. *Khvilinka* operates outside of existing conventions, defining possible avenues for the development of Belarusian thought.

“Third culture” projects still have no support from state bodies, but it is superfluous, since a system of decentralised private initiatives has in fact formed — not a new global mythology, but separate models of life in the cultural field. With its current “soft” orientation and strong creative potential, the “third culture” could potentially become a Belarusian mainstream but, as yet, it is uncalled for in its retro-orientated, bureaucratised homeland.

### **War is war: powerful gestures, personal scores**

The patent lack of political will to reform or to launch economic transformation has turned the Belarusian cultural space into a freeze-frame, where movement is optional due to the current state of affairs — flashy reproductions of the officially sanctioned canon, coupled with token resistance from protest culture. This confrontation cannot be described as a systematic cultural war, since neither a unified state culture, nor a coherent “freedom culture” have emerged in recent times. In a stagnating regime, struggle leads to an alternating sequence of ritualistic actions, each fated to entrench the status quo rather than improve the state of affairs. A society's relative stability is directly proportional to the relative conflicts within its culture.

A characteristic example of fight clubs giving way to fencing matches was the conflict between the two main “national projects” of the year: the unofficially distributed and rebellious *Zhyvie Belarus!* (“*Viva Belarus!*”, dir. Krzysztof Łukaszewicz) and the state-produced *Avel’* (“*Abel*”) (dir. William Devital), which rated highly even though shooting only began late in the year. Both films are set in a fictitious country. *Zhyvie Belarus!* is a set of bleak propaganda stereotypes: a poor country, Chernobyl, freaks in power, omnipotent secret services, army “hazing”, popular resistance, brutal riot police, and “conscious” rock’n’roll as a flag of freedom. This protest cine-comic – made by a Polish crew and based on opposition activist Franak Viachorka’s military-service diaries – claimed to tell “the truth about Belarus” but effectively became just another propaganda poster.

Judging by an online version of the script, the state-funded *Avel’* is a wholly different fairytale about a beautiful country with a strong president, giant BelAZ trucks, high-rise skylines, heroic riot police, and the wholesome pop group *Siabry* (“*Friends*”). It also delves into the global war on terror, brotherly love, and the advantages of gentle evolution over reckless revolution. Both films deal in media stereotypes. Both were made with resources enlisted from abroad: *Zhyvie Belarus!* received European Union support, *Avel’* features Hollywood-style shots, and they were both designed to have greater public impact outside of Belarus.

Various other “militant” action to bolster the existing cultural order seemed equally ineffectual. The latest *Belarus Press Photo* album was unexpectedly branded an “extremist publication” and the case was sent to the courts. They ordered the confiscation and destruction of 41 copies, while independent publishers Logvinov lost their licence for producing the book. Although never specified officially, the existence of reported “blacklists” of undesirable musicians still remains unclear: sporadic club concerts by *Neuro Dubel* and Volski (with an unspoken ban on performances by Vajciushkevich and *Lyapis Trubetskoy* still in force) can hardly be called full rehabilitation.

In the decentralised world of “post-ideological” culture, first-person speech is conspicuous. The malicious, flamboyant disc *Dovol’na* (“*Happy*”) by Anastasiya Shpakovskaya and *Naka* is an entire song cycle; a meticulous, harsh diagnosis of the “na-



tionwide hangover” of post-electoral days, through a lens of personal experience and individual destiny. Meanwhile, *NRM*’s first release without Volski, *DPBCh* (“*CUL8R*”) is another example of personal scores being settled with an era. This time, a belated farewell to the wave of pro-nationalist zeal of the 1990s, which ebbed into the despondency of [Lukashenko’s] fourth term.

On one hand, it’s fine: the cultural war is no longer a “Party duty”, it has become the artists’ personal quest. On the other, it’s problematic: the artists’ personal torments are becoming less and less intelligible to the general public, who prefer clear messages and simple signals.

## Conclusion

The evolution of the cultural situation in 2013 allows one to assert that trends underlined in previous reviews have been consolidated and intensified. State-managed culture is still a “garish sideshow” which serves to stifle other cultural initiatives. Mutual exhaustion of the leading actors in this confrontation of ideology and aesthetics (the state culture industry versus “protest culture”) is irreversibly turning into various imitative demonstrations, derivative in style and reactionary in content. Both sides of the ideological conflict are playing up to their sponsors’ inert expectations by selling them the same old symbolic pro- or anti-regime stereotypes.

In the context of this “clash of paper dragons” — and irrespective of its intensity — the “third culture” is transforming into a domain of fragmented national self-determination. “Belarusianness” is becoming trendy. Its saleability has risen steeply, creating serious demand for locally-produced pulp novels. Reading home-grown books is now as fashionable as listening to *Serebryanaya Svadba* (“*Silver Wedding*”) and flicking through local glossy magazines.

Last year saw independent artists breaking through, while this year saw their active expansion into “lowbrow” genres and styles. One can anticipate genuine dual power in the future: alongside the sensationalist, administrative, bureaucratic state culture system and the sham “underground”, a quasi-market-based, post-ideological cultural sphere will finally arise — a new prototype culture for a post-Lukashenko nation.

## SPORTS: ICE-DOPING TIME

**Barys Tasman**

### **Summary**

In 2013 the systematic degradation of Belarusian sports continued, which was most vivid in the mass and most popular kinds of sports – soccer, hockey, track and field athletics, and also in the traditional Olympic disciplines – cycling, boxing, weight-lifting. The national ice hockey team lost the qualification tournament and failed to get to the Olympic Games in Sochi. The football national team took the last place in the qualifying group tournament at the 2014 World Cup. At the World Forum in Moscow athletes remained without medals as it had happened at the London Olympic Games 2012 and showed the worst performance during *two* decades.

Medal achievements in the Olympic disciplines were as poor as ever. In gymnastics and wrestling where the pupils of national sports schools used to be stars, the front of the scene was taken by the athletes who had arrived to Belarus from CIS countries. The disbalance in sports policy in favor of ice hockey led to the fact that the two-million capital remained without football stadiums for international matches.

All the mentioned above is an indicator of the low efficiency of the sports sector which in 2013 again underwent destructive reforming: according to Presidential Decree No. 168 sports and tourism departments in cities of regional subordination and in the regions were incorporated into the education departments.

### **Trends:**

- Single progress of superstars against the systematic degradation of popular sports;
- Disbalance in the development of sports materials and technical recourses;
- Inefficient work of the branch in the preparation of a sports reserve;
- Continuation of a specific 'reforming' of the branch which aggravates problems of mass sports;
- Further development of sports TV and Internet broadcasting.

### **Flashes are not yet flame**

Tennis player Victoria Azarenka had a good season. In Melbourne she won the Australia Open second in a row, having overcome the Chinese player Na Li in the final – 4:6, 6:4, 6:3. Three times in the season Victoria played with an American tennis legend, Serena Williams, and won twice: in the finals of

tournaments in Doha and Cincinnati – 7:6, 2:6, 6:3 and 2:6, 6:2, 7:6. Their battle over the title of the USA champion became a decoration of the tournament. However the home player got the title – 5:7, 7:6, 1:6. The Belarusian finished the year as the World No. 2.

Handball player Siarhei Rutenka, the holder of the record contract with the Spanish ‘Barcelona’ continues to be at the summit of his fame. The captain of the national team of Belarus was called by the International federation the best inside left in the history of handball. The *PRESSBOL* newspaper named Rutenka “The person of the year”. Biathlonist Darya Domracheva again came second in the World Cup for biathlon, and at the World Forum she won gold in mass start.

Rhythmic sportive gymnasts won the Olympic gold in group exercises. The winners are Maryna Hancharova, Hanna Dudziankova, Marya Katjak, Yana Lukavec, Aliaksandra Narkevich, Valeryja Pishchelina. The previous victory of Belarusians in this discipline was 15 years ago. All these years the Belarusians trained by Tatiana Nenashava got on the podium but settled for silver or bronze awards, allowing the Russians trained by Irina Viner to come first.

The Silver medal of a female trio in archery came as a surprise. Hanna Marusava, Ekaterina Timofeyeva and Alena Tolkach on the way to the World Cup Final consistently ‘shot down’ their British, German and Danish competitors. In the final the Belarusians lost only 6 points to the archers from South Korea, leaders in this sport. A perspective duo of kayakers, Pavel Miadzvedzeu and Aleh Yurenia, also got silver medals.

Among bronze medalists are rhythmic gymnast Melitina Staniouta, weightlifter Dzina Sazanavets, female kayak fours (M. Tyshkevich, N. Papok, O. Khudzenka, M. Litvinchuk), double scull (Y. Bichyk, E. Karsten), wrestlers Javid Hamzatau and Ali Shabanau. Nevertheless, in total the number of awards won in the Olympics by the Belarusian athletes was the worst result ever: 10 medals, out of which only *two* medals were gold. The table of the achievements of the Belarusian athletes illustrates well their way on the downward path in the World Cups of 2003–2013 (see table 1). Apparently, during a decade the number of prizes decreased almost threefold:

in 2003 – 28 medals, in 2013 – 10 medals. And gold is won three times less.

**Table 1. World Cups, 2003–2013**

	Gold	Silver	Bronze	Total
2003	5	9	14	28
2005	5	5	9	19
2007	6	6	4	16
2009	4	4	4	12
2011	4	7	8	19
2013	2	2	6	10

## Olympic icing

The ice hockey national team of Belarus failed to get to the Sochi Olympic Games (2014). At the qualification tournament of four national teams in Denmark the Belarusians ranked second to the Slovenian team (2:4). The subsequent victories over Denmark (3:2) and Ukraine (6:0) were useless because the Slovenes won against all, and doors were open only for one. The failure in a sport which has a priority financing, was a natural result of thoughtless expenditure and long-term counterproductive decisions.

In 1995 the Belarusian Ice Hockey Federation (BIHA) initiated the creation of the Eastern European Hockey League (EEHL) which existed until 2004. Initially it included teams from Belarus, Latvia, Lithuania, Ukraine, and sometimes Russian and Estonian teams joined. Together with the competitions for professionals there were tournaments for children and youngsters in *seven* age groups. The branched system of competitions stimulated the professional development of young hockey players.

When ice hockey palaces started sprouting in the country like mushrooms after the summer rain, in Belarus the number of teams increased. BIHA actually ruined EEHL to please the Belarusian Open Championship where the number of foreign clubs progressively decreased. Gradually the former interstate competitions of young hockey players also came to naught. Instead the Belarusian teams at the cost of budgetary funds

bought in tens of naturalized Russian players. During a decade there were almost 200 brought in here! This means that this very number of places in clubs could have been taken by pupils of local sports schools.

In 2009 after several unsuccessful matches the chairman of BIHA Vladimir Naumov made the head coach, the Canadian Glen Hanlon, who twice, in 2006 and 2009, led the Belarusian national ice hockey team to the top eight of the world, leave his post. At that very time Minsk Dinamo entered The Kontinental Hockey League (KHL), for the maintenance of the club annually it was allocated about USD 20–25 million. But there were few Belarusian hockey players in the team, and the money was just wasted. All this had an extremely negative impact on the Belarusian ice hockey.

Being not better off than before in the run-up to the Minsk World Cup 2014, the Belarusian management for the third time invited Glen Hanlon. For 170,000 USD a year he prepares the national team for the World Cup and advises coaches of the youth and junior national teams. As early as in 2004 the national team of Belarus rose from the first division to elite (in elite sixteen national teams compete). Its achievements in the World Cups after that event are presented in table 2.

**Table 2. The national team of Belarus at Ice Hockey World Championships, 2005–2013**

Year	Placement
2005	10
2006	6
2007	11
2008	9
2009	8
2010	10
2011	14
2012	14
2013	14

Changes also happened to Ice Hockey Club ‘*Dinamo-Minsk*’ CJSC. The team wasted huge amounts of money by Belarusian

standards, which were put into Canadians, Americans, Swedes, Finns, Czechs, Slovaks, but it brought no sports results. The head of the supervisory board of the club, Major General Yury Borodich, was replaced by Lieutenant General Enver Bariev, the former Minister of Emergencies. One more essential innovation is a reduction of the club payslip and transition to a legionary formula '6+1'. From now on in '*Dinamo*' there should not be more than six field players and one goalkeeper from other countries.

The key event of the preparation for the World Ice Hockey Championship in Minsk was the launching of the Čyžouka-Arena sports complex, which was opened with a delay on December 25 by the chairman of Minsk City Executive Board Nikolay Ladutko. The complex consists of two skating rinks, the grandstands of the main skating rink seats 8800 people, and the training rink seats about 800. Also, there is a hall for basketball, volleyball, handball. The whole complex belongs to the hockey club '*Yunost*' (Minsk).

In the process of construction of Čyžouka Arena a large number of building materials were stolen. As a result, some criminal cases were initiated; the director general of the ice hockey club '*Youth*' Eduard Zotov was dismissed and arrested.

## Football desert

The national team trained by Georgi Kondratiev at seemingly quite a good game was at the bottom of the table in their qualifying group at the 2014 World Cup in Brazil. It is paradoxical, but the Belarusians played their best match against the world and Europe champions – the Spanish team, having a minimum gap in score in Seville (1:2). Before this, our national team had had unsuccessful matches with France (home match) – 2:4 and Finland – 0:1 (away match) and 1:1 (home match). These teams, as well as the national team of Georgia outstripped the Belarusian team.

After five years of successful performances at the European tournaments FC *BATE Barysau* already in the beginning yielded to FC Shakhter Karagandy and failed to get either to the UEFA Champions League or to the UEFA Europa League. In the latter the FC Minsk came in full force unexpectedly and made the

playoffs after victories over the Maltese 'Valletta' and Scottish St. Johnstone F. C. However the Belarusians did not manage to beat the Belgian Standard Liège.

In the national championship a new two-stage formula of draw was tested for the first time, which at once aggravated the fight for medals. From the very beginning FC *Shakhter* Salihorsk was the leader, but at the very finish it sharply lost ground and FC *BATE Barysau* came forward as usual. However the champions lost seven times in the tournament, which did not happen to them long ago.

A real scandal burst when it became clear that no stadium of two-million Minsk can host official international matches. The biggest stadium of the country, 'Dinamo', is closed for renovation. The *Traktor stadium* once and for all fell into disrepair. In 2007 the Minsk City Executive Board signed a contract with the owner of the Lithuanian company UBIG Vladimir Romanov who promised to build a sports entertainment complex at its place.

However it was just idle promises. In the summer of 2013 the contract was canceled, and the stadium again went to the city. FC 'Dinamo-Minsk' closed its cozy little stadium for renovation in Kurasouščyna, and the Torpedo stadium looks wretched. Therefore capital FCs 'Dinamo' and 'Minsk', and also the national team met their rivals in Brest, Hrodna, Homiel and Žodzina. Meanwhile in Barysau the construction of FC BATE stadium comes to an end.

## Blow to roots

The terms *debureaucratization* and *optimization* should cause positive associations, but most likely not in our case. On April 12, 2013 the presidential decree No. 168 "*On some measures for optimization of the system of governmental bodies and other state organizations, and also of the number of their workers*" was issued. According to the decree in the cities of regional subordination and the regions the sports departments were abolished, and the workers who were not made redundant were co-opted into the education departments.

In the budgetary financing system the route of finance depends on the name of the department. Earlier it was logi-

cal: from sports and tourism regional departments to the local departments of the same title. Now money from these departments goes to chiefs of the departments of education, sports and tourism. And they first of all allocate funds for the needs of kindergartens, day nurseries, and high schools. And there is no way to blame them: for they will be ask about this first of all. Whereas whether some team will stand for the region in a regional cross-country or local tournament on soccer – is number ten on the priority list. The financing of sport schools for children and young people took a beating too. Sports experts started leaving the decaying branch in large numbers.

The decree prepared by the governmental officials, did not pass the examination of the profile departments and became an apple of discord between the Assistant to the President for physical culture, sports and tourism Maxim Ryzhankou and the management of the Presidential Administration and the Cabinet. Mr. Ryzhankou lost this fight. But the real defeat is ahead: the crushing blow is delivered to children and youth sports and mass sports. And it is done when the reserve preparation in the majority of sports has sharply worsened. Track and field athletics digest the hard consequences. At the World Cup in Moscow out of 27 Belarusian athletes only the long jumper Olga Sudareva got into the eight of finalists. Earlier in this most ‘medal-rich’ Olympic sport the Belarusians got up to seven medals, and the number of finalists reached fifteen.

On the threshold of the home track cycling World Cup the national team of Belarus fell apart: its leader Olga Panarina refused to participate, having referred to illness. One more titled racer Tatyana Sharakova was disqualified for a positive doping test in the 2012 European championship.

## Conclusion

A year ago the similar review came to the end with the phrase: “The reform will be put into practice in conditions of severe budget constraints that will definitely affect the process”.<sup>1</sup>

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<sup>1</sup> Tasman B. Sports: Olympic failure and overall regression // *Belarusian Yearbook 2012*. Minsk, 2013. P. 232.



Unfortunately the forecast came true. The economic crisis provoked the declaration of the *Year of Thrift*. It had its impact on the essential reduction of expenses in branches of the non-productive sphere, including such an expensive and corrupted branch as sports. However, reduction started not from the top of the pyramid but from its bottom. The tool of sequestering was the above-mentioned decree No. 168.

Following the results of the London Olympic Games 2012, Alexander Lukashenko dismissed the minister of sports and tourism Kachan and the assistant for sports Zaichkov. Their posts were taken by the general of the Ministry of Emergencies Shamko, the general and frontier guard Rachkouski and the diplomat Ryzhankou. Practice showed that there is no unity of actions in this trio.

The most burning issue still remains a reserve preparation. Reduction of financing influenced negatively the calendar of competitions for children and young people, financing of trips for educational and training camps and competitions.

The other important issue is doping. During 2013 about 35 Belarusian athletes were disqualified for using forbidden substances. For this reason weight lifter Ekaterina Shkuratava and a cyclist Tatyana Sharakova lost awards of the World Cup and the Europe Cup. The world champion and champion of Europe in shot-put Andrey Mikhnevich got a lifelong disqualification for a repeated violation. The situation in this sphere does not change for the better.

In the majority of sports the material base became outdated and its updating lags behind time requirements. In the same range of problems is the aging of trainers and their low qualification. The branch has an acute shortage of experts in sports medicine.

One of the rare positive events of the year is the launching of the national sports channel (since October 21), and also the organization of systematic Internet broadcasting of matches of the soccer national championship.

## **PUBLIC OPINION: THE FUTURE, WHICH IS MORE IMPORTANT THAN THE PRESENT**

**Valeria Kostyugova**

### **Summary**

Despite the fact that household incomes climbed above the pre-crisis level in 2013, social feeling indexes did not show the same trend. Fluctuations of Alexander Lukashenko's electoral rating were thus not directly linked with socioeconomic indicators.

In general, Belarusian society remains conservative and cautious. People want to see an alternative to the policy pursued by the president, but paternalistic moods still prevail. Society would apparently prefer a 'repair' of the socioeconomic model to a full-scale reform. The degree of readiness for any forms of political activity remains very low.

### **Trends:**

- The level of electoral support for the president is no longer directly dependent on socioeconomic indicators;
- Society is quite hungry for changes, but mostly in the form of adjustments to the existing model without massive upheaval or high costs;
- Most people are still wary of the opposition, although its most creative representatives are gaining popularity;
- Pro-European attitudes are decisively more popular than pro-Russian ones;
- The potential of a national revival is quite high.

### **Presidential rating in the zone of instability**

The rating of President Lukashenko no longer systematically correlates with socioeconomic indicators, first of all household incomes, which is a noticeable trend of the period under review. This is probably a psychological consequence of the financial crisis of 2011. In the first year of the recovery from the crisis, it was most likely temporary inertia after the stress experienced by society, while, by the end of 2013, there is every reason to assume that we are dealing with a new sustainable trend.

**Table 1. Indexes of support for Alexander Lukashenko, %<sup>1</sup>**

	<b>March 2013</b>	<b>June 2013</b>	<b>September 2013</b>	<b>December 2013</b>
Ready to vote for the incumbent president	33.4	37.3	42.6	32.6
Trust the president	43.4	48.9	46.7	37.7

As seen from Table 1, the presidential rating and public confidence indexes fluctuated considerably (up to 10%) over the year. No objective socioeconomic reasons for so wild fluctuations were observed in 2013. There were no major cataclysms in the social sector either. On the contrary, household income grew above the pre-crisis level (see Table 2).

**Table 2. Household income dynamics<sup>2</sup>**

	<b>April 2011</b>	<b>January 2013</b>	<b>December 2013</b>
Payable monthly wage, USD at the market exchange rate	503.0	505.6	618.9
Real wage, the ratio between the payable monthly wage to the minimum consumer budget	2,851	2,909	3,289
Payable monthly pension, USD at the market exchange rate	197.1	227.3	242.1
Real pension, the ratio between the payable monthly pension to the minimum consumer budget	1,117	1,308	1,286

The dynamics of the presidential rating generally correlates with the subjective indexes of social feeling of the population (see Table 3).

A decline in the social feeling index by year's end cannot be explained by external circumstances. Lukashenko himself is probably the one to blame for the deteriorated social feeling, as he used to publicly scarify the government and the entire power

<sup>1</sup> The table is compiled on the basis of IISEPS research for 2013; see <http://www.iiseps.org/>

<sup>2</sup> The table is compiled on the basis of data available on the IISEPS website, see: <http://iiseps.org/old/zarplata13.html>; <http://iiseps.org/old/pensia13.html>.

vertical all year round, thus assessing the general state of the Belarusian economy as unsatisfactory.

**Table 3. The indexes of social feeling of the population<sup>3</sup>**

	<b>June 2011</b>	<b>March 2013</b>	<b>June 2013</b>	<b>Septem- ber 2013</b>	<b>Decem- ber 2013</b>
Financial status index <sup>4</sup>	-71.8	-15.4	-7.9	-10.0	-15.8
Expectations index <sup>5</sup>	-43.6	-12.0	-6.0	-10.6	-23.1
Policy correctness index <sup>6</sup>	-51.5	-16.9	-5.9	-7.6	-22.2
Dynamics of the answers to the question "Do you think that Belarusian economy is in crisis?" %	81.5	64.8	59.8	57.4	68.6

Lukashenko criticized not only the government and the state of the economy, but, in fact, the people of Belarus. The hard feelings appeared to be mutual: responses to the political strategy of the president in December 2013 were mostly negative: 36% of respondents believed that his only strategy was "to retain power as long as possible and to control the situation in the country", and 22% shared the opinion that the head of state had no strategy whatsoever.

Fewer Belarusians take president's statements as read. Only 25.4% believed Lukashenko when he spoke about the relevance of an industrial upgrade, and 59% were confident that the modernization was actually a "failure." Only 22% believed the president when he claimed that the new Palace of Independence

<sup>3</sup> The table is compiled on the basis of IISEPS research for 2013; see <http://iiseps.org/old/press1.html>.

<sup>4</sup> The index of financial status is determined as a difference between the positive and negative answers to the question "How has your personal material standing changed over the past three months?"

<sup>5</sup> The index of expectations is determined as a difference between the positive and negative answers to the question "In your opinion, how is the socioeconomic situation in Belarus going to change in the next few years?"

<sup>6</sup> The index of policy correctness rate is determined as a difference between the positive and negative answers to the question "In your opinion, is the situation in our country changing in the right or wrong way?"

in Minsk did not cost the budget a “single ruble”, and 60% of respondents were skeptical about that.

Also, frequent presidential initiatives to collect extra dues from the population caused a deep repulsion even among Lukashenko’s devoted voters. So, the USD 100 country exit fee, which he proposed in December 2013 for all who travels abroad, was met with indignation from 65% of respondents, and only 14% agreed that it made sense. Sixty-one percent spoke against the “tax for parasites” (i. e. the people who do not work officially and therefore do not pay taxes) and the increased state tax on private cars, and only 23% agreed with them.

Nevertheless, despite a decline in popularity at the end of the year and dissipation of its ‘sacral’ component, as noted by analysts of the Independent Institute of Socio-Economic and Political Studies (IISEPS), Lukashenko managed to retain his ‘electoral core’ (32% to 35% of potential voters). This ‘core’ can be sized up judging by the following December indexes: 38% trusted the president, 32% believed that the country was going in a right direction, 37% were grateful to the president for leading the country out of the crisis, and 30% intended to vote for pro-presidential candidates in local elections regardless of their personal qualities.

It is obvious, though, that the incumbent president and the state, which he impersonates, are vulnerable in electoral terms. In particular, notable is the negative dynamics of the index of the “correctness of the line of policy” pursued by the country’s leadership (see Table. 3). The demand for “changes” is increasing: in September, 50.3% of respondents stated their wish for “profound changes in domestic and foreign policy.”

Skepticism about the existing social model is also growing. More and more voters believe that it poorly correlates with the official myth of a ‘social welfare state.’ According to the September survey by the IISEPS, 47% of respondents did not feel protected by law. When asked “Who prospers the most in Belarusian society today?” 45% pointed at people in high offices and 44% said “people with profitable connections.” Only 24% believed that “highly skilled and talented” people could achieve success, and even fewer (21%) thought that “diligence” was of essence.

Meanwhile, nothing suggests that Belarusian society really understands the need to change the socioeconomic model. For the most part, people are still paternalistically inclined and spontaneously leftist. The answers to the question about the role of the state (in September 2013) are quite illustrative in this respect. So, liberal postulates like “The state should only assist the weak and helpless” and “The state should not interfere in the lives of the citizens, and all should only rely on themselves” polled 18.3% together. The moderate left and the extreme left statements like “The government must provide a certain minimum to all citizens, and those who want more must go for it independently” and “The state must ensure equality (property, legal and political) of all citizens” are perceived enthusiastically by 79.2%. Over 35% of respondents thus want to be equal in property terms.

Belarusians do not support other basic components of the liberal democratic philosophy either: 60% said that “It is more important to Belarus to have good leaders” (September), and only one third opted for the thesis “It is more important to Belarus to have good laws.” They more like pin hopes on a ‘repair’ of the current system seeing a solution in “rooting out corruption” and “higher effectiveness of state officials” (40% and 31%, respectively), while “development of democracy, increased social and political activity of citizens” were the least popular answers with only 18%.

### **Political alternative: *People’s Referendum***

Over the past decade and a half of Alexander Lukashenko’s presidency, opposition candidates combined usually polled 20% to 25% during presidential campaigns. Between the elections, opposition politicians and political parties are not able to reach these figures: six months after an election, ratings of politicians usually do not exceed 5% to 7% and parties poll 4% to 5%.

Over the period under review, the electoral potential of the opposition was low as it used to be despite the dissatisfaction with the president’s policy and the distinctly expressed wish for social and political changes recorded by sociologists. In June 2013, only 10.7% of respondents associated the hope for

“economic development of Belarus” with political parties and civic movements. Only 15.4% said that they trusted opposition parties (this figure remained almost unchanged in September and December making up 15.3% and 15.8%, respectively).

However, since 2012, the Tell the Truth movement has achieved some rating success, and this trend continued in 2013. According to the December poll by the IISEPS, 9.9% of respondents were ready to vote for Tell the Truth candidates in the parliamentary elections, and the presidential rating of leader of the movement Vladimir Neklyayev reached 7.1% (up 2% since September). Tell the Truth has a high index of awareness (39%). A positive attitude to Tell the Truth was declared by 16% of respondents, while only 6% of answers were negative. None of political movements or their leaders have ever achieved such stable results since the ‘era of the Belarusian Popular Front.’

All other political leaders, potential presidential contenders from the opposition, were considerably behind Neklyayev in December 2013. Ratings of most of them did not exceed the statistical error: Andrei Sannikov polled 3.2%, Anatoly Lebedko 0.7%, and Vitali Rymashevski 0.3%.

The People’s Referendum initiative announced in spring 2013 helped Tell the Truth to achieve a relatively high ranking. The June survey showed that the initiative enjoyed strong support of voters. At that time, 52.3% of respondents wanted the referendum and 32% did not. 57.5% declared their readiness to put signatures in support of the referendum and 22% (half a million of Belarusian voters) were ready to join an initiative group to assist in collecting signatures in support of the referendum. Political preferences practically did not affect the readiness to collect signatures, which was quite surprising: 20.8% of respondents were Lukashenko’s committed supporters and 23.3% were his vocal opponents.

Two thirds of the Belarusians, including 62.5% of the incumbent’s supporters, answered “yes” to the question “In your opinion, if political forces suggested a people’s referendum on the future of the country and collected the required signatures, would the authorities agree to hold it?” Around a half (46.1% vs. 34.8%) believed that the referendum could help to improve the situation in the country.

The attitude to the People's Referendum showed that Belarusian citizens were interested in evolutionary rather than revolutionary projects, minimum social costs thus being of importance. According to the June survey, topping the list of the questions, which should be put to a referendum, were those related to the economy (51.6%), health care (45.7%), education (36.0%), and a pension reform (32.5%).

The emphasis on the major issues, which voters are concerned about the most, let the referendum initiators enlist popular support. As IISEPS experts say, the more the opposition "is focused on the people", the more reciprocity it can count on.

The energetic campaign to promote the People's Referendum on socially sensitive issues has popularized not only Tell the Truth, but also other initiators, namely the For Freedom movement and the Belarusian Popular Front, which 6.7% and 4.6% of respondents were ready to vote for, respectively. Tell the Truth and For Freedom outstripped the huge pro-presidential NGO *Belaya Rus* ('White Russia'), which only captured 6.6% of the vote. Electoral support for other opposition parties is weaker: the United Civil Party led by Anatoly Lebedko polled 4.2%, Sergei Kalyakin's United Left Party Fair World 4.1%, and the Belarusian Christian Democracy party of Vitali Rymashevski 1.8%.

### **Geopolitical orientation: East or West?**

In 2013, the number of those who would prefer integration with Russia was going down. In December, only 23.9% would say "yes" to the Belarus-Russia association and 51.4% would vote against it. For comparison: they were 27.6% and 46.9% in September and 31.2% and 46.5% in June, respectively. The military integration with Russia is even less popular in Belarusian society than the political integration: in June 2013, only 19.8% reacted positively to the statement by Russian Defense Minister Sergei Shoigu about the probable deployment of a Russian airbase in Belarus, 35.6% did not care, and 36% did not like the idea<sup>7</sup>.

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<sup>7</sup> We hereby stress that these attitudes were reported before the Russian-Ukrainian conflict in 2014.



The ‘disappointment’ in Russia has not however led to a marked increase in pro-European attitudes. The corresponding index remained relatively high throughout the year, though. The other option was much less popular. When asked whether “Belarus should join the European Union”, 35.9% said “yes” and 34.6% said “no” in December. They were 37.8% and 37.5% in September and 37.7% and 38.1% in June, respectively.

In general, pro-European moods in Belarus can be described as quite strong. This is especially indicative considering that no one actually advocates the European integration systematically except Alexander Milinkevich and For Freedom. For comparison, in January 2014, a poll conducted by Socis Center in Ukraine showed that the European integration was supported by slightly more people (42.9%). It should be emphasized that the pro-European orientation of Ukraine was thus massively propagandized there for a very long time.

### **National revival potential**

Almost all opposition political forces have distanced themselves from the national perspective in the last 15 years since the split in the Belarusian Popular Front, which weakened the party greatly. They consider the electoral potential of the national revival to be unworthy of hard effort. However, IISEPS’ research shows that this opinion seems disputable, to say the least. According to the June survey, 43.2% of respondents said that Belarusian should be the only state language, 7.2% would vote for the Russian language, and 47.7% would like to have both. 66% believed that the “revival of the Belarusian language requires state support.”

A similar situation is observed when it comes to national symbols: 34% would choose the Pagonya emblem and the white-red-white flag as state symbols (a 6% increase compared with 2009). This is also interesting given that both suggested symbols have not been popularized for many years, and the level of confidence in the opposition remains low. At the same time, 51.5% like the present national symbols.

Findings of the December poll were also very interesting. One of the questions concerned a radical statement by one of the leaders of the Conservative Christian Party BPF Yuri Belenky,

who said “If you speak in Russian, you are in an army of occupation. You shoot at your own people!” Predictably enough, most people (77.6%) responded negatively. Surprisingly, 15% agreed with Belenky, which is an enormous proportion in a society proud of its open-mindedness, IISEPS analysts say. These figures suggest that a national revival ideology, especially if formulated less radically, can win the support of a great number of Belarusians<sup>8</sup>.

The December survey by the IISEPS also showed a relatively high degree of xenophobia in Belarusian society. When asked “What would you say if Russian nationals were invited to move to Belarus for good?”<sup>9</sup> 39% said “No, no more foreigners!” and 23.8% replied “OK, Belarus needs work force.”

## Conclusion

In general, the year 2013 confirmed the thesis that the Belarusian political and socioeconomic model has been exhausted, which agrees with public opinion: a simple growth in prosperity is not enough to restore the pre-crisis confidence in the head of state, public policy and government institutions. We arrived at the conclusion that, wishing to avoid cataclysms and upheaval, the Belarusians nevertheless show interest in current (*People's Referendum*) and potential (European integration, national identity) initiatives and projects which, presumably, can lay a foundation for sustainable improvements.

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<sup>8</sup> Professor Oleg Manayeu, Doctor of Sociology, regards our conclusions about the great potential of the national revival and ‘exhaustion of the Belarusian political and socioeconomic model’ from the point of view of the general public (see the Conclusion) as disputable.

<sup>9</sup> Such invitation was early voiced by Alexander Lukashenko (*editor's note*).

## SOCIAL MOOD IN BELARUS: HOPE DIES FIRST

Andrei Vardamatski

A majority of Belarusians consider the year 2013 to be not quite successful for the country, but mostly successful for themselves. Approximately half of them feel happy and hopeful about the future. However, it was the feeling of hope that tended to slide downward on the chart the most. The Belarusians showed tolerance when making assessments, and extremely negative and extremely positive answers were not popular.

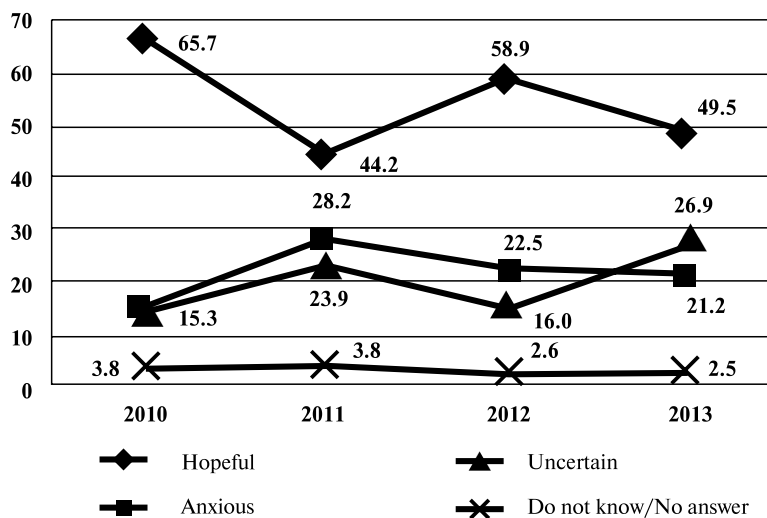
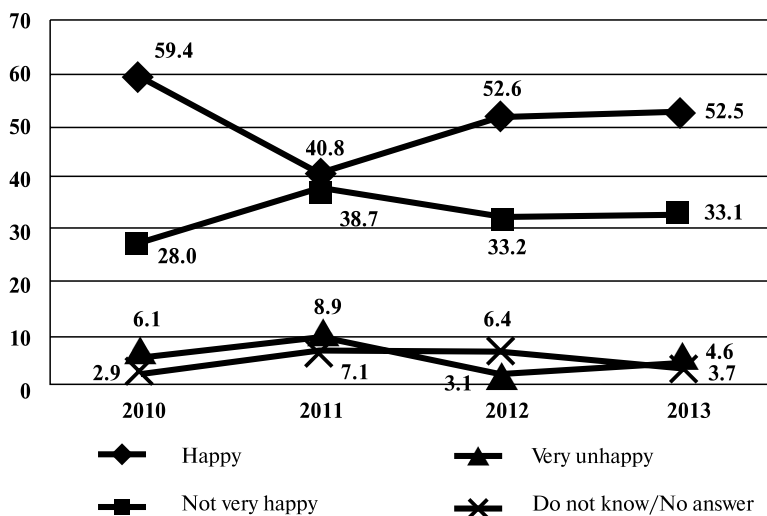
In 2013, social expectations decreased compared with 2012. More people feel uncertain about the future and fewer were looking into the future with confidence (Figure 1)<sup>1</sup>. The proportion of those feeling hope decreased almost 10%. At the same time, other indicators of social mood have not changed considerably since 2012. Apparently, fading positive expectations indicate a premonition that the next wave of crisis was about to sweep over the country. Hope dies first.

The correlation between these indicators and the subjective sense of happiness is also important: the percentage of those feeling hopeful decreased and the percentage of those feeling happy remained unchanged (Figure 2). This is the *digital empirical expression of Belarusian tolerance*, tolerance to everything.

The subjective feeling of happiness has not changed since 2012. After the 2011 recession when this feeling fell almost 19%, the situation came to a halt. Every second Belarusian believes that he or she was quite happy in 2013. The same number of Belarusians gave the same answer in 2012 (see Figure 2). How can these 52% be interpreted? We observe a typical situation: “this glass is so beautifully half full” or “this glass is so terribly half empty.” The comparative sociological data, which we use here, indicate a fairly high level of conviction in achieving personal happiness among Belarusians.

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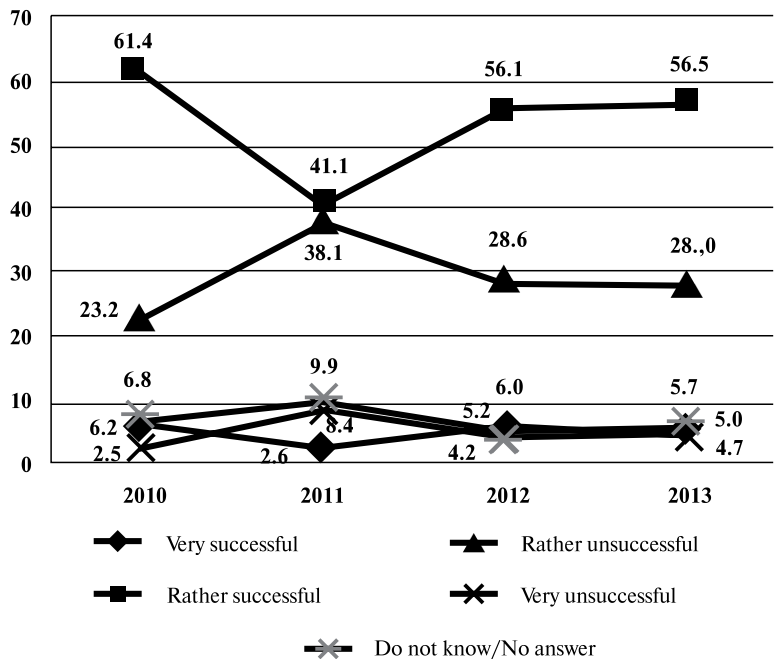
<sup>1</sup> National representative sociological survey by *NOVAK* Laboratory of Axiometrical Research among 1,053 respondents conducted on December 17–26, 2013.

**Figure 1. How do you feel when you think about the coming year?****Figure 2. Assessing all aspects of life in general, would you say that you were ... in the year ...?**

The success/failure indicator shows no dynamics either. Nothing has changed since 2012, thus the number of the

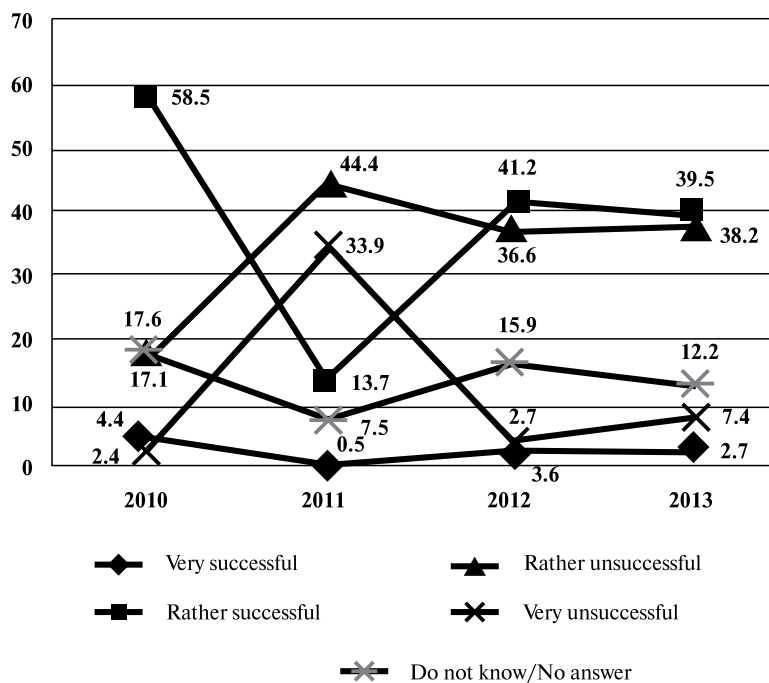
successful is about the same as the number of the happy (Figure 3).

Figure 3. Generally speaking, how was the year for you personally?



It should be noted that the micro assessment, i.e. the assessment of the degree of personal success was more positive and optimistic than the macro assessment, i.e. the assessment of the country’s success (see Figures 3 and 4). The difference is impressive, reaching 17%! This is a consistent pattern manifested in assessments of the economic situation: the personal economic situation is perceived better than the situation in the country. “The country is in a bad situation, but I personally will find a way out. I will find a few more jobs, will work 18 hours a day, etc., but I will somehow provide for my family and myself.” (Figure 4). We believe that this *distinguishing of macro and micro indicators is a digital expression of the ‘parallel society’ phenomenon*. “The country lives its life, and its inhabitants live their lives.”

**Figure 4. Generally speaking, how, in your opinion, was the outgoing year for our country (Belarus)?**



## Conclusion

The dynamics of the social mood in Belarus over the past *four years* suggests that after the shock in 2011, Belarusians generally lowered their social expectations and partly reconciled with the upcoming hardships.

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**ECONOMY**





## MACROECONOMIC SITUATION: GOING INTO CYCLICAL RECESSION

Dzmitry Kruk

### Summary

The weak growth potential of the Belarusian economy became apparent in 2013. The economic authorities must have had too high expectations of the inertial growth mechanisms; therefore, virtually no structural reforms were put in place. The aftermath of the state policy focusing on the encouragement of domestic demand, which has been pursued for more than *two* years now, undermined the price competitiveness of Belarusian products in foreign markets. In the meantime, the instruments to stimulate other components of demand were limited. As a result, in 2013, the Belarusian economy went into a cyclical recession phase, which might be rather long.

The limited nature of monetary policy instruments and inconsistent targets became another major challenge, which led to a 'trap for the monetary policy.' A series of imbalances were accumulated throughout the year, calling for effective macroeconomic stabilization solutions.

### Trends:

- Lower economic growth potential amid shortage of structural reforms;
- Transfer into the cyclical recession phase, aggravated by the growing external deficit;
- High and unstable devaluation expectations as a 'legacy' of the 2011 crisis;
- New challenges to macroeconomic stability, to which the government responds mainly by attracting foreign financing.

### Introduction

The year 2013 became one of the worst years for Belarus in the last decade by most of the basic performance indicators. *First*, GDP grew by only 0.9% year-on-year (the original target for 2013 had been set at 8.5%). This growth rate is unsatisfactory for a country seeking to narrow the income gap with its neighbors and avoid the 'poverty trap.' *Second*, prices kept growing at a very high rate, with the annual consumer inflation rate averaging 18.3%. *Third*, the country had to face an enormous current account deficit once again (10.2% of GDP), which brings about a reduction in gold and foreign exchange reserves, escalates

tensions in financial markets and permanently threatens macro-economic stability.

The poor economic performance in 2013 was the result of many factors, which had a combined effect. The key reason was the lack of structural reforms in the economy, which were already long overdue. Discussions of necessary reforms, their scope, sequence and priority status became an increasingly important portion of the agenda of the country's economic authorities. However, real actions were limited and sporadic. Therefore, the Belarusian economy essentially continued working while employing the old mechanisms, namely the dominance of the state sector, centralized distribution of resources, direct control of companies, commodity and factor markets.

Short-term challenges were added to the snowballing structural problems. *First*, the 'legacy' of the currency crisis in the form of high inflation and devaluation expectations stood behind the weakness of investment demand. *Second*, Belarusian producers were losing their competitive price advantages, which created prerequisites for a growth in the external deficit. *Third*, some external shocks caused additional losses in export proceeds. *Fourth*, repayments of foreign loans peaked in 2013, whereas access to new external financing remains limited. As a result, Belarus has entered the cyclical recession phase having no instruments to quickly overcome it.

### **Economic policy strategy: focus on 'traditional sectors' of economy**

The tendency towards a narrowing of the growth potential was first observed in the Belarusian economy in 2006 or 2007; however, it was the global economic crisis that made this trend obvious. The lack of growth potential is the main reason why Belarus is in need of structural reforms, which are absolutely indispensable and inevitable. The problem of the low growth potential was for the first time partially recognized in official documents in the *Concept of socioeconomic development of Belarus for 2013–2015*. The document mentioned *two* components that were supposed to provide economic growth – 'traditional' and 'new' sectors of the national economy.

The *first component* of the strategy is the *traditional sectors of the economy*. The authorities believed that the national economy still had substantial growth potential. In its baseline scenario the government projected potential growth at 6%; however, in order to achieve this objective, it had to ensure macroeconomic stability and neutralize internal risks.

The *second component* of the government's strategy was associated with the creation of a 'new high-performance sector' in the national economy, which, according to the government's plans, was expected to provide approximately 2 percentage points of GDP growth as early as 2013. Moreover, it was planned that in 2014 and 2015, the contribution of the 'new high-performance sector' to GDP growth would match that of traditional sectors, thus ensuring potential growth in excess of 10%.

While admitting that traditional mechanisms are not good enough to secure the desired growth rates, the authorities nevertheless intended to "squeeze whatever was left in the old economy" and gradually create a 'new economy' that would coexist with the traditional sectors and generate additional growth. It was planned that the 'new economy' would become the main growth driver only in the long term. However, the traditional sector never became the 'airbag' that was supposed to enable the authorities to introduce structural reforms gradually. Therefore, the unreasonably high expectations of inertial growth predetermined the modest progress in structural reforms.

In the second half of the year, when it became obvious that the targets for 2013 would not be met and that the government's concept would not be implemented as originally planned, the economic authorities pushed structural reforms higher on their agenda. The joint action plan of the government and the National Bank on structural reforms and arrangements to enhance the competitiveness of the national economy, approved in October 2013, comprised a truly significant list of intentions and objectives, which were supposed to be attained in late 2013 and early 2014. However, some of the arrangements in the economy that have been long overdue, especially in the distribution of resources, promotion of competition, etc. either remained beyond the scope of the action plan or were mentioned vaguely and randomly. Therefore, even if the plan is properly

implemented, it is highly probable that its positive impact on the economy will be limited.

It appears that on the one hand, the idea of ‘structural reforms’ was repeatedly cited in the government’s official plans and documents (although there is no clear definition of the term). On the other hand, the government does not regard structural reforms as emergency measures and treats them as ‘supporting procedures for the long term.’ Such arrangements remain inconsistent and mostly apply to narrower segments of the national economy.

### **Macroeconomic dynamics: policy of encouraging domestic demand becomes ineffective**

In order to secure more favorable GDP dynamics, the government opted for artificial demand promotion. In 2013, incomes policy became the first focus area to encourage domestic demand, as wages were boosted by 15.8% in real terms (individual disposable incomes went up by 15.4% in real terms).

The gap between labor productivity and wages kept broadening, and labor unit costs<sup>1</sup> reached their all-time highs. This factor put additional pressure on consumer prices, affected the competitiveness of domestic producers and brought about additional demand for consumer import. The accumulation of such disproportions became quite alarming, and at the end of the year, the growth in wages slowed (in the fourth quarter of 2013, real wages shrank quarter-on-quarter for the first time since 2011<sup>2</sup>). By the end of 2013, the authorities had made up their mind to stop using incomes policy instruments to boost domestic demand.

Arrangements to promote investment demand provided another set of instruments to expand demand. In the first half of the year, the National Bank sought to intensify the main market instrument to finance investments – bank lending – through

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<sup>1</sup> Calculated as the share of labor compensation in GDP. Increasing labor unit costs mean that wages grow faster than labor productivity. The indicator is an important feature of the price competitiveness of domestic producers.

<sup>2</sup> Fourth quarter on third quarter (based on seasonally adjusted figures).

reductions in interest rates. However, the volatile inflation and devaluation expectations stopped the monetary authorities from further bringing down the rates: in the second half of 2013, the central bank had to tighten its interest rate policy in order to effectively deal with threats in the financial market.

Therefore, alternative sources of financing had to be found. *First*, the budget provided increasing amounts of funds to finance investments. *Second*, in order to involve more individual savings in home construction, the economic authorities introduced a new know-how: some state-run banks began offering home loans at reduced rates (12–16%, which compares to the average loan rates in the market between 30% and 40%), on condition that a portion of the home investment (as a rule, at least 25%), is financed from the investor's own funds. *Third*, the government managed to take out loans from foreign banks. *Fourth*, the authorities launched measures to support the investment activity of enterprises by declaring the need for a systemic modernization.

The 'modernization campaign' envisages technical modernization of some enterprises, which they will have to partially finance on their own. As a result, depreciation costs hiked, causing an increase in overall production costs. On the one hand, such measures can prove effective in the long run, whereas on the other hand, the campaign to make enterprises invest in an unfavorable environment affects their financial position, which for its part can jeopardize short- and medium-term prospects of the real sector development.

The artificial encouragement of the components of domestic demand produced an adverse impact on net export by Belarusian companies. *First*, wage hikes, along with the increase in depreciation charges and – in some cases – interest payments on loans stood behind the significant rise in costs. Enterprises were able to make up for the hikes in combined costs by cutting other expenses (especially material costs) only in a limited number of sectors. *Second*, the consequences of the increase in costs domestically were aggravated by the general trend towards a decrease/stagnation of prices in the majority of external markets (while prices in the domestic market kept growing). *Third*, the national currency appreciated against the basket of foreign currencies in real terms.

*Fourth*, throughout the year, the economy suffered from unexpected shocks. The worst one was the decision by Russian Uralkali to withdraw from the cartel with Belaruskali, which resulted in a drop in global prices of potash fertilizers. Further, the leading players of the potash market took a wait-and-see approach for a few months, which is why there were very few deals in the market.

Overall, the said factors resulted in a marked deterioration of the price competitiveness of Belarusian products (in addition to the structural shortage of competitiveness), resulting in a significant decline in export and growing demand for import. As a result, the contribution of net export to GDP was negative.

The efforts to encourage domestic demand thus caused an almost equal aggravation of external demand (net export). The increase in composite demand thus nearly came to zero. These negative trends affected most of the sectors of the national economy, causing contractions in production. Growth was only recorded in the industries that directly depend on consumer demand (retail, repairs, construction, hotels and restaurants): the situation was positive for those few sectors amid growing personal incomes. Therefore, in this new environment – the changing framework for long-term growth and unfavorable foreign trade situation – the effectiveness of the policy to encourage domestic demand markedly decreased, whereas the negative interrelation between domestic and external demand increased. This brought about a deeper cyclical recession in 2013.

### **A trap for monetary policy**

In 2013, the ineffectiveness of the country's monetary policy in the current economic environment became especially apparent. The National Bank failed to put in place a consistent policy against a backdrop of high and unstable inflation and devaluation expectations. The latter – along with the traditional problem of the high level of financial dollarization – created a sort of a trap for the monetary policy. This trap can be defined as a set of contradictions in the objectives and designation of monetary policy instruments.

The *first set of contradictions* pertains to the regime and level of the exchange rate. The vision of the economic authorities is that because of the high dollarization of the economy, the best ‘nominal anchor’ in the economy is the exchange rate. Therefore, in order to stabilize expectations, it is necessary to focus on a fixed exchange rate regime. On the other hand, a reasonable current account deficit — which requires a floating exchange rate — is an important prerequisite for ensuring financial stability.

The ‘protection’ of the current level of the exchange rate against the backdrop of the high external deficit may be perceived as an insecure policy, which the authorities will have to ultimately give up. Therefore, this policy aggravates expectations making them even more volatile, instead of stabilizing them. Throughout 2013, the external deficit kept expanding, becoming a reason why the national economy slipped into the cyclical recession. The need to overcome this recession by employing the exchange rate methods is another argument why the authorities should change to a floating exchange rate.

This means that on the one hand, the monetary authorities need a rather stable exchange rate, which, if given up, would pose a threat to financial stability. On the other hand, the introduction of a floating rate would also be a desirable move. In 2013, the economic authorities *de facto* tended to artificially curb the exchange rate, which, however, discouraged economic agents that showed little trust in the official economic policy (resulting in a high level of dollarization and unstable expectations). The policy to prevent further depreciation of the ruble brought about a broader gap between the actual and equilibrium exchange rates. This further undermined trust in monetary policy and aggravated the cyclical recession.

The *second set of contradictions* pertains to the interest rate policy. While seeking to maintain a stable exchange rate, the monetary authorities had to reduce the shocks appearing in the financial market using interest rate policy methods. Therefore, in this case, interest rates must be determined based on market tendencies — higher inflation expectations are neutralized by higher interest rates and the other way round.

In 2013, high interest rates on ruble-denominated deposits had to be maintained amid high inflation expectations. On the

other hand, high interest rates meant an even deeper cyclical recession. Furthermore, to smooth out recession, interest rates should be set independently, rather than depend on fluctuations of expectations. In short, various substantiations for various interest rate policy moves prompted the authorities some ambiguous conclusions: interest rates must be low and high simultaneously, whereas the National Bank is supposed to renounce its monopoly in setting interest rates and retain it.

Because of this trap, the official monetary policy failed to become an effective instrument to overcome the cyclical recession. It turned out that it had an opposite effect: some of the desperate monetary policy measures resulted in a deeper recession. Even the setback in production failed to neutralize threats to financial stability. Those threats were partially mitigated by the marked reduction in gold and foreign exchange reserves (by approximately USD 1.5 billion in 2013) and new external loans.

## Conclusion

The main result of the year 2013 is the increase in disparities that threaten financial stability. The *first* and most obvious problem is the growing current account deficit and difficulties in financing that deficit. The *second* problem is the commencement of the cyclical recession phase (internal deficit), which can affect living standards.

In addition, the financial situation at most of the companies working in the real sector worsened, which can affect the stability of their financial flows and lower the employment rate. The scope of those problems significantly increased at the end of the year, making it harder to maintain the status quo.

The situation observed at the end of the year – a combination of internal and external deficits – is considered to be very unfavorable, because there can be no single ‘recipe’ for stabilization policy. ‘Painless’ ways to tackle disparities are simply non-existent.

A universal recipe is to devalue the national currency. However, even theoretically, this instrument is not enough, because it should be accompanied by efforts to influence domestic demand. Anyway, the nature of this influence is complex, as it



may change depending on the relationship between the internal and external deficits. In Belarus, this problem is further aggravated by the *trap of monetary policy*.

There are some good reasons for the economic authorities to be concerned that even a slight depreciation of the national currency could upset the financial market and set in motion an inflation and devaluation spiral. A substantial portion of the joint action plan of the government and the National Bank is centered on a scenario of a controllable macro correction in the framework of the said restrictions.

The economic authorities outlined their vision of the situation the following way. Despite the broad range of prerequisites for stabilization based on exchange rate instruments, the authorities plan to minimize the use of this toolkit in order to prevent crises in the financial market. Instead, they will focus on instruments to restrain domestic demand to effectively neutralize the external deficit, especially those to curb investment demand by way of introducing imitations in the lending market. The economic authorities made quite a realistic indication that this instrument alone would not be enough to deal with the external deficit challenge. Therefore, they will finance the deficit that remains by making use of external sources (investments, privatization revenues, and new loans). The authorities *de facto* began implementing this plan during the final months of 2013.

Despite the seeming feasibility, this stabilization plan has serious short- and long-term threats. *First*, there will be no prerequisites in the short term for the economy to withdraw from the cyclical recession, which might even get worse.

*Second*, the strategy to respond to the external deficit challenge using foreign sources of financing suggests that the economy will remain vulnerable to shocks if the country should fail to find foreign financing soon enough.

*Third*, if the external deficit remains, the gap between the actual and equilibrium levels of the exchange rate will remain as well, meaning that the chance of financial destabilization will remain in place permanently. Monetary policy itself becomes virtually unpredictable, while its potential in neutralizing new shocks will narrow.

In the long run, these trends increase the likelihood of a large-scale stagnation and emergence of a 'poverty trap' (outflow of the best-qualified specialists amid low incomes, which will cut potential for further growth). Furthermore, the policy of taking new loans may very soon result in a situation when the debt burden gets too heavy and becomes an obstacle to future growth.

## **CURRENCY MARKET AND BANKING SYSTEM: PRESSURE OF ADVERSE FACTORS**

**Alexander Mukha**

### **Summary**

In 2013, Belarus faced a marked deterioration of external terms of trade, which brought about export cuts, drops in industrial output, slower GDP growth rates and expansions in the country's foreign trade deficit. The domestic money market became unbalanced and the authorities took steps to gradually devalue the national currency. The considerable decrease in export proceeds affected the supply of foreign exchange in the domestic money market. Meanwhile, the reduction in the import of goods and services was not as significant as the setback in export supplies, which contributed to the growth of the demand for foreign exchange.

In fact, the demand for foreign exchange in the domestic market soared in 2013 on the back of ruble depreciation expectations in the economy, shift in currency preferences to foreign exchange and major wage increases. This resulted in an imbalance in the domestic money market caused by the growing gap between the demand and supply of foreign exchange, which for its part put downward pressure on the exchange rate of the Belarusian ruble and the country's gold and foreign exchange reserves.

### **Trends:**

- The state and companies need to spend more resources to repay foreign debts;
- The demand for foreign exchange grows amid devaluation expectations and wage hikes;
- Gold and foreign exchange reserves are cut to shore up the ruble;
- Preparations are underway to redenominate the ruble.

### **Money market**

In 2013, the Belarusian ruble depreciated by 11% to the U.S. dollar, by 15.3% to the euro and by 3% to the Russian ruble. The country's IMF SDDS gold and foreign exchange reserves dropped by USD 1.444 billion in 2013, or by 17.8%, to USD 6.651 billion as of 1 January 2014. Calculated in accordance with national standards, Belarus' gold and foreign exchange reserves fell by USD 1.526 billion, or by 17.4%, to USD 7.237 billion.

According to the national statistical agency *Belstat*, the export of Belarusian commodities went down by USD 8.828 billion, or by 19.2% year-on-year, to USD 37.232 billion in 2013. The most affected commodities were oil products, with export deliveries falling by USD 4.328 billion (29.8%) to USD 10.177 billion, complex organic solvents and diluents, with a drop in foreign supplies by USD 2.78 billion (1,703.2 times) to USD 1.633 million, and lubricants, with a decrease in export by USD 1.018 billion (85.1 times) to USD 12.099 million. Export of potash fertilizers dropped by USD 599.318 million (22.5%) to USD 2.063 billion; truck supplies went down by USD 502.536 million (31.2%) to USD 1.11 billion, and foreign deliveries of tractors and truck tractors fell by USD 362.853 million (25.2%) to USD 1.075 billion.

The National Bank of Belarus reported a 13% decrease in currency proceeds from commodity and service flows, incomes and transfers (by USD 6.601 billion) to USD 44.035 billion. Foreign trade operations associated with commodity and service flows, incomes and transfers showed a surplus of USD 426.2 million in 2013. However, also in 2013, Belarus transferred USD 3.3 billion worth of oil product export duties to the Russian budget. The country's foreign trade thus swings from a surplus to a deficit of USD 2.9 billion if we factor in this payment. In the structure of foreign exchange revenues (currency proceeds associated with commodity and service flows, incomes and transfers) the share of the Russian ruble went up to 40.1% in 2013 from 32% in 2012, the share of the U.S. dollar went down to 24.5% from 38%, the share of the euro rose to 33.3% from 28.7%, the share of the Belarusian ruble went up to 1.2% from 0.8%, and the share of other currencies increased to 0.9% from 0.6%.

Another factor that produced a negative impact on the performance of the domestic money market was the significant increase in foreign debt payments by Belarusian residents (the government, commercial banks and companies). In January-September 2013, USD 4.533 billion was spent to pay Belarus' gross foreign debt, an equivalent of 8.8% of GDP or 13.6% of the total export of commodities and services. Therefore, increasing amounts of resources from both the state and companies are required to pay foreign debts. In the first three quarters of the

year, 11.5% of republican budget revenues were spent on foreign debt payments, an increase from 9.2% in 2012 and 4% in 2011.

This affected the situation in the domestic money market. According to an NBB report, purchases of foreign exchange by individuals (including non-cash transactions) exceeded sales by USD 2.38 billion. In the meantime, sales of foreign exchange by corporate entities exceeded purchases by USD 400.8 million. For their part, net purchases of foreign exchange by non-residents (commercial banks and economic entities) reached USD 872.1 million in 2013.

The population therefore made the largest negative contribution to the performance of the domestic money market. The marked increase in purchases of foreign exchange by individuals should be attributed to devaluation expectations and wage hikes. In 2013, the average payable wage amounted to BYR 5,139,400, an equivalent of USD 570.6, which was a new record high (an increase by USD 127.1, or 28.7% from the level recorded in 2012). The average weighted U.S. dollar exchange rate was used to calculate the average wage: BYR 8,458.97 per U.S. dollar in 2012 and BYR 9,007.74 per U.S. dollar in 2013.

See Table 1 below for a comparison between average wages in selected countries (USD equivalent): Kyrgyzstan – 235.9, Armenia – 388.1, Ukraine – 408.5, Azerbaijan – 539.2, Kazakhstan – 714.1, Lithuania – 863.3, Latvia – 933.9, Russia – 938.4, Poland – 1,149.7.

If we calculate the average wages in the above countries minus the income tax and other taxes on wages adjusted for purchasing power parity (PPP), i. e. if we apply a single price scale to the wages, the situation will look the following way: Kyrgyzstan – USD 419.6, Armenia – USD 566.9, Azerbaijan – USD 612.7, Ukraine – USD 643.8, Kazakhstan – USD 696.1, Latvia – USD 860.3, Lithuania – USD 965.8, Russia – USD 986, Belarus – USD 1,090.8, and Poland – USD 1,302. Based on a PPP analysis Belarus appears to be second only to Poland and is ranked ahead of Russia, Lithuania, Latvia, Kazakhstan, Ukraine, Azerbaijan, Armenia and Kyrgyzstan. Therefore, it seems unwise and even dangerous from the point of view of external and internal economic sustainability to further push wages.

**Table 1. Average wages in Belarus and selected countries in 2013, USD**

Country	Average payable wage	Income tax rate and other taxes on wages, %	Average wage minus income tax and other taxes on wages	Average wage minus income tax adjusted by purchasing power parity	Average wage to average wage in Belarus, %
Poland	1149.7	28.5	822.0	1302.0	119.4
<b>Belarus</b>	<b>570.6</b>	<b>12.0</b>	<b>502.1</b>	<b>1090.8</b>	<b>100.0</b>
Russia	938.4	13.0	816.4	986.0	90.4
Lithuania	863.3	22.5	669.1	965.8	88.5
Latvia	933.9	28.0	672.4	860.3	78.9
Kazakhstan	714.1	10.0	642.7	696.1	63.8
Ukraine	408.5	18.0	335.0	643.8	59.0
Azerbaijan	539.2	14.0	463.7	612.7	56.2
Armenia	388.1	26.0	287.2	566.9	52.0
Kyrgyzstan	235.9	10.0	212.3	419.6	38.5

*Source:* author's own methodology based on reports by national statistical services, central banks and the IMF. Data on the average wage in Poland, Lithuania and Latvia are presented for the period January to September 2013.

In 2014, the growth of wages will be curtailed in real terms (i.e. adjusted for inflation) and in the U.S. dollar equivalent. This year, the gap between the growth in real wages and labor productivity is expected to considerably narrow compared with the previous year. The curtailment of the growth of wages will enable the Belarusian government to accumulate the funds it requires to pay the external public debt.

### **Awaiting redenomination**

We believe that Belarus may announce currency redenomination in June 2015. The financial authorities will change the face value of banknotes, and either three or four zeroes will be cut probably starting 1 January 2016. Technically, redenomination should occur at the start of the year. The main objective of potential currency redenomination is to curb inflation and normalize

the situation in the domestic money market. However, in this context, redenomination should be preceded by a campaign to bring down the inflation rate to a single digit (within 10%). Inflation must be checked because redenomination is as a rule accompanied by stronger inflation and devaluation expectations and hikes in the demand for foreign exchange in the domestic market. We expect inflation to slow to below 10% on an annualized basis in 2015, which will allow the authorities to announce redenomination starting 1 January 2016.

Against a backdrop of relatively harsh monetary and fiscal policies in the two years to come, the situation in the domestic money market is expected to improve, and net demand for foreign exchange will likely narrow. The Belarusian administration will be interested in having a predictable exchange rate of the national currency in 2014–2015 in order to avoid complications during the presidential election campaign. Meanwhile, the anticipated cancellation of the export duty on Belarusian oil products (Russia is expected to take place on 1 January 2015, i. e. when the Eurasian Economic Union becomes operational), will lead to a USD 3–4 billion increase in annual foreign exchange proceeds of the Belarusian state budget.

The next presidential election will take place on or before 20 November 2015, so the election campaign will likely be followed by redenomination, a move that will help switch the electorate's attention to new banknotes.

Further, the possible combination of the election campaign and redenomination looks a reasonable move, because any presidential election campaign in Belarus is traditionally accompanied by an increase in the demand for foreign exchange. As a result, the authorities will manage to at least halve the period when the demand for foreign exchange is normally above average. The two alternative scenarios envisage redenomination starting 1 January 2015 and 1 January 2017; however, neither seems probable. In order to redenominate the ruble beginning on 1 January 2015, the authorities will have to officially announce it at least six months before the move (i. e. prior to June 2014); however, inflation is projected to reach 11% this year, and the demand for foreign exchange in the domestic market remains quite high, especially from individuals. Therefore, it does not

seem there are prerequisites for redenomination to occur next year. On the other hand, the Belarusian authorities will hardly be willing to postpone the move until 2017. Moreover, officials have been making statements about the possibility of currency redenomination on a regular basis, and new banknotes that look like euros are said to have already been printed.

Essentially, the political decision on redenomination has been made; however, the timeframe for the ruble to have its face value reduced is not the only thing that remains vague. It is not clear how many zeros the national currency will lose—three or four. The latter option seems more likely, because once the ruble's face value is cut 10,000 times, it will buy approximately 1 U. S. dollar (the biggest note — BYR 200,000 — currently buys USD 20.5). Therefore, in order to make payments possible, the authorities will have to introduce coins. The main advantages of redenomination are the improvement in the quality of notes, simplification of payments and reduction in the burden on accounting, financial and statistical services.

## **Conclusion**

We believe the Belarusian ruble will be gradually depreciating against the basket of foreign currencies throughout 2014. Although risks in the economy tend to grow, the likelihood of stepwise devaluation of the national currency is quite low for several reasons.

1. The monetary authorities (the National Bank and the Finance Ministry) will be putting in place a relatively harsh monetary and fiscal policy in order to limit ruble money supply and lending in Belarusian rubles. Money issuance is currently restricted to standard arrangements to support the ruble (short-term) liquidity of commercial banks on market terms and the Finance Ministry's ruble-denominated transactions on its accounts with the National Bank.

2. In 2014, the government will curtail the growth of wages of public sector employees and workers employed by state-run enterprises, which will eventually slow the increase in wages in the private sector. As a result, and given the anticipated hikes in prices for some goods and services (including utility fees and



transport fares, etc.), individuals' demand for foreign exchange will likely go down, which will be a natural result of the lower purchasing power of individual incomes.

3. Amid tight monetary and fiscal policies, the banking sector appears to be short of ruble liquidity. High interest rates stop individuals from converting their ruble-denominated incomes into foreign exchange deposits—people are encouraged to save in rubles. In 2014, rates on ruble-denominated instruments, including rates on transactions to support banks' ruble liquidity) will gradually decrease; however, the process will depend on the situation in the domestic money market.

4. The government will have a good chance to have its foreign debts refinanced. In 2014, the country is expected to receive the sixth and final installment of the EurAsEC Anti-Crisis Fund (ACF) loan, the remaining USD1.5 billion portion of the state loan from Russia, some of which was already disbursed, place a new USD700 million issue of foreign exchange bonds in the domestic market and a third issue of Eurobonds (which might amount to USD800 million). Further, the monetary authorities expect an increase in privatization proceeds in foreign exchange, which will produce a positive impact on gold and foreign exchange reserves and state budget revenues.

5. When it comes to the real effective exchange rate of the Belarusian ruble to the basket of currencies (adjusted for inflation in the main trade partners of Belarus), a step devaluation of the national currency seems quite unlikely.

6. Devaluation expectations will probably go down throughout 2014; however, this process will be non-linear. Therefore, along with the above factors, lower devaluation expectations will contribute to the lowering of pressures on the exchange rate of the Belarusian ruble and gold and foreign exchange reserves.

## **LABOR MARKET AND SOCIAL POLICY: A TRAP OF CONTRACTED DIFFERENTIALS**

**Uladzimir Valetka**

### **Summary**

The steady increase in the birth rate continued throughout the year 2013; however, the structural difficulties in the labor market that remain in place leave no hope that the human capital will provide an increasing contribution to the economic expansion in the medium term. The contracted differentials result in a drain of qualified personnel, whereas the outflows of labor migrants undermine labor productivity in the economy. At the same time, the policy of targeted wage pushes causes increases in employers' costs and discourages further job creation. In order to remain competitive, the economy needs a dynamic labor market; however, this is something that the social security system does not allow.

### **Trends:**

- Reductions in the working-age population and ageing of workforce;
- Lower rate of job creation;
- High labor turnover and brain drain;
- Failure of social security institutions to meet the requirements of the labor market;
- Higher birth rates amid instability of marriages.

### **Demography**

In 2013, the natural population decline further shrank to 7,409 people, which is a 30.4% decrease from the 2012 level. At the end of 2013, Belarus' population was at 9.468 million, up from 9.464 million at the start of the year.

In 2013, 118,463 babies were born in Belarus, and 125,872 people died. The number of deaths went down by 659, or 0.5%, from 2012, while the number of births increased by 2,570, or 2.2% year-on-year. Overall, the number of deaths was 6.3% above the number of births in 2013, which compares to 9.2% in 2012<sup>1</sup>). Just as in previous years, the population decreased in all Belarusian regions, whereas the population of Minsk increased

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<sup>1</sup> Population: size and natural increase // National Statistics Committee of the Republic of Belarus [Electronic resource] Access: <http://belstat.gov.by/homep/ru/indicators/population.php>.

by 16,000 people. During the last five years, the population of the capital city increased by 90,000 people<sup>2</sup>. However, the trend towards a decline in the working-age population is still there – in 2013, a reduction by 64,400 people was recorded, and in 2012, by 86,400 people<sup>3</sup>. The gradual reduction in the share of the working-age population is caused by demographic factors (analyzed in detail in previous issues of *Belarus Yearbook*<sup>4</sup>) – as the share of people older than the active working age increases, the share of the working-age population goes down. According to a forecast published by *Belstat*, by the year 2032, the working age population will have reached 4.874 million, whereas the population beyond the working age will have amounted to 4.361 million, meaning that the share of the working-age population will be at approximately 52.8% (which compares to 59.5% in 2014). The share of the population younger than the working age is expected to grow until the year 2023<sup>5</sup>.

The *Demographic Security Program for 2011–2015* is designed to respond to the challenge of the adverse demographic factors. One of the measures envisaged by the program that was implemented in 2013 and resulted in a substantial increase in spending from the Social Security Fund was a new regulation to peg the child care allowance (for children under *three*) to the average wage of one parent. Belarus also considers introducing the so-called maternity capital (which was first paid in Russia back in 2007). The ‘Big Family’ program might become a project similar to the maternity capital initiative. A family might receive an approximate USD 10,000 for the first child and USD 20,000 for a second child, according to preliminary estimates<sup>6</sup>.

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<sup>2</sup> On the demographic situation in the first quarter of 2014 // *National Statistics Committee of the Republic of Belarus* [Electronic resource] Access: <http://belstat.gov.by/homep/ru/indicators/pressrel/demographics.php>.

<sup>3</sup> See: <http://belstat.gov.by/homep/ru/indicators/labor.php>.

<sup>4</sup> See, for instance: Haiduk K. Labor Market and Social Policy: Peak of Political Business Cycle and ‘Modernization’ // *Belarus Yearbook 2012*. Minsk, 2013. P. 285–287.

<sup>5</sup> Demographic Yearbook of the Republic of Belarus: Statistics digest // *National Statistics Committee of the Republic of Belarus*. Minsk, 2013. P. 69, 103.

<sup>6</sup> ‘Big Family’ project: *Moms don’t believe, economists have doubts, Labor Ministry pledges to make it work* // [Electronic resource] Access: <http://finance.tut.by/news369913.html>.

In 2013, the number of weddings increased by 14.3% year-on-year, while the number of divorces dropped by 7.5%. The divorce-to-wedding ratio reached 414 to 1,000 in 2013, down from 512 to 1,000 in 2012; however, the institution of marriage remains highly unstable—in the first quarter of 2014, the ratio increased to 587 to 1,000 from 530 to 1,000 in the first three months of 2013. Therefore, the birth and childrearing costs incurred by families are reduced (through the increase in allowances) against the backdrop of the asynchronous trend towards the continuous growth in the birth rate amid the increasing instability of marriages.

In 2013, the migration gain amounted to 11,643 people, thus making up for the natural population decline and therefore increasing the population by 4,200 from January 2013. The migration gain increased from the 2012 level by 2,315 people, or by 24.8%. The number of foreigners who came to stay in Belarus increased by 8%, or by 1,500 people, while the number of Belarusians who left the country fell by 10.5%, or by 1,000 people. Most of the immigrants came to Belarus from the CIS — 75.6% — namely from Russia, Ukraine and Kazakhstan. Most of the Belarusian who left the country in 2013 chose to go to Russia.

However, lots of additional factors should be taken into account when we assess the external migration impact, something that we already discussed in the previous *Belarus Yearbook* issues. Let us consider *two* factors now.

*First*, according to amendments to the relevant *Instruction*<sup>7</sup>, the category of migrants coming to Belarus included minor citizens of Belarus who were born abroad<sup>8</sup> (about 3,000 children annually) starting 2012.

*Second*, it is no secret that the real mutual migration turnover between Belarus and Russia differs a lot from what official statistical reports tell us. For one thing, the data presented by

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<sup>7</sup> Instruction on the procedure for registration of citizens at their residence and place of stay (resolution No. 364 by the Interior Ministry of the Republic of Belarus dated 15 November 2007).

<sup>8</sup> Demographic processes in 2012 were positive // *Ministry of Labor and Social Security of the Republic of Belarus* [Electronic resource] Access: <http://mintrud.gov.by/ru/demographia>.

the *Belstat* and *Rosstat* services as to the migration turnover are very much different. According to the Belarusian service, 4,953 people left for the Russian Federation in 2011, whereas *Rosstat* reported that 10,182 Belarusians came to Russia. The gap broadened in 2012, as Belarus officially reported 5,493 emigrants to Russia, while Russia recorded about 16,564 Belarusian immigrants. The difference, at 11,071 people in 2012<sup>9</sup>, is commensurate with the annual migration gain reflected by the official Belarusian statistics.

## Employment and unemployment

In 2013, the number of the employed reached 4,517,800 people, a decrease by 1.3%, or by 53,300 people, from 2012<sup>10</sup>. The share of those employed by privately-own businesses increased to 56.2% from 54% in 2010)<sup>11</sup>. However, the share of workers employed by state-owned companies increased as well, to 21.7% from 20.3% in 2010.

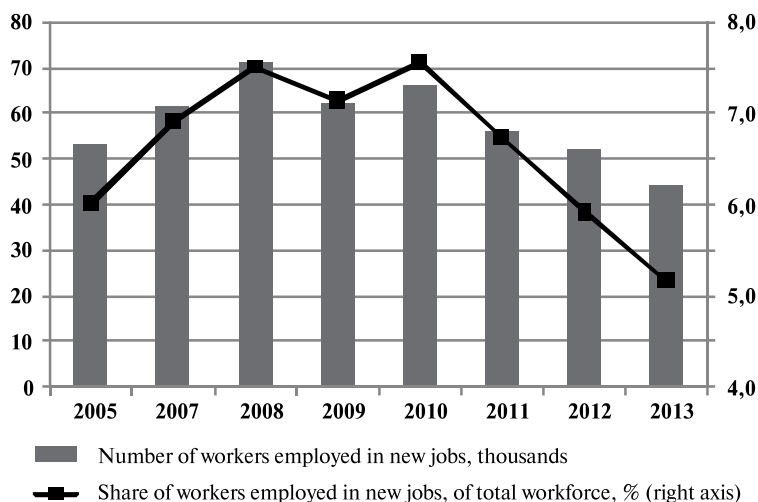
The Economy Ministry set itself a task to create more than 200,000 ‘highly productive jobs’ (about 5% of Belarus’ workforce), including 56,000 new jobs in 2013. It was planned that those new jobs would “additionally generate between 2% and 3% of GDP”<sup>12</sup>. However, last year, only 44,500 new jobs were created. The rate of job creation fell (see Figure 1), meaning that the modernization process slows (based on the indicators reported in 2013, more than 50 years will be required to completely renew jobs in the country).

<sup>9</sup> Statistics digest *Belarus and Russia, 2013, Statistics yearbook of the Republic of Belarus, 2013*.

<sup>10</sup> In 2013, Belarus’ workforce reduced by 53,300 people (1.3%) // [Electronic resource] Access: <http://select.by/content/view/6616/126/>

<sup>11</sup> Economically active population, see: <http://belstat.gov.by/homep/ru/indicators/labor.php>.

<sup>12</sup> Snapkoŭ M. Belarus needs to create 200,000 highly productive jobs within three years // [Electronic resource] Access: [http://www.belta.by/ru/all\\_news/economics/V-Belarusi-za-3-goda-neobxodimo-sozdat-200-tys-vysokoproizvoditelnyx-rabochix-mest---Snopkov\\_i\\_605679.html](http://www.belta.by/ru/all_news/economics/V-Belarusi-za-3-goda-neobxodimo-sozdat-200-tys-vysokoproizvoditelnyx-rabochix-mest---Snopkov_i_605679.html).

**Figure 1. Employment in new jobs**

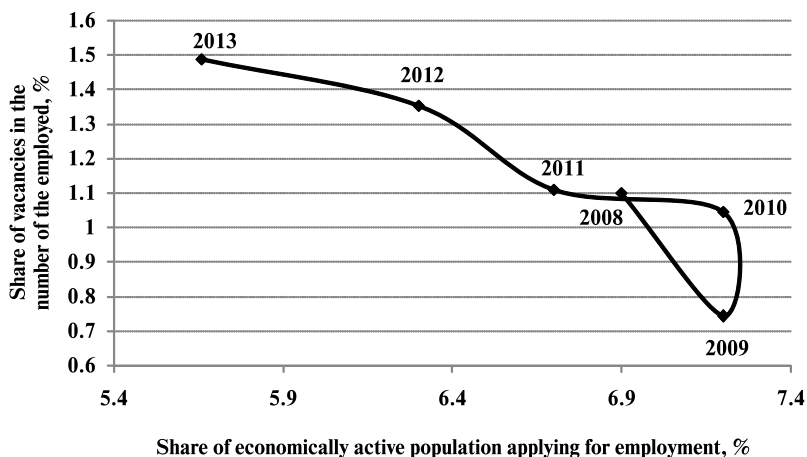
It takes too long to reallocate workforce towards new jobs in sectors with a higher productivity<sup>13</sup>, while labor turnover remains very high (the labor turnover ratio reached 55% in 2013). Workforce flows are motivated by a rent-seeking disposition (search for less challenging jobs, especially in the public sector, with hardly any pay differences), rather than the wish to effectively work in a new job. This labor turnover can be partially attributed to seasonal trends, especially in the public sector. On the other hand, emigrants traditionally make the most active and highly productive portion of the workforce. Labor migration affects supply in the internal labor market, which is evidenced by the fact that the number of applications to job centers for employment decreased faster than the number of vacancies grew<sup>14</sup> (see

<sup>13</sup> The share of those employed in industrial production went down to 25.6% in 2013 from 25.4% in 2012, agriculture accounted for 9.7% of the total workforce, down from 10%, and the share of Belarus' workforce employed in the construction sector decreased to 7.6% in 2013 from 7.7% in 2012 and 8.6% in 2012. The share of those involved in retail increased to 14.5% from 13.9%.

<sup>14</sup> As of 1 January 2014, labor, employment and social security agencies obtained information about the availability of 50,500 vacancies, down

Figure 2). In 2013, 257,000 people applied to job centers for assistance in employment, down 11.5% year-on-year, of them 158,300 people were registered as officially unemployed, down 11.9%. Overall, 182,100 people found new jobs via job centers in 2013, including 121,000 people with an unemployed status.

**Figure 2. A Beveridge curve for the Belarusian labor market, 2008–2013**



The officially registered unemployment level remains quite low<sup>15</sup>. As of late 2013, there were only 20,900 officially unemployed Belarusians in the country, or 0.5% of the economically active population. In 2013, the average time it took an unemployed person to find a job reached 1.4 months. It took women longer than men to find a job (1.8 months against 1.2 months), while young people took an average 1.3 months. As of 1 January 2014, men accounted for 59.4% of the unemployed, and young people aged between 16 and 30 accounted for 34.6%.

18.5% from 2012. Blue-collar jobs accounted for 75.5% of all vacancies (which compares to 77.7% in 2012). The territorial imbalance remained in place: a *third* of all vacancies were registered in Minsk, where the number of vacancies was 10.2 times higher than the number of jobless people.

<sup>15</sup> Real unemployment was assessed in previous *Yearbook* editions.

Unemployed Belarusians with university degrees accounted for 10% of the total.

At the same time, 17.2% of the unemployed are those ‘requiring special social protection’ – the category that covers those who are unable to effectively compete in the labor market, including incapacitated people, parents in large and single-parent families and those with disabled children, former convicts, veterans of foreign combat operations, young people aged under 21 who seek their first employment, etc.<sup>16</sup> However, because of the low unemployment allowance, job centers cannot be regarded as institutions that offers high-quality workforce and facilitates economic restructuring.

### **Labor migration and wages**

In a situation where the Belarusian labor market institutions are unable to effectively reallocate workforce, the inflow of workers from foreign countries keeps growing. In 2013, more than 18,000 foreigners came to work in Belarus, at least *twice* as many as in 2012. “The main reason is the expansion in the investment projects implemented in Belarus, specifically, those associated with the construction of the nuclear power plant and facilities to be used at the 2014 IIHF World Championship in Minsk,” a spokesman for the Interior Ministry said. Most of the foreign workers who have come to work in Belarus are from Ukraine (7,000), China (3,000), Turkey (1,300), Lithuania (1,200) and Uzbekistan (1,200). Also in 2013, 5,500 labor migrants left Belarus to work in foreign countries (based on official job contracts), down by 15% year-on-year.

At the same time, experts note that unregistered migration flows substantially exceed those officially registered. In 2013, the number of Belarusian labor migrants working in Russia at any given time was estimated at 130,000–150,000 people<sup>17</sup>. Given the relatively short foreign employment period (less

<sup>16</sup> Situation in the labor market; see: <http://mintrud.gov.by/activity/sostojanie/>

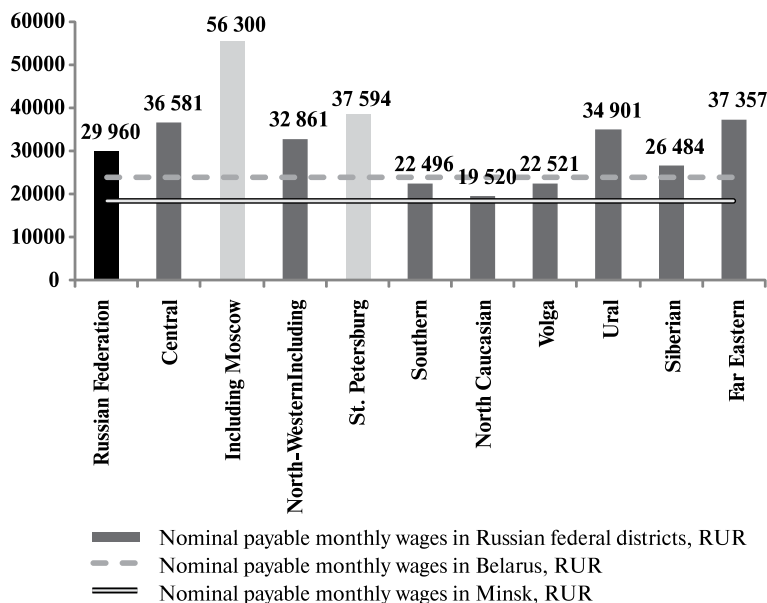
<sup>17</sup> U. Valetka (2013) Development and Side Effects of Remittances – the Case of Belarus // *Research report*, European University Institute [Electronic resource] Access: <http://ssrn.com/abstract=2430806>.



than six months even under officially registered labor contracts), this figure means that the number of Belarusian labor migrants working in Russia was between 300,000 and 600,000 people throughout the year (most experts seem to agree with this estimate).

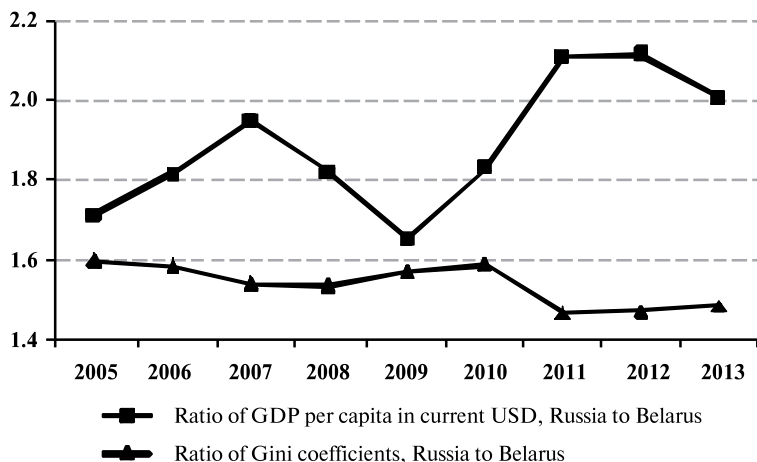
The absence of obstacles to labor migration within the Common Economic Space (CES) aggravated the structural problems of the Belarusian labor market, where in 2013, the average wage was at least 40% below that paid in Russia. This gap encourages Belarusian workers to seek jobs in Russia. According to the Russian Federal Migration Service (FMS), out of the total number of Belarusians registered at their temporary residence (713,000 as of 1 January 2013), the *two* Russian Federation constituents with the largest urban areas and wages well above the Russian average – the Central and North-Western districts – accounted for almost 80% of Belarusian labor migrants, with 42% and 35.7% of the total, respectively (see Figure 3).

**Figure 3. The average wage in Russia and Belarus, 2013**



However, even more important is the fact that Belarus is currently faced with contracted compensation differentials, which is a reason why the gap between the incomes of skilled and unskilled workers is insignificant. This results in a situation when more productive workers are ousted from jobs. The Gini coefficient can help assess the return on investment in qualification – in Russia, it is approximately 50% higher than in Belarus, see Figure 4.

**Figure 4. GDP per capita and Gini coefficients, Russia and Belarus (incl. provisional estimate for 2013)**

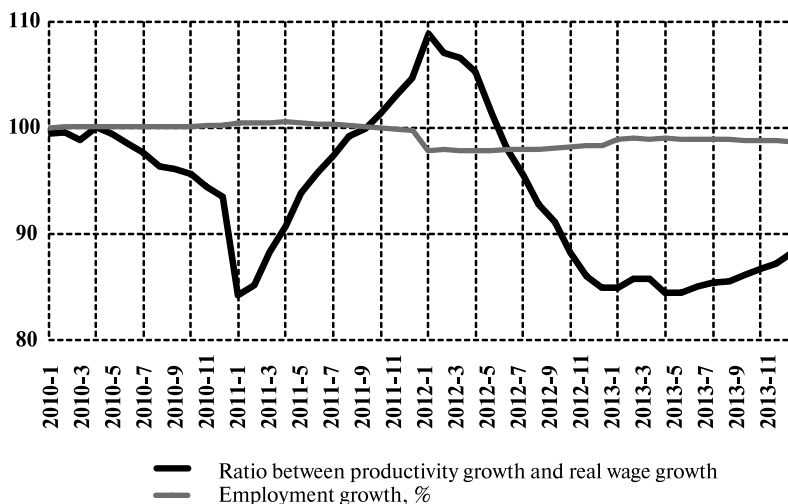


Belarus therefore found itself in a trap of equal incomes: all efforts to push wages with a view to keeping skilled personnel fail, because the ousting factor – the relatively low return on human capital – remains strong. Positive migrant selection results in a lower labor productivity and slower GDP growth because of brain drain.

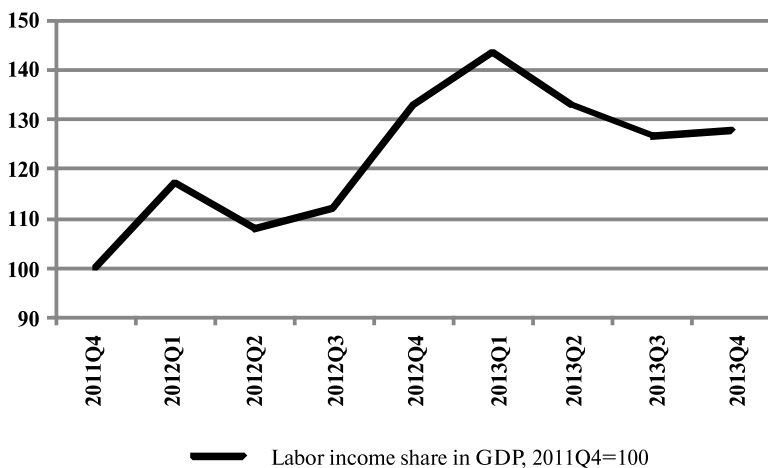
This trap is also reflected in the way jobholders respond to increases in wages: the efforts by the economic authorities are not reciprocated by adequate increases in productivity (see Figure 5). As a result, the share of wages in GDP keeps growing (see Figure 6), meaning that unit labor costs increase (they are currently higher in Belarus than elsewhere in the CES). The

same applies to the labor tax (partial transfers of wages to the Social Security Fund).

**Figure 5. Ratio of labor productivity growth to real wages (on an accrual basis)**



**Figure 6. Share of wages in Belarus' GDP (in nominal terms)**



A country cannot continuously boost wages without ensuring a corresponding increase in productivity. The Belarusian economy will have to eventually opt for ‘internal devaluation’ amid the slowdown in growth caused, among other factors, by further narrowing in external markets (especially the Russian market). Some features of ‘internal devaluation’ became apparent in the second half of 2013, when the growth in wages became *twice* as slow as in 2012 (see Figure 6), and the number of workers dismissed due to downsizing started to grow. However, the pressure on the exchange rate of the national currency remains in place, and so does the expectation of nominal devaluation. Against the poor macroeconomic backdrop, the inflation spiral is a major obstacle to foreign direct investments.

Privately-owned businesses complain about the poor quality of the workforce<sup>18</sup>. These problems seem to stem from the inadequate quality of education, but educational institutions simply reflect other structural problems, primarily the challenges faced by labor market institutions, which seek to narrow pay differentials instead of encouraging productivity. Currently the minimum wage is higher than the tariff wage rate of a college professor. When it comes to the difference between the compensation categories in the wage scale effective in the public sector, the top wage rate is currently only twice as high as the lowest wage rate, whereas previously the highest pay rate was eight times higher than the bottom rate (efforts to equalize rates were made when consumer inflation peaked in 2011, and adjusting indices were introduced). Therefore, a reform is necessary in order to effectively regulate the system of labor compensation. Specifically, the *Unified Wage Tariff System* needs to be cancelled, and industry-specific compensation schemes need to be put in place.

The increase in underemployment also suggests that the economy and the labor market have accumulated a heavy burden of problems<sup>19</sup>. According to the *Belstat* statistics service, in January–December 2013, forced unemployment amounted

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<sup>18</sup> Valetka (2013), op. cit.

<sup>19</sup> According to World Bank’s estimates, excessive employment in Belarus may amount to 10%. See <http://documents.wseminryjbank.org/curated/ru/2012/04/16473080/belarus-country-economic-memorandum-economic-transformation-growth>.

to 127,100 people, or 3.8% of the number of listed employees (which compares to 92,700 people, or 2.7% of the number of employees, in 2012).

The number of employees transferred to a part-time working week (during daytime) amounted to 49,600 people in 2013, or 182.1% of the level reported in January–December 2012 (27,300 people). The number of workers who were forced to go on vacations at the initiative of the employer amounted to 77,400 people, or 118.4% of the 2012 level (65,400 people).

Administrative regulation measures were actively used to manage underemployment processes. Some enterprises got their employees to leave on ‘social’ rather than forced vacations, which resulted in lower underemployment figures.

### Social programs

Formally, the year 2013 showed that the financing of social assistance programs (social security is not included here) has a counter-cyclical nature: as GDP contracts, social assistance increases—to 2.2% of GDP from 2.5% (see Figure 7). Social assistance was mostly focused on families with children, which resulted in a reduction in the share of spending on social assistance that requires probing into the level of incomes to 5% of the total from 13%. Because the child care allowance provided to families with children younger than *three* years of age was pegged to the average wage, the share of allowances associated with children reached 63% of all expenditures on social programs (see Figure 8).

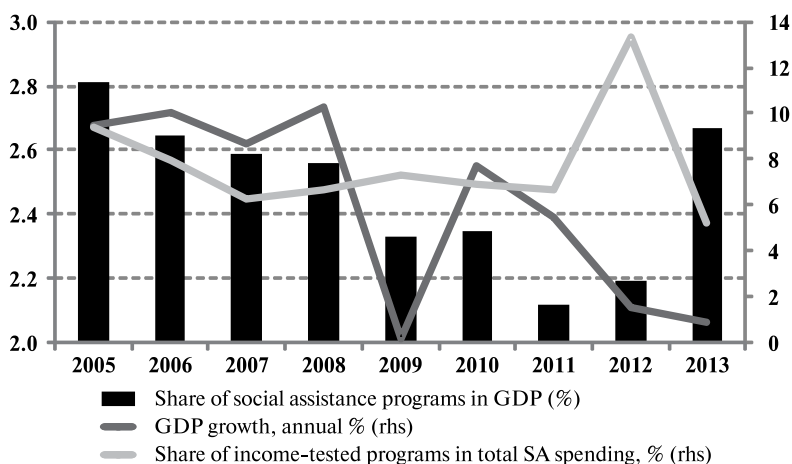
As a result, the expenditures of the Social Security Fund on child care allowances (available to families with children under *three*) increased dramatically, whereas the growth in pensions halted in the second half of 2013 (as of late December 2013, pensions increased by only 0.5% year-on-year in real terms). Despite the increasing pension pressure on the workforce (in 2013, the workers-to-pensioners ratio fell to 1.69 from 1.73 in 2012), there were no initiatives to reform the pension system<sup>20</sup>. It appears that both parametric (increase in the pension age) and

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<sup>20</sup> In 2013, adjustments were made to regulations of professional pensions.

structural (introduction of a contribution pension system) improvements are called for. Unemployment benefits – amounting to not more than two basic units (BYR 260,000 as of 1 October 2013) – are also paid from the Social Security Fund. As of today, the average unemployment benefit amounts to BYR 142,600, or 13.9% of the minimum subsistence budget, 9.7% of the minimum wage, and 2.6% of the average wage.

**Figure 7. Share of spending on social support in GDP, %**



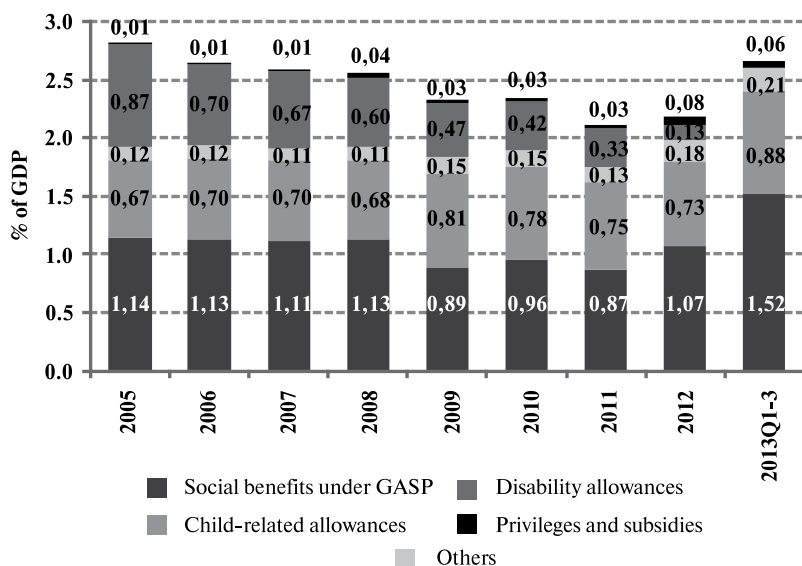
The unemployed are also entitled to apply for state targeted social assistance (GASP), enabling them to maintain their household's income at least at the level of the minimum subsistence budget per family member (the poverty line in Belarus) during six months per years. In 2013, fewer than 1,000 jobless Belarusians received this type of assistance<sup>21</sup>.

The existing unemployment insurance system allows workers who have been dismissed on the grounds of redundancy to

<sup>21</sup> GASP is provided in Belarus subject to numerous filters, which makes social assistance better targeted. These filters are getting tighter. Starting 1 January 2014, monthly social allowances are not paid to the unemployed who have turned down proposals of adequate employment or further training within six months prior to the application for assistance (in accordance with Decree of the President No.550 dated 5 December 2013).

maintain their consumption level for *three* months (they receive redundancy payment totaling three average wages). Overall, the unemployment benefit and allowances (including, but not limited to state targeted social assistance) do not guarantee that there will be no months when an unemployed person will have an income below the minimum subsistence budget, which may become a major obstacle to mobility and active job search. This is what sets Belarus apart from developed countries, which are well aware that job search is the most productive activity in society. In 2012, Belarus spent only 0.004% of GDP on unemployment benefits, which compared to 0.39% in transition economies and 0.61% in the OECD<sup>22</sup>.

**Figure 8. Spending on social support, by categories, % of GDP**



It is safe to say that the social security institutions of Belarus fail to meet the requirements of a dynamic labor market. The existing initiatives are hardly implemented. In 2013, the

<sup>22</sup> Estimates by specialists with the World Bank based on the *OECD Employment Outlook 2012*.

Ministry of Labor and Social Security, in association with the UNDP, developed approaches to a socially-responsible policy of restructuring enterprises. Nevertheless, instead of focusing on the support for requisite labor market reforms, the government keeps redistributing funds in favor of forming future human resources. In the meantime, the responsibility for resolving labor market problems is passed on to future generations.

## **Conclusion**

The policy of targeted hikes in wages brings about further growth of labor costs and discourages efforts to create new jobs in the future. To remain competitive, the economy should resort to unpopular ‘internal devaluation’ measures.

The existing social security system is not ready for a more dynamic labor market. The unemployment insurance system should be reformed, because workers should be paid to be stimulated to search for a more effective use of their skills, i.e. to be involved in the most productive activity.

The Belarusian economy may have to resort to ‘internal devaluation’ measures if growth continues to slow. The pressure on the exchange rate of the Belarusian ruble remains in place, nominal devaluation is expected, and an inflation spiral has already emerged. The only way to keep the workforce motivated, stimulate productivity and make the labor market more dynamic is to increase pay differentials. At the same time, the requirements to social programs, which are supposed to meticulously channel funds to make up for the real reduction in the consumption level, are getting tougher.



## **ENERGY SECTOR: PUTTING ALL EGGS IN ONE BASKET**

**Aliaksandr Autushka-Sikorski**

### **Summary**

The terms of supplies of Russian energy resources remain highly favorable, which, on the one hand, enhances the dependence on Russia for energy deliveries and, on the other hand, enables Belarus to put off reforms of its energy sector. As against the year 2012, in 2013, revenue generated by the country's oil-processing sector dropped. However, the low price of Russian crude oil supplies still helps the Belarusian oil refineries stay highly profitable. For Belarus, natural gas prices remain almost three times as low as the fees that Russia charges European consumers; however, because of the fee differentiation scheme applied in Belarus, for some categories of domestic consumers, electricity rates are at least four times as high as those European.

The practice of cross-subsidy remains in place and keeps putting pressure on the cost of domestically-made products. The high electricity cost component in the production costs of Belarusian goods reduces their competitiveness notwithstanding low crude oil and natural gas rates.

### **Trends:**

- Increasing dependence on Russia for oil deliveries following the change to quarterly quotas;
- Lower revenues of the oil-processing sector resulting from the deterioration of external terms of trade and routine maintenance of the Mozyr-based oil refinery;
- Discrepancies in electricity rates imposed on industrial consumers and households remain in place;
- The country is lacking a stable financing scheme required to eliminate cross-subsidy.

### **Oil sector: lower output and higher dependence**

Vagueness about the agreements on Russian oil supplies remained throughout 2013, as the Russian side changed to quarterly supplies quotas. The move was caused by the much criticized 'solvent/diluent' trade scheme concocted by the Belarusian side back in 2012.<sup>1</sup> Russia was mostly irritated by

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<sup>1</sup> See: Manionak T. Energy sector: Heyday before the sale // *Belarus Yearbook 2012*. Minsk, 2013. P. 296–297.

the fact that the 'solvent/diluent' trade scheme was formally legal and became possible because of the legislative gaps within the Customs Union that were skillfully used by the Belarusian side, which significantly increased the share of questionable oil export.

Furthermore, in 2013, Belarus was supposed to supply agreed amounts of oil products back to the Russian market in order to guarantee the import of crude oil. To make sure that Belarus met its obligations, Moscow changed to a more flexible 'oil leash,' which enables it to control the amounts of oil products delivered back to Russia and stop Belarus from looking for new schemes of generating super profits.

The 'solvent/diluent' business, which stripped Russia of USD 1.5 billion to USD2 billion of budget revenues, was legally stopped in April 2013 by resolution No. 99 of the Eurasian Economic Commission (EEC) and de facto shut down in the third quarter of 2013. The EEC decided back then that compound organic solvents and diluents should be shifted to commodity heading 2710 of the foreign trade classification of commodities, making their oil products subject to payment of export duties by the Belarusian side. In 2013, Belarus cut export deliveries of its diluents compared with the 2012 level and got back to the volumes recorded in previous years.

In 2013, Belarus imported 21 million tons of Russian crude oil – 5.75 million tons in the first, second and third quarters each and 3.75 million tons in the fourth quarter of the year. Total import decreased by 3.4% year-on-year. The reduction in supplies in the fourth quarter was a result of the arrest of Uralkali CEO Vladislav Baumgertner (in the wake of the so-called 'potash conflict'), which enraged Moscow. Formally, the main reason behind the drop in deliveries was the repair of a section of the Druzhba pipeline. Another reason why oil supplies were curtailed was Belarus' default of its obligations under the agreement on supplies of oil products to the Russian market. Belarus had delivered half the agreed amount.

In January–November, Belarus exported 1.48 million tons of crude oil at an average rate of USD 766 per ton (down by 1.8% and 2.4%, respectively), whereas oil product supplies

amounted to 12.4 million tons at USD 751 per ton (down by 23.5% and 10%, respectively). Crude export totaled USD 1.13 billion in value terms, and oil product export reached USD 9.436 billion.

In 2013, the Mozyr NPZ oil refinery processed 11.08 million tons of crude oil, down by 0.1% from the 2012 level. Gasoline and diesel fuel output went down by 3.4% and 2.4% year-on-year, respectively. The lower output was caused by the routine maintenance at the refinery and suspension of some of the processing facilities. Furthermore, in September, the company approved modernization plans, envisaging the installation of a high-octane gasoline-making unit and a black oil hydrocracking facility, which is projected to bring the crude conversion rate at the refinery up to 90% from 72% currently. The modernization program will cost USD 1.4 billion, of them USD 350 million will be financed from a loan committed by *Sberbank* of Russia. Because all of the Mozyr NPZ facilities needed to be suspended at least for some time due to the repairs carried out from October 2012 to October 2013, Belarus began accumulating oil products in storage facilities to ensure uninterrupted supplies in summer and winter, when demand for gasoline traditionally increases. An additional motive for the country to accumulate gasoline instead of exporting it was the expected decrease in crude oil import in the fourth quarter of 2013, after Russia announced that the *Druzhba* oil-main required repairs, as well as the breakdown of the catalytic cracking unit at the beginning of August.

At the insistence of the Russian side, Belarus virtually stopped exporting biodiesel fuel to Ukraine. The policy of accumulation of oil products in storage facilities resulted in a situation when Belarusian gasoline almost completely disappeared from the Russian market at the end of the third quarter. As for the long-term contracts for fuel supplies to Ukraine, Belarus repeatedly breached them throughout the year. In 2013, Belarus cut supplies to Ukraine by 32.4% year-on-year in volume terms and 40% in value terms.

Belarus will hardly be able to make up for the shrinking share of its oil products in the Ukrainian market in the next few years, the main reason being the anticipated launch of the Lisichansk

refinery, scheduled for the spring or summer of 2014.<sup>2</sup> It is planned that the Lisichansk refinery will produce Euro-4- and Euro-5-compatible fuels and process up to 8 million tons of crude oil annually. The high capacity of the Lisichansk refinery and the extensive logistical network of its owner – Russian oil major Rosneft – will enable the producer to deliver its products even to Western Ukraine (the refinery is situated in the Luhansk Region in the east of the country). Further, the Odessa oil refinery with a capacity of 2.8 million tons a year was put into operation after a pause in 2013.

By the middle of 2014, the competition in the Ukrainian market for oil products will have increased, which is expected to bring about a decrease in prices and make Ukraine a less attractive market for Belarus. Belarusian traders will likely redirect their supplies to the European market in 2014.

Despite the reduction in production volumes, crude oil processing and Belarusian refineries' revenues from sales of oil products remain very high because of the preferential terms of trade in crude oil with Russia. In 2013, Belarus imported crude oil at an average price of USD 380 per ton, less than *half* the price of Russian crude at the German border. If it had been paying European prices, Belarus would have had to cough up an additional USD 9.5 billion.

In December 2013, the Belarusian government sent the leadership of Russia's Rosneft a proposal to consider acquiring the state shareholding in Mozyr NPZ (42.67%) and OOO MNPZ Plus, which holds 12.25% in the refinery. Rosneft already holds a stake in the Belarusian refinery via its shareholding in Slavneft. In addition to paying the book value of shares totaling USD 518 million, the investor is supposed to increase the capacity of the refinery to 20 million tons. Although Rosneft was interested in the offer, it will probably take very long for Belarus to sell the refinery: the company is highly profitable, and the Belarusian administration will want additional 'bonuses' from the buyer.

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<sup>2</sup> See: Belarus' Ukrainian Business. A Pragmatic Aspect // *Our Opinion* [Electronic Resource] Access: <http://nmnby.eu/news/analytics/5426.html>.

In 2014, the terms of trade in crude oil became even more favorable for Belarus: at the end of 2013, the two countries signed a six-month supplies quota, which envisages supplies of 11.5 million tons of crude oil to Belarus during the first six months of the year, corresponding to Belarus' original request to have 23 million tons of oil this year. However, the amount of oil deliveries directly depends on the successful implementation of the 'five integration projects' in which Russia is most interests: the creation of a holding between MAZ and KAMAZ, privatization of Minsk Wheeled Tractor Plant (MZKT) by Russian companies of the military industrial sector, a joint project between OAO Gazprom and OAO Grodno Azot, and mergers between OAO Peleng and the Roscosmos corporation, and between OAO Integral and the Roselectronika holding.

### **Gas sector: recession helps**

Once Belarus and Russia signed the treaty to create the Common Economic Space (CES) and the agreement to sell OAO Beltransgaz to OAO Gazprom, the natural gas fees for Belarus dropped because Russia had stopped applying the European price calculation formula. In 2012, Russia reduced its natural gas price for Belarus from USD265 per 1,000 cubic meters to an annual average of USD165.6. In 2013, the average gas price remained virtually unchanged at USD160.5 per 1,000 cubic meters.

According to the materials prepared for the annual general meeting of Gazprom (disseminated last June), it had been planned to increase the gas price for Belarus to USD 183.7 per 1,000 cubic meters in 2014. However, the increase was even less serious, and in 2014, Belarus is paying USD167 per 1,000 cubic meters of natural gas. The rise in fees was limited by the price embargo imposed by President Putin. In 2013, Russia suffered from a recession, and the competitiveness of Russian products was undermined because of hikes in energy rates, which brought about price rises. Therefore, prices had to be frozen for domestic consumers: during the next *five* years, energy fees for domestic buyers (including in Belarus) will not be rising faster than the inflation rate.

In 2013, Belarus imported 20.3 billion cubic meters of natural gas, the same as in 2012. Therefore, the preferential gas price saved Belarus USD 4.89 billion last year, considering that European consumers pay USD 400.59 per 1,000 cubic meters (natural gas price at the German border).

In 2012, the average gas price for corporate consumers amounted to USD 279 per 1,000 cubic meters, and in 2013, it went down by USD 4. Discounts were only offered to the enterprises subordinate to the Energy Ministry (USD 216 per 1,000 cubic meters) and OAO Grodno Azot (USD 218). The price did not change for Grodno Azot, whereas enterprises under the Energy Ministry enjoyed a USD 29 discount compared to the 2012 level.

Starting 1 January 2014, the average gas price for industrial consumers went down by USD 10 per 1,000 cubic meters, and for individual entrepreneurs and corporate entities, by USD 7.25. Gas fees will be cut by 13% from the 2013 level for producers of nitrogen fertilizers, by 7.7% for electricity companies and by 7.5% for state-financed organizations and utility enterprises.

In 2013, the average natural gas price for domestic consumers went up by USD 4 from USD 15.95 per 1,000 cubic meters to approximately USD 20 (exclusive of VAT). Gas fees rose, because since the beginning of 2013, the gas markup has been pegged to the inflation rate, which reached 21.8% in 2012.

### **Electricity: declarations amid price hikes**

Despite preferential natural gas rates compared with European consumers, cross-subsidy that remains in place still causes major imbalances for the real economy. Electricity fees for industrial consumers are still quite high. As of 1 January 2013, the average electricity rate for manufacturing enterprises stood at USD 0.1382 per kilowatt-hours, which compares to USD 0.0353 paid by households. In 2013, electricity rates for companies increased by 0.72%, and for households, by 38.9%.

However, Belarus still enjoys quite low electricity rates compared with Europe. In the first half of 2012, Lithuanian industrial consumers and households paid USD 0.1512 per

kilowatt-hour and USD 0.1635, respectively, Latvian companies and households paid USD 0.123 and USD 0.1802, and Polish consumers paid USD 0.1004 and USD 0.184, respectively. Bulgaria charged households the least of all EU member states – USD 0.1098 per kilowatt-hours – which was still almost three times as high as Belarusian households had to pay. High electricity rates result in higher costs of Belarusian products, thus affecting their competitiveness. According to the Economy Ministry, the price distortions cost the real economy more than USD1 billion annually.

The government has been making plans to phase down cross-subsidy for a few years now. In 2011, the Energy Ministry announced plans to do away with cross-subsidy within *four* years, i. e. by 2015. A necessary condition for the administration to increase electricity rates was the average wage to increase to USD 1,000 by 2015. However, following the depreciation of the Belarusian ruble in 2011, the likelihood of such a move decreased.

In 2013, when problems with sales of Belarusian products peaked, the authorities began discussing ways to eliminate cross-subsidy. Further, an agreement was reached in the framework of the CES on the elimination of exemptions starting 2015. First Deputy Prime Minister Uladzimir Siamaška and Deputy Prime Minister Piotr Prakapovič said that cross-subsidy would be phased down in *two* stages: in April 2014, electricity subsidies would be abolished, whereas in 2015, heating subsidies would be cancelled. The government must be thinking that splitting the move into two phases will reduce the burden on the balance of payments. The Economy Ministry believes the elimination of cross-subsidy will require up to USD 3.5 billion (on condition that the gold and foreign exchange reserves remain unchanged). It is planned to raise this money by way of placing state bonds in the foreign and domestic markets.

At the same time, the elimination of exemptions in trade within the CES will formally enable major consumers to buy both electricity and natural gas from Russia at Russia's domestic prices. In 2012, Russian corporate consumers paid USD 97.8 per 1,000 cubic meters of natural gas and USD 0.068 per kilowatt-hour of electricity.

In November 2013, the president signed decree No. 499 *On the construction of the Belarusian nuclear power plant* thus giving the green light to the construction process. The document was signed as soon as the foundation and requisite infrastructure for the construction of the plant had been completed. Russia's ZAO Atomstroyexport is the main contractor. The plant's two units, to be launched in 2018 and 2020, will have a combined capacity of 2.4 megawatts.

In 2013, spending on the infrastructure of the nuclear power plant amounted to USD 120million, and in 2014, it is planned to double. The plant is expected to account for up to 40% of the country's power balance at peak loads.

Although the construction of the nuclear power plant will reduce the dependence of the Belarusian energy sector on natural gas supplies, the plant will not help Belarus get away from the sole fuel supplier. Under the agreement with the Russian side, Belarus not only takes the USD10 billion loan from Russia, but also undertakes to buy uranium oxide from Russia. Further, if Belarus chooses to collaborate with alternative suppliers, it will have to take into account the design peculiarities of the plant for the production of uranium rods or cassettes. However, in this case Belarus becomes less susceptible to the 'political' component of the fuel price, the more so because uranium oxide prices, having reached their new 30-year high in 2007, are currently quite low.

## Conclusion

In 2013, the petroleum 'super profits' generated by the Belarusian oil sector were slashed because of the elimination of the 'solvent/diluent' scheme. Nevertheless, oil processing still contributes enormously to budget revenues both in nominal terms and as percent of GDP.

The change to the quarterly crude oil delivery quotas and payments is a perfect example of Belarus' heavy dependence on the stability of cheap oil supplies from Russia. At the same time, geopolitical loyalty is not the only condition for these supplies to remain stable. In 2013, Russia pegged its crude oil deliveries to Belarus to specific amounts of refined oil to be delivered back to



the Russian market (3.1 million tons) and tightened control over the fulfillment of this obligation. In addition, Russia made the stability of oil supplies in the *second* half of the year conditional on progress in the implementation of ‘five integration projects.’ Therefore, Moscow increased the efficiency of the oil leverage without having to get involved in open conflicts, as Belarus has no chance to diversify its sources of energy import.

Although the anticipated elimination of cross-subsidy will facilitate the operation of Belarusian manufacturers, the ‘window of opportunity’ seems to be closed. On the one hand, Belarus needs to boost its competitiveness by cutting production costs; on the other hand, the elimination of cross-subsidy will require financing, which under the circumstances will most likely be taken from both external and internal borrowing, a policy that will increase the burden on the balance of payments in the medium term.

## **FOREIGN INVESTMENTS: FOCUSING ON DEBT**

**Maria Akulova**

### **Summary**

In 2013, inflows of foreign investments in Belarus remained insignificant. The official approach to privatization remained unchanged, which is why there were no privatization deals in Belarus in 2013. This attitude makes foreign loans the main source of foreign capital. Against the tough economic backdrop, the placement of Eurobonds in foreign markets becomes a real challenge, which encourages the authorities to explore the domestic debt market.

Some legislative moves were made to improve the business and investment climate of the country. Focus is placed on the protection of investors' rights and guaranteed right of dispute settlement.

### **Trends:**

- Raising external financing, mostly loans, turns out to be a major problem;
- Lack of progress in the privatization process;
- A new instrument to raise funding is explored – the authorities sell foreign exchange bonds in the domestic market while faced with problems in external markets.

In 2013, the government had planned to raise some USD 2 billion in net foreign direct investments (FDI), exclusively of foreign borrowing, and sell USD 2.5 billion worth of state assets. According to official statistics, FDI totaled USD 2.233 billion in 2013<sup>1</sup>, meaning that the target was met. Moreover, FDI inflows grew compared with 2012, when they reached USD 1.442 billion<sup>2</sup>.

On the other hand, in 2013, the financial account balance reached a deficit of USD 8.135 billion, which compares to USD 961.2 million in 2012. Therefore, in 2013, foreign capital inflows were for the most part due to an increase in

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<sup>1</sup> Balance of payments, international investment position and gross external debt of the Republic of Belarus in 2013 (preliminary data); see <http://nrb.by/statistics/BalPay/Comment/2013.pdf>.

<sup>2</sup> Ibid.

debts to non-residents. External liabilities went up by USD 7 billion in 2013 to USD 48.29 billion. The growth in external public debt was also quite alarming: as of 1 January 2014, external debt stood at 58.5% of GDP, or USD 39.124 billion. Given that on 1 January 2013, external debt stood at USD 33.766 billion, or 54.6% of GDP, we observe an obvious negative trend.

One should remember that Belarus will have to make most of the payments to service its external debt in 2013–2014. In 2014 alone, the country will have to pay USD 1.4 billion; therefore, the significant growth in the country's external debt raises the question about sources to service the debt.

### Foreign direct investments and privatization

The year 2013 did not see any FDI breakthrough for the Belarusian economy. As we said above, the country raised USD 2.233 billion in FDI in 2013. Of the total, reinvested profits of Belarusian companies amounted to USD 1.2 billion (accounting for 54%); joint-stock capital accounted for 26%, and debt instruments accounted for the remaining 20%.

The period under review is no different from the previous years when it comes to foreign investments. The macroeconomic imbalances, high devaluation expectations and the high inflation rate were discouraging both foreign and domestic investors. Specifically, the increased state stakes in two major confectioneries – *Kommunarka* and *Spartak* – which essentially resulted in nationalization of both producers, stopped some investors from working in Belarus. As a result, the country never met its privatization targets, and there were virtually no transactions to sell state assets. Nevertheless, there were some M&A transactions involving foreign capital. However, in most cases, both parties were privately-owned businesses rather than state-owned entities.

At the start of 2013, *RTL-Holding*, which owns the *Rublyovski* retail chain, purchased 78.5% in *ZAO Nevel*, paying a total of USD 3.3 million. In autumn, the chain expanded its presence in Belarus by buying a controlling shareholding in the Volgograd supermarket store for USD 6.7 million. Further, *Ge-*

*tin Holding*, a financial holding, purchased 95.5% in Belarusian Bank for Small Business for approximately 4.87 million. At the end of the year, there appeared reports that the authorities had reached an agreement with a Russian investor to sell a stake in OAO Minsk Wheeled Tractor Plant (the producer will have an additional share issuance). Finally, a 99.5% shareholding in OAO Belgips was sold to Russia's Volma corporation for USD 5.27 million.

Peculiar for the period under review, Belarusian investors stepped up their efforts to buy both local and foreign companies. Belarusian agricultural holding SZAO Servolux acquired 49.93% of shares in OAO Smaliavičy broiler plant for Br430.2 billion. Furthermore, in spring, joint Belarusian-German venture *Santa Bremor* purchased ZAO *Russkoe more* for USD 52 million.

OOO Evrotorg expanded its presence in Russia and increased the number of its POS to *eleven*. In the summer of 2013, the company acquired Fanipal-based Prevar to build up its meat-processing facilities. Finally, in September, the *Alutech* group bought German *Gunther-Tore*, a maker of sectional and rolling gates. The deal enabled the Belarusian producer to access the markets of Western Europe, Asia and Africa and secure a firm footing as a leading maker of gate components in Europe.

### **Portfolio investments**

The difficult economic situation affected the market for portfolio investments. In 2013, Belarus continued advertising its debt instruments and negotiated opportunities for placing sovereign bonds in Europe, Singapore and China. The country held a series of *road-shows* in Germany, Switzerland, and the United Kingdom and Asian countries; however, the presentations of Belarus' investment opportunities did not have the desired effect.

The situation with the debt instruments placed previously remains vague. The first half of the year turned out to be quite favorable for Belarusian Eurobonds with maturity in 2015 and 2018. In May 2013, the yields on Belarusian sovereign bonds hit the bottom — 5.83% for five-year bonds maturing in 2015

(compared with a yield of 8.7% set during placement) and 6.19% for seven-year Eurobonds with maturity in 2018 (the original yield was set at 8.95%).

However, the conflict with *Uralkali* produced a devastating impact on the Belarusian debt securities, and yields hiked to 11.9% (five-year bonds maturing in 2015) and 11.46% (seven-year bonds with maturity in 2018). Once the conflict was resolved, the situation improved, and at the end of the year, yields settled at 7.55% and 8.5%, respectively, while prices stood at USD 101.2 and USD 101.4.

The difficulties that Belarus faced when trying to approach foreign markets encouraged the authorities to issue and place foreign exchange-denominated debt instruments in the domestic market. Back in December 2012, the first *two* issuances were floated, totaling USD 50 million. In January and May 2013, further issuances were placed, totaling USD 100 million. In September, another attempt was made to sell USD 100 million worth of state bonds to the public, but only USD 22.51 million worth of securities were placed.

The government pins its hops on using this debt instrument in the future. In 2014, the Finance Ministry of Belarus plans to borrow up to USD 900 million in the domestic market, of them USD 100 million from individuals and USD 800 million from companies.

### **Other external liabilities**

Other external liabilities markedly increased in 2013, by an estimated USD 4,829.1 billion, while in 2012, they dropped by USD 578.5 million. Therefore, the share of other foreign liabilities in the total amount of foreign capital raised during the period under review amounted to 69%. Most of the funds were raised through external borrowing by the government and commercial loans.

In January and April, Belarus received the *fourth* and *fifth* installments of the EurAsEC Anti-Crisis Fund (ACF) loan, totaling USD 880 million. The country had expected to receive the *sixth* and final installment of the loan; however, the ACF Council decided to postpone the move for six months

citing its disappointment with the way Belarus meets its obligations. As of today, *ten* out of 14 conditions are not met, of them *five* (including the privatization of at least USD 2.5 billion worth of state property annually) are the so-called 'check' parameters.

Other important loans include the USD 377.8 million export loan committed by Russia for the construction of the Belarusian nuclear power plant. Further, Chinese banks provided loans totaling USD 333.8 million, and the International Bank for Reconstruction and Development (IBRD) committed a USD 105.5 million loan to Belarus.

Privately-owned businesses encountered difficulties when raising capital domestically and had to look for external lenders. The A-100 group took a seven-year loan from the European Bank for Reconstruction and Development (EBRD) worth USD 10 million. It is planned that the money will be invested in the group's network of filling stations. The EBRD also provided an eight-year loan to private company *Kronospan* for the construction of a woodworking facility, which will specialize in oriented strand board production.

OAO Belarusian Metal Plant (BMZ) reached an agreement with the Eurasian Development Bank (EDB) and OAO ASB Belarusbank to borrow USD 280 million for the construction of a small-section and wire mill. In the autumn of 2013, an agreement was reached between OOO Evrotorg and Sberbank of Russia for the Belarusian company to enjoy a USD 150 million credit facility, which will be used to build several shopping centers in Minsk. In December, OAO ASB Belarusbank took another USD 110 million syndicated loan from a group of Russian commercial banks.

### **Arrangements to raise foreign financing and improve investment climate**

In the summer of 2013, *two* legislative acts were passed to invalidate the *Investment Code*. However, the adoption of those two acts drew a mixed reaction from investors and the expert community, and so did some other legislative initiatives of the authorities.

### *1. Law No.53-3 'On investments' dated 12 July 2013*

The law came into effect on 24 January 2014<sup>3</sup>. The document expands the notion of 'investments', which now covers movable assets and real estate, rights and claims with appraised value and other entities of civil law rights having appraised value. The law spells out the main principles of investing, inadmissibility of interfering into investors' private business and equality of investors' rights, along with the protection of their rights in case of violations. Further, the law makes it possible for an investor to enjoy compensation for nationalized business in any foreign currency. In addition, under the law, efforts to resolve investment disputes will be governed by international instruments, and disputes will be settled not only in Belarus, but also in an arbitration court or the International Center for Settlement of Investment Disputes.

### *2. Law No.63-3 'On concessions' dated 12 July 2013*

The law came into effect on 26 January 2014<sup>4</sup>. Concession contracts were available to investors even before the new law became effective; however, it was this new document that allowed concession agreements not only at the national, but also at the local level. Furthermore, the law guarantees that the state will not interfere with investors' business and protects investors' rights, specifically in case of legislative changes. In addition, the document allows settling disputes in international courts of arbitration. Finally, if an investor successfully implements a concession contract, it will have a chance to make a new concession agreement on special terms and without any tendering procedures.

These legislative acts therefore make adjustments to the investment environment of the country and essentially offer foreign and domestic investors equal rights. Over the last few years, the inequality between foreign and Belarusian investors was considered to be one of the most serious barriers to businesses eyeing the Belarusian market.

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<sup>3</sup> See: <http://www.pravo.by/main.aspx?guid=3871&p0=H11300053&p1=1>

<sup>4</sup> See: <http://www.pravo.by/main.aspx?guid=3871&p0=H11300063&p1=1>.

*3. Resolution of the Council of Ministers No.241 'On some arrangements to facilitate the development of small and medium-sized entrepreneurship in the Republic of Belarus' dated 30 March 2013*

The document aims to increase the role of small and medium-sized business in the Belarusian economy<sup>5</sup>. The resolution comprises some of the approved development targets for 2013–2015 and a set of measures to reach these targets. One of the measures is the preparation of a bill to amend the law on privatization of state property and transformation of state unitary enterprises into open joint-stock companies. The bill envisages some arrangements to support private business; specifically, it bans any revisions of privatization results upon its completion.

As is known, the state annually sets itself ambitious privatization targets; however, the nationalization of the leading companies of the confectionery sector OAO *Kommunarka* and OAO *Spartak*, non-repayable transfer of a 21% stake in OAO *Luch* to the state and probable transfer of a controlling stake in OAO *Krasny Pishchevik* and OAO *Keramin* to the state alarm investors, who seem increasingly concerned about the way Belarus protects investors' rights. Therefore, the resolution is designed to give foreign investors a clear signal that the situation has improved and the Belarusian economy remains an appealing investment destination.

## Conclusion

The privatization plan for 2014 envisions sales of at least USD 4 billion worth of state assets. It is quite likely that in 2014, Belarus will have to say goodbye to some major state-controlled assets, as privatization remains virtually the only source of foreign financing, which is crucial for the national economy. The decision of the authorities to reduce the selling price of its shareholding in COOO MTS in late 2013 became indirect proof of changes in the official approach to privatization. The 51% stake in the cellular operator is currently available at USD 863 million (the

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<sup>5</sup> <http://pravo.by/main.aspx?guid=3871&p0=C21300241&p1=1>



original price was set at USD 1 billion). Another signal indicating that the authorities are ready for privatization is the decision of the government to allow state companies to get rid of non-core assets. The move may increase the effectiveness of state assets and attract investors, who have repeatedly pointed to the lack of objectivity in price formation.

In 2014, Belarus will continue issuing and placing foreign exchange bonds in the domestic market. When it comes to Euro-bonds, Belarus will attempt to raise up to USD 700–800 million by floating its debt securities via *VTB Capital* and *Sberbank CIB*. However, the final decision about new issuances will depend on the economic situation in Belarus and the world.

The problems accumulated in the national economy suggest that the pattern of raising foreign resources will change in 2014. The need for economic reforms remains in place and encourages the authorities to revise their attitude to the privatization process and regard it as an instrument that can facilitate the renewal of production assets and introduction of innovation, which are important prerequisites for enhancing the competitiveness of the Belarusian economy.

## **AGRICULTURE: DAIRY VICTORY AND MEAT COLLAPSE**

**Alies Sierżanovič**

### **Summary**

The Belarusian food industry showed a solid performance in 2013, especially in the dairy sector, because of the favorable external environment. In the meat industry, negative trends were observed starting at the very beginning of the year, resulting in a ban on Belarus' export of pork to Russia that lasted almost a month. The financial condition of Belarusian food-making companies was varied: while dairy companies performed quite impressively, meat producers appeared to have been affected the most.

The year 2013 was not particularly favorable for Belarus' agribusiness. Yields fell year-on-year for almost all crops. An outburst of African swine fever caused a major reduction in the pig population, and milk yields also fell for various reasons. The financial problems in agriculture aggravated, and the state had to continue its support for farms.

### **Trends:**

- Further export orientation to the Russian market;
- Aggravation of financial problems in agribusiness;
- Reduction in Russia's pressure on the Belarusian food industry;
- Further drop in the output of the main types of unprocessed food.

### **Performance**

The year 2013 turned out to be one of the least successful years in terms of farm output in the past decade. *Belstat* reported no all-time high output for any crops. On the contrary, the country's potato output was lowest in the last 14 years<sup>1</sup>.

Belarus harvested 7.6 million tons of grain and legumes in 2013, down by 17.6% year-on-year. Flax fiber harvest amounted to 45,000 tons, down by 13.5%, sugar beet harvest totaled 4.3 million tons, down by 9%, and colza harvest reached 676,000 tons, down by 14.5%. Potato harvest went down by 14.5% to 5.9 million tons. Vegetable harvest increased by 2.8% year-on-

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<sup>1</sup> Gross harvest of the key crops see: <http://belstat.gov.by/homep/ru/indicators/agriculture.php>.

year in 2013 to 1.6 million tons — that was the only increase in output recorded in 2013.

The drop in last year's harvest was caused by unfavorable weather conditions, which affected yields. Only colza and vegetables showed an increase in yield, by 0.01 ton per hectare and 0.1 ton per hectare, respectively. Decreases in yields were reported for all other crops.

The drop in the harvest of the main crops has not compromised Belarus' food safety so far. However, the shortage of high-quality potatoes brought about a major challenge for the local starch producers. The reduction in grain production might call for an increase in import in 2014, because grain consumption is partially covered from the previous year's reserves, which in 2014 will be lower than in 2013.

Animal farming, which is the pivot of the Belarusian food industry, was affected by some negative developments in 2013. An increase in stock was reported only in poultry farming, by 7.8% on the 2012 level to 45.7 million head of poultry—this achievement should be attributed to the gradual upgrade of poultry meat-packing facilities (including at the Smaliavičy broiler factory, which was acquired by Mahilioŭ-based businessman Jaŭhien Baskin).

At the same time, cattle stock dropped by 1.1% year-on-year to 4.321 million head; while the number of cows edged up by 0.3% to 1.525 million head. Pig stock fell to 3.3 million head, a new record low since 2003. The drop by 22.3% year-on-year was mostly due to an outbreak of African swine fever, which was first detected in Hrodna Region (late June) and then in Viciebsk Region (July). According to unofficial reports, there were other outbreaks of African swine fever in Belarus, but there were no official confirmations.

The ASF trouble resulted in limitations of pork and swine product exports from Hrodna and Viciebsk Regions, whereas from late August<sup>2</sup> to the middle of October, export was banned from the entire territory of Belarus. Anyway, the ban on Be-

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<sup>2</sup> Rosselkhoznadzor imposes restrictions on import of pig products from Belarus until the ASF virus has been eradicated, see: <http://doingbusiness.by/roselkhoznadzor-vvel-ogranicheniya-na-postavku-produkcii-svinovodstva-iz-belarusi-do-momenta-iskoreneniya-virusa-achs>.

larus' pork and swine products seems to have been politically motivated as well (the main reason being the dispute between *Uralkali* and *Belaruskali*) and was later lifted.

Pig stock continued falling at the start of 2014, which may result in a deficit in supply to Belarusian meat-packing plants as early as the middle of the year.

Raw milk output also dropped in 2013. According to *Belstat*, milk output reached 6.651 million tons, down by 1.7% from 2012. The shortage of raw milk affected the supply pattern to dairy factories, which could have increased their exports due to favorable prices in external markets, but were unable to do so. Some dairy factories were standing idle.

### **Export goes to Russia**

The food-processing industry traditionally depended on both the situation in agribusiness and external markets in 2013. The increase in food prices in the Russian market caused by a systemic crisis facilitated export deliveries of Belarusian dairy products to Russia. According to the National Dairy Producers Union, in 2013, dairy output in Russia accounted for only 10% of the actual volumes of raw milk delivered for processing<sup>3</sup>. The Russian market therefore was in need of dairy products. *Belstat* reported overall export of uncondensed milk and cream at 292,000 tons worth a total of USD 237.6 million in 2013. In volume terms, export decreased by 3%, whereas in value terms, it went up by 17.4%. Russia accounted for 96.7% of Belarus' uncondensed milk and cream export in value terms.

The export of condensed and powdered milk and cream increased more than any other dairy export – by 13% to 238,200 tons in volume terms and by 50.4% to USD 859.3 million in value terms. Russia accounted for 90.7% of the total export of condensed and powdered milk and cream from Belarus.

The foreign supplies of churn-milk, yoghurt and kefir increased by 46.1% year-on-year in 2013 to 72,800 tons in volume terms and by 65.1% to USD 103 million in value terms. Russia

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<sup>3</sup> Government holds a session to address dairy sector: [http://www.souzmoloko.ru/news/news\\_2247.html](http://www.souzmoloko.ru/news/news_2247.html).

imported 86.8% of Belarus' foreign deliveries of churn-milk, yoghurt and kefir.

The export of butter dropped by 19% year-on-year to 69,300 tons in volume terms. In value terms, butter export increased by 18.4% to USD 373.9 million. Russia imported 92.5% of Belarus' butter export in value terms.

The export of cheese and curd cheese amounted to 141,000 tons in 2013, down by 2.3% from the 2012 level; however, in the U.S. dollar terms, foreign supplies of cheese and curd cheese went up by 5.6% to USD 650.8 million. Russia consumed 96.7% of Belarus' cheese and curd cheese exports in value terms.

Russia was thus the main consumer of Belarusian-made dairy products, mostly because Russia's domestic dairy prices were markedly higher than world prices. Belarusian suppliers benefitted from that price gap in 2013; however, it seems the focus on a single buyer could be risky if the Russian sanitary authorities should place a ban on the import of Belarusian products. Such an attempt was made in August 2013, when the Federal Service for Veterinary and Phytosanitary Surveillance (Rosselkhoz nadzor) discovered pathogenic organisms in the products of several Belarusian producers<sup>4</sup>. At the same time, there is no need for Russia to limit supplies of Belarusian food, and it will hardly be taking action against Belarusian deliveries.

The export of meat products from Belarus was affected by various unfavorable trends in 2013. At the start of the year, prices for all types of meat products dropped, and poultry meat prices remained critically low throughout the year, which made export supplies unprofitable, while domestic prices remained quite high. Pork prices were low at the beginning of 2013; however, as new outbreaks of African Swine Fever occurred in Russia, prices began growing. They peaked in early autumn, when Belarusian products were banned from the Russian market. Belarusian meat producers never managed to substantially increase their export during the final months of the year even though the ban had been lifted.

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<sup>4</sup> *Savushkin produkt*: we believe Rosselkhoz nadzor found coliform bacterium in adulterated curd cheese: <http://doingbusiness.by/savushkin-produkt-polagaem-chto-kishechnaya-palochka-obnaruzhena-rosselkhoz-nadzorom-v-falsificirovannom-tvoroge>.

Pork export fell by 29.4% year-on-year in volume terms in 2013 to 42,600 tons, and in value terms, the drop was by 40.3% to USD 130.4 million. Russia's share in Belarus' export reached 97.7%

The average beef prices were lower in 2013 than in 2012; however, the problems with pork sales in foreign markets called for an increase in beef supplies.

In 2013, the export of fresh or chilled beef reached 99,000 tons in volume terms, up by 32.5% year-on-year; however, in value terms, beef supplies increased by only 14.5% to USD 432.9 million. Of the total volume of export, Russia accounted for 99.8%.

The export of frozen beef went up by 63.4% in 2013 to 52,600 tons worth a total of USD 196.2 million, up by 33.6% year-on-year. Russia accounted for 83.4% of supplies. The lower share of Russian buyers in the export of frozen beef is due to the longer transportation distance.

Sausage export amounted to 69,700 tons, down by 1.1% from the 2012 level. In value terms, Belarusian export supplies went down by 2.7% to USD 261.8 million. Russia imported 97.5% of Belarus' sausage export.

The export of ready-to-eat or canned meat products reached 25,700 tons, which represents a decrease by 16% from 2012, worth USD 130.1 million, down by 12.9%. Russia's share in Belarus' export of ready-to-eat meat amounted to 98%.

The reduction in the export volume of ready-to-eat meat products was due to the fact that a temporary ban had been placed on these products alongside pork. Furthermore, meat prices remained low, which discouraged consumers from buying sausage and canned products.

Sugar is another important export commodity, which showed a significant increase in the volume of supplies to Russia. In volume terms, deliveries to Russia amounted to 373,600 tons, which was almost twice as much as the originally agreed quota for 2013 and 53.3% above the 2012 level. However, Russia did not complain about the excessive deliveries. Nevertheless, the already substantial sugar supplies to Russia have become a challenge to further sugar deliveries to that country.

Russia accounted for 73% of Belarus' sugar export in 2013, up from 54% in 2012. The rapid increase in deliveries to Russia

and the growing share of that country in Belarus' export may result in a situation similar to that observed in 2006–2007, when the neighbor complained about the origin of Belarusian sugar. It will be hard for Belarus to prove the origin of its sugar delivered to Russia.

### **Financial situation in Belarus' agribusiness**

The financial state of Belarusian agriculture was quite alarming at the end of 2013. According to *Belstat*, as of 1 January 2014, there were 101 loss-making organizations, which is 5.1 times more than as of the same date in 2013. The share of loss-makers stood at 6.8% in early 2014, up from 1.3% at the start of 2013. Loss-makers reported a total net loss of BYR 1.2 trillion as of 1 January 2014, up 9.7 times in 2013.

The total number of loss-making agricultural organizations including those that enjoyed state support reached 921 in 2013, up by 90% from 2012. The share of loss-makers in the total number of agricultural organizations amounted to 61.8%, up from 32.7% in 2012. Their net loss totaled BYR 3.8 trillion, up by 290% year-on-year in 2013.

Accounts payable of agricultural organizations increased by 52.9% year-on-year in 2013 to BYR 39.6 trillion. Overdue payables increased by 76.3% to BYR 7.7 trillion. The increase in overdue payables in agriculture resulted in a situation when suppliers of fertilizers and crop protecting agents suspended their deliveries in early 2014 waiting for the government to provide farms with additional resources.

The Ministry of Agriculture and Food insists that food-processing companies should pay farms in advance for them to be able to pay wages. Nevertheless, the number of agricultural organizations with wage arrears increased in 2013 and keeps growing in 2014, while the practice of down payments affects the financial situation at food-processing companies, as they are forced to take loans (which are provided at excessively high rates) to boost their floating capital.

The financial situation at dairy companies was quite favorable in 2013, according to their balance sheets, whereas in the meat sector, very few companies from the west of the country

reported net profits. In 2014, the financial situation in agribusiness and the food industry will develop building on the trends that were observed at the start of the year.

## **Conclusions**

The year 2013 proved to be very favorable for the dairy industry, which managed to make the most of the high prices in the Russian market. On the other hand, the meat sector suffered first from low prices and then from African swine fever, which resulted in a halt in pork export in the second half of the year.

The financial situation in agribusiness rapidly deteriorated. The poor weather conditions and ongoing systemic crisis in agriculture resulted in a lower output of almost all farm products.

In 2014, the situation may further aggravate in animal breeding, due to both African swine fever and poorly managed cattle-breeding techniques. The poor situation in agriculture will produce a direct negative impact on the food sector, which will ultimately affect the financials of processing enterprises.

Export opportunities will entirely depend on the Russian market. Dairy supplies will likely result in net profits, while the prospects of meat deliveries to Russia in 2014 remain unclear.



## AUTHORS

### **Anatoly Pankovsky**

Ph. D. in philosophy; editor-in-chief of the project *Nashe Mnenie* ([www.nmnby.eu](http://www.nmnby.eu)), editor and compiler of *Belarusian Yearbook. Academic interests*: history of political ideas, political theory, transformation of institutes in post-Soviet countries, political communication, dynamics of scientific and expert communities.

### **Valeria Kostyugova**

Political analyst, head of the Agency for Social and Political Expert Appraisal (Vilnius, Lithuania), coordinator of the project *Nashe Mnenie* ([www.nmnby.eu](http://www.nmnby.eu)), compiler and editor of *Belarusian Yearbook. Interests*: Belarusian-Russian relations, issues of political and socioeconomic development of post-Soviet countries.

### **Nikolai Burov**

MA in political science (Belarusian State University, Minsk). *Specializes* in political transformation in post-Soviet countries.

### **Ina Ramasheuskaya**

Master of Public Administration. Director of the *BIPART* (Belarusian Institute for Public Administration Reform and Transformation) project. Since 2009, she has been a guest lecturer at the MA program Public Policy at European Humanities University (Vilnius, Lithuania). *Academic interests*: public administration reforms, assessment of the efficiency of government institutions, management of human resources in public service.

### **Alexey Medvetsky**

Independent expert. Founder and participant of the *Otkrytye dannye* ([opendata.by](http://opendata.by)) project. *Interests*: analysis of the state personnel policy and political elites; analysis of law enforcement agencies; analysis of statistical data.

**Andrei Porotnikov**

Head of the analytical project *Belarus Security Blog*; board member of *Pravy Aljans* in 2010–2011. *Interests*: domestic policy and the national security of Belarus, international and regional security, climate change.

**Andrei Yahorau**

MA in political science; director of the Center for European Transformation. Co-founder and deputy editor-in-chief of the magazine *Palityčnaja Sfera* ('*Political sphere*'). *Research interests*: civil society, political transformation in Belarus and the Eastern Partnership region, European studies.

**Dzmitry Kukhlei**

MA in political science and international economics, a graduate of the Bialystok School of Public Administration (Poland, 2006) and the Council of Europe East European School of Political Studies (Strasbourg, 2009). *Research interests*: political institutes, local and representative authorities, regional policy.

**Dzmitry Brukhavetski**

MA in political science (Belarusian State University, Minsk). Training study at the Centre for International Relations (Warsaw, Poland). Guest analyst with the Belarusian Institute for Strategic Studies (*BISS*, Vilnius, Lithuania). *Specializes* in political transformation in post-Soviet countries.

**Tatsiana Manionak**

Journalist, analyst, economic columnist with the analytical weekly *Belorusy i rynek* ('*The Belarusians and Market*', www.belmarket.by). *Specializes* in energy issues, the petrochemical industry and privatization.

**Dzianis Melyantsou**

MA in political science (Institute of International Relations and Political Science (IIRPS) of Vilnius University, Lithuania), senior analyst with the Belarusian Institute for Strategic Studies (*BISS*, belinstitute.eu). *Academic interests*: Belarus' foreign

policy, Belarusian–European relations, international and European security, diplomacy, the European Union.

**Andrei Fyodarau**

Ph. D. in physical and mathematical sciences, independent expert in international and foreign policy and security.

**Anna Maria Dyner**

Political expert, analyst of the *Polish Institute of International Affairs* (PISM, Warsaw). *Interests*: Eastern European policy (Belarus, Russia).

**Aleh Bahutski**

Political expert, political consultant. *Interests*: analysis of the state personnel policy and political elites; Belarusian–Ukrainian relations.

**Andrei Yeliseyeu**

MA in history (Belarusian State University, Minsk), MA in political science (European Humanities University, Lithuania), MA in international and European law (Riga Graduate School of Law), graduate of the Estonian School of Diplomacy; analyst with the Belarusian Institute for Strategic Studies (*BISS*, Vilnius, Lithuania). *Research interests*: international relations in the Baltic region, Belarus–EU relations, public international law, international human rights law, visa policy.

**Irina Dounaeva**

Ph. D. in philosophy. *Academic interests*: civil society, civil education, gender studies.

**Yury Chavusau**

Political scientist, legal expert of the Executive Office of the Assembly of Pro-Democratic NGOs. Board member of the magazine *Palityčnaja Sfera*. *Professional interests*: institutions of the Belarusian political system, human rights and freedom of association, legal framework for non-profit organizations.

**Alena Artsiomenka**

Holds a Bachelor's degree in social and political philosophy from the European Humanities University (Lithuania). A specialist in media and communications (Belarusian State University), holds a Master's degree in sociology (Belarusian State University). BISS analyst. *Research interests*: public opinion, social contracts (welfare, approval rating of the authorities), geopolitical orientation of the population, technical assistance from the European Union, human capital (education, labor market), migration, demography, media impact on the audience.

**Mikhail Doroshevich**

Network media specialist, Internet analyst. Co-founder of more than 15 Internet media projects in the CIS from 1996 to 2004. He had been head of the *e-belarus.org* project since 2001 and conducted monthly studies of the Belarusian Internet audience in partnership with *Gemius* since 2008.

**Marina Sokolova**

Ph. D. in history; analyst of the independent research initiative *eBelarus*, expert with the Legal Transformation Center, member of the *Internet Society* (ISOC).

**Vladimir Dounaev**

Ph. D. in philosophy, head of the Agency for Social and Political Expert Appraisal, member of the *Public Bologna Committee*. *Academic interests*: comparative educational policy, reforms in higher education, regional studies.

**Andrei Laurukhin**

Ph. D. in philosophy, associate professor at the European Humanities University (Vilnius, Lithuania). *Interests*: educational and scientific and technical policies, theory and practice of innovations.

**Natallia Vasilevich**

MA in theology, political scientist, editor of the Belarusian Christian portal *Carkva*. *Interests*: sociology of religion, national and religious identity, freedom of religion.

**Andrej Vitushka**

MA in political science, physician. *Interests*: health care policy, social problems of health care.

**Maksim Zhbankou**

Ph. D. in philosophy, expert in culture studies, journalist, film analyst, lecturer at the European Humanities University (Vilnius, Lithuania); author and host of programs on *Radio Racyja* and *Belsat TV*. Author of *No Style. Belkult between Woodstock and Dažynki*. *Interests*: transformation of the post-Soviet culture, cinema, industry of culture.

**Barys Tasman**

Journalist, sports analyst. Columnist with the *Pressball* weekly ([www.pressball.by](http://www.pressball.by)).

**Andrej Vardamacki**

Doctor of sociology, Ph. D. in philosophy, head of the private *NOVAK* Axiometrical Research Laboratory (Minsk), which operates its own sociological network; member of *WAPOR*, *ESOMAR*, participant in their congresses in Davos, the Hague, Istanbul, Berlin, and Paris; author of more than 60 academic works, including *System of Moral Regulation of Human Behavior* (1987), *Axiometry – the Science of Measuring Values* (1992).

**Dzmitry Kruk**

MA in economics, economist at the Belarusian Economic Research and Outreach Centre (*BEROC*, Minsk). *Academic interests*: economic growth, monetary policy, financial and credit systems, countries with transitional economy.

**Alexander Mukha**

Analyst at *Business Forecast*. *Academic interests*: macroeconomics, financial markets, monetary policy, state finances, international ratings, economic integration, foreign investments, econometrics, multivariate statistical analysis.

**Uladzimir Valetka**

Ph. D. in economics, assistant professor; senior fellow at the Center for Social and Economic Research (*CASE*), senior

researcher at *CASE Belarus*, consultant of the World Bank. *Research interests*: economic restructuring, labor market, economic demography, urban and regional development.

**Aliaksandr Autushka-Sikorski**

MA in political science (EHU). Junior analyst at BISS. *Research interests*: democratization of autocratic regimes, political economy of oil and gas, political economy of autocratic regimes, institutional transformations, economic regulation systems.

**Maria Akulova**

MA in economics, economist at the Belarusian Economic Research and Outreach Centre (*BEROC*, Minsk). *Academic interests*: investment, privatization, labor markets, small and medium-sized businesses.

**Alies Seržanovič**

Journalist, observer; *specializing* in stock market development, food-processing industry and small business.



