

BELARUSIAN INSTITUTE FOR STRATEGIC STUDIES
WEBSITE OF THE EXPERT COMMUNITY OF BELARUS «NASHE MNENIE» (*OUR OPINION*)

BELARUSIAN YEARBOOK

2011

**A survey and analysis of developments
in the Republic of Belarus in 2011**

Minsk, 2012

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*The yearbook is published with support
 of The German Marshall Fund of the United States*

The ideas expressed are solely the opinions of the authors and do not necessarily represent the opinions of the editorial board.

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EDITORIAL FOREWORD

The Belarusian Yearbook is a long-term joint project of the expert community of Belarus. This publication is an annually prepared integral analysis of the state of affairs in essential spheres of state and society. The first issue appeared in 2003, since 2008 it is compiled under the aegis of the Belarusian Institute for Strategic Studies and *Nashe Mnenie* web-site.

In the issue on 2010 we stated that the forerun to the presidential campaign moulded all spheres of social and political life and its finale – the brutal dispersion of the rally in the Independence Square – told on all aspects of life (including the “politically neutral” sports, pop-culture, etc). The year 2011 followed the “inertia” of the post-electoral frame. The two terms to describe it succinctly are “isolation” and “crisis”. Below are the key trends of the year 2011:

- “Narrowing of the state”, a tendency that took a definite shape in 2010. Its essence: the decision-making authority is concentrating in hands of a gradually narrowing group of people who bear no responsibility for implementing their decisions;
- Institutional transformation: the increasing crisis of state power on the level of the “first” government, the National Bank and the Presidential Administration is the background of the emerging “second” government – the enforcement bodies;
- The general crisis of the public policy: the ruling class is incapable of proposing a reformation program;
- The crisis of confidence in its broadest sense;
- The authorities are violently arresting any form of protest and broader – of political activism;
- The political isolation of Belarus is increasing along the growing dependence on its sole economic and political creditor – Russia;
- The financial crisis, a kind of painful cure for the accumulated macroeconomic disproportion, was terminated (visibly) by means of automatic corrections;
- An active borrower, Belarus rounded off the year with vague prospects for both repaying credits and procuring new ones.

Contributing to this *Yearbook* were independent analysts and experts, as well as specialists representing various think tanks, including the Belarusian Institute for Strategic Studies (BISS), the

Institute for Political Studies *Polityczna Sfera (Political Sphere)*, the Research Center of the Institute for Privatization and Management, the Agency of Humanitarian Technologies — Centre for Social Innovation, *NOVAK* Axiometrical Research Laboratory, 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), the Poleski Fund of International and Regional Studies (Chernihiv, Ukraine), *eBelarus* Research Center.

As a joint effort, the Yearbook is designed to promote public discussions about current transformations in Belarus and development options for the country, and facilitate the work of state functionaries, business managers, members of the diplomatic corps, journalists, politicians and community leaders.

*Valeria Kostyugova,
Anatoly Pankovsky*

STATE AUTHORITY

THE ADMINISTRATION OF THE PRESIDENT OF THE REPUBLIC OF BELARUS: THE SEARCH FOR A NEW STRATEGY OF THE COUNTRY'S DEVELOPMENT

Dzmitry Brukhavetski

Summary

During the year 2011 the main content of the activities of the Administration of the President was the search for a new strategy of the republic's development in the context of increasing political pressure from the side of Russia and the crisis of the Belarusian socially oriented model. The main instrument for short-term situation stabilization became the strengthening of the "manual" regulating the economic and political processes in the country. Understanding the impossibility of the further existence of the "socially oriented" economy with lack of financial resources the Administration of the President prepared the ground for undertaking a number of unpopular measures by the government. For this purpose a "conflict" between the "market economy adherents" in the government and "conservatives" in the AP was initiated. The desirable result of this "conflict" would be the "shock therapy" in economy ("the victory of the market economy adherents") and following significant resignations in the government. Efficient maneuvering by an experienced public administrator Mr. M.V. Miasnikovich prevented that such a scenario would become a reality last year.

At the same time, the AP significantly increased its control over public officials, "cleaned up" the political field in the country, and initiated the discussions about the possible reform of the political system in Belarus.

Trends:

- The AP continues to pressurize the government in order to impel it to unpopular social and economic measures;
- The policy of crackdown on public officials and civil society is being continued;
- The Administration of the President will initiate very limited and mostly formal changes broadly presented as the "reforms" of the Belarusian political system.

Changes in personnel

The Administration of the Republic of Belarus is a public agency which supports the activities of the President of the Republic of Belarus in the sphere of the public administration personnel policy, the ideology of the Belarusian state, and law, as well as in the

sphere of preparing, implementing and control the implementations of the decisions made by the President of the Republic of Belarus.

As a result of a very wide range of powers belonged to the President of the Republic of Belarus, who according to the Constitution, "mediates between the public administration agencies", it is not always possible to clearly distinguish President's activities from the activities of his Administration and the policy conducted in the country. Nevertheless, it is possible to distinguish a number of peculiarities and trends which became apparent in 2011 and which characterize the place of the Administration of the President in the system of public administration in the Republic of Belarus in this period.

In 2011 important personnel changes took place in the Administration of the President which were formally connected with the beginning of Mr. A. Lukashenko's new presidential term and traditional personnel rotation. The changes in the highest echelon of the AP took place during the whole 2011 year (recent appointments – Mr. A. Tur as the Deputy Head of the AP and Mr. A. Kobiakov as the Ambassador of Belarus to Russia – took place in October), indicating more serious reasons for them.

The main personnel changes took place in the line "the Administration of the President – the Government", i. e. it was strengthening the Government with the former high-ranking officials from the AP and the AP with the former members of the Government. The most noticeable appointment was the change of the First Deputy Head of the AP – from Mrs. N. Petkevich to Mr. M. Radkov. The dismissal of Mrs. N. Petkevich took the form of disgrace: for a long period she was out of a job and demeaning materials about her attempts to find a job at "Priorbank" appeared in mass-media. Unexpectedly for everyone, In September 2011 Mrs. Natalya Petkevich was appointed as a President's assistant and took the place of Mr. V. Matveychuk, who resigned.

The dismissal of Mrs. N. Petkevich suggests that the Head of the State was not satisfied by the work of the informational and ideological authorities including their work during his electoral campaign. Also, the rivalry between Mrs. N. Petkevich and Mr. V. Yanchevsky, a President's assistant and the head of the Chief Ideological Department, played a certain role.

Among the Belarusian officials, Mr. A. Radkov is known as a convinced supporter of the policy implemented in the country. In

spite of his status as a civil servant, he is the head of the pro-presidential non-governmental association "Belaya Rus". During the electoral campaign, he was the head of Mr. A. Lukashenko's electoral staff. The appointment of Mr. A. Radkov was not only a reward for his contribution to the President's victory, but also a strengthening of the "manual" regulation which is actively supported by the former ministry of education.

Nevertheless, it should be clear that in contrast to other public agencies where the first deputy head makes a counterbalance to agency's head, in the Administration of the President the first deputy head is mainly a technical representation that can not be an equal adversary neither to Mr. V. Makey nor to the key President's assistants.

The appointments of Mr. A. Kalinin (former assistant of the President, the chief inspector of Minsk city) as a deputy head of the Government responsible for communal services, Mr. A. Kobiakov (former deputy head of the Government, in October 2011 appointed as the Ambassador to Russia) as a deputy head of the AP, Mr. L. Anfimov (former deputy head of the AP) as the first deputy chairman of the State control Committee and Mr. A. Tur (former ministry of the economy) as a deputy head of the AP were among other important personnel changes.

All these appointments prove on the one hand the increasing influence of the AP on the Government and on the other hand – the increasing professionalism of the AP itself in the economic sphere (Mr. A. Tur, Mr. A. Kobiakov). During the currency crisis in the country the AP publicly acted quite helplessly, continually discrediting Mr. A. Lukashenko and Mr. V. Makey with their populist statements about the inevitable strengthening of the ruble and stubbornly refusing to dismiss the Head of the Board of the National Bank Mr. P. Prokopovich.

The Administration of the President vs. the Government

After the rapid economic recession in spring-summer, the second half of 2011 was marked by discussions in the Belarusian informational space about the confrontation between "the conservatives" (the adherents of the former economic policy from the Administration of the President) and "the market reforms adherents" from the Governments. A vice head of the Government Mr. S. Rumas and

the prime-minister himself Mr. M. Miasnikovich were named among the latter ones.

This conflict didn't have only behind-the-scene character. For example, at the Government's meeting on November 8, the dispute was raised between a President's assistant Mr. S. Tkachiov on the one hand and Mr. M. Miasnikovich and Mr. S. Rumas on the other hand. On November 10, Mr. A. Lukashenko publicly supported Mr. S. Tkachiov with the statement about inadmissibility to revise the tasks set during the IV All Belarusian people's assembly. The President spoke in public with similar statements during the whole year 2011, constantly criticizing the Government and the National Bank and carefully presenting himself as the sole defender of the achievements of the "socially oriented" Belarusian economy from the horrors of the market economy.

It seems that all this "confrontation" mainly had an artificial character and was organized by the Administration of the President itself. It is obvious that the latter one had the forecasts on the negative development of the financial and economic sector of the republic in 2011 and took the necessary steps to protect the image of Mr. A. Lukashenko. The appointment of Mr. M. Miasnikovich, who was supposed to become responsible for the economic problems in the country, apparently aimed to discredit the former soviet elite and to weaken its positions in the possible elite coup.

The second but not less important aim was seriously reforming the Belarusian "socially oriented" model which can not exist in statu quo ante without sufficient financial resources. In spite of Mr. A. Lukashenko's statements there are reasonable arguments to believe that the high ranking officials of the country are planning to decrease the already low level of the social protection of ordinary Belarusians. Taking into consideration the unpopularity of the new policy and even the possibility of the social outbreak this reforming had to be carried out by hands of the others, i.e. by the hands of the Government.

With this end in view not only "the reformers" who were supposed to take the blame upon themselves but a number of officials that are absolutely loyal to the President and responsible for the controlling over the most sensitive spheres of the social system (housing construction, communal services, salaries and labor conditions) were included in the Government. One of the most loyal and disciplined members of the Government we can consider Mr. A. Tozik who after taking the post of a deputy head of the Govern-

ment became famous with his proposals to tighten the state social policy: to increase the period of compulsory career assignment for graduated students, to increase the pension age, to repeal benefits for entering the universities, to finance social programs "selectively", to work as "Chinese", "to load" children at schools with work and etc. The prime-minister Mr. M. Miasnikovich, an experienced and influential public administrator, during the whole year 2011 and with all possible means, was resisting the attempts to make himself "a reformer" and a creator of the "market oriented" Belarusian model of development. That is why the conflict between the Administration of the President and the Government was not the conflict between "the market economy adherents" and "the conservatives" but it is rather explained by state officials' desire to make each other responsible for making extremely unpopular decisions.

"The ghost" of political reforms: tightening control over the state officials

During the whole year 2011, the views of different experts about possible elite coup circulated in the informational space of the country. The reasons of this coup, in their opinion, were to become the general destabilization of the social and economic situation and the penetration of Russian investments that threaten the interests of the state enterprises' directors who enjoy significant influence in Belarus. The possibility of street unrests of the ordinary Belarusians also represented a serious danger to the regime.

The Administration of the President considered these risks to be very serious. Two strategies were simultaneously used for their neutralization: on the one hand tightening control and repressive measures, on the other hand — introducing the idea about the necessity of partial reforms in the political system of the country. The control was tightened not only over the civil society but also over the public officials. The establishment of the Committee of Inquiry which greatly restricted the activities of all security agencies can be considered the most serious measure. The Head of this Committee which is directly responsible to the Presidents and in such way to his Administration became Mr. V. Vakulchik, the former head of the Operational and Analytical Centre and a person extremely loyal to the Belarusian leader. The Administration of the President took immediate and strict action, reacting on any sign of hesitation among the high ranking officials and took necessary steps

for restricting their influence. For example, the Commander-in-Chief of the Air Forces and Air Defense Forces Mr. I. Azarionak was arrested and sentenced to prison, the decree "On some issues of local governing and self-governing" was signed by the President; the General Prosecutor was changed; the control over the judicial system was tightened; the power of the governors (heads of the provinces) to distribute lands in rural areas was restricted; the system of territorial defense was strengthened; significant and sometimes scandalous staff changes in the Ministries of Justice and Internal Affairs occurred.

The discussions about the necessity of changes in the country's policy were continuing in different forms during the whole year 2011. After long hesitations, the year 2011 was declared "the Year of Enterprise". The Administration of the President attempted to carry out a number of huge campaigns of a somewhat populist character focusing on monitoring the treatment by local authorities of the appeals from citizens and the situation with respect to labor discipline. The downright negative reactions of the people that followed these measures confirmed the opinion of high ranking officials about the necessity of at least external transformations. Nevertheless, during the whole year the Administration of the President did not succeed in elaborating a more or less acceptable plan for political reforms or even to sketch the outlines of such a reform.

Conclusion

The crisis of the Belarusian socially oriented model stipulated the search for a new strategy of the country's development as the main challenge of AP's activities. This search didn't lead to any significant success. The country's political elite didn't succeed in elaborating an acceptable plan for economic and political reforms or even to sketch the outlines of such a reform. The result was a tactical emphasis on the "manual" regulating the economic and political processes in the country.

Alongside with it, the Administration of the President tightened the control over the public officials, "cleaned up" the political field of the country and initiated discussions about the possibility of reforms in the political system of Belarus. It is strongly believed that next year these discussions will be practically finished, though very insignificant changes mostly of external and formal character are possible.

SECURITY AGENCIES: CONSERVATIVE REFORM

Alexey Medvetsky

Summary

Last year saw an important reform in the structure of the national security and law enforcement agencies connected with creation of the Investigative Committee controlled by the president. The greatest political effect of this reform for the entire state administration system was produced by concentration of anticorruption investigative powers in one department that essentially increased Alexander Lukashenko's role as a center of coordination and guarantor of interests of the Belarusian elites. The elite group of security officials, which is used to be linked with eldest son of the president Victor Lukashenko, has become much stronger. By delegating investigative functions to the new agency, the structure of security agencies was simplified. This suggests that the country leadership's intends to minimize risks increased due to the financial recession. In general, the Belarusian elites accepted the rules of the game, however the system is about to face tough times in the next few years.

Trends:

- Re-engineering of security agencies structure aimed at minimization of risks to the senior leadership of the country and better controllability of the elites;
- Clustering of the security elites around President Lukashenko and his eldest son Victor;
- Delegation of economic and political regulation functions to security officials which normally was not their area of expertise.

Reasons for the security agencies reform

The security agencies' composition was made simpler by establishing the Investigative Committee (IC), which was approved by decree No.409 of September 12, 2011. The new agency, which totals nearly 5,000 officers, got to work on January 1, 2012. It has preliminary investigative jurisdiction over the crimes listed in a special part of the Criminal Code. The IC is formed of the investigative units provided by the Prosecutor's Office, Ministry of the Interior and State Control Committee's Financial Investigation Department (SCC FID). The KGB reserved the right to conduct preliminary investigation in cases specified in a number of Criminal Code sections and the Prosecutor's Office retains its supervisory functions. The Ministry of the Interior, KGB and SCC FID are still entitled to

take urgent preliminary investigation actions to subsequently provide all the findings to investigating officers.

Two arguments in favor of the Committee can be pointed out as most important. *Firstly*, the Committee is supposed to make investigation-related activities easier for the president to control and do away with the old protocols when *four* various departments performed investigative functions and the Prosecutor's Office exercised supervision. This "feudalization" of the security system did not help to reduce corruption and inevitably resulted in an interdepartmental competition which the Belarusian media called with reason "a war between security agencies."

Secondly, the new regulations are expected to eliminate the natural but wrong inclination to skip the preliminary investigation phase and to take individual cases straight to court. The new investigative agency is meant to raise the degree of independence, responsibility and performance of investigators and supervisors, and reduce the number of ungrounded criminal proceedings. According to the official statistics, the number of wrongfully accused (including those acquitted by the court) in the first six months of 2011 was up 50% year-on-year from 100 to 151 people¹.

Centralization of the investigative branch can really ease the intense competition between security agencies and enhance the quality of preliminary investigation. However, the problems several security departments had to deal with before are likely to be encountered by the joint Investigative Committee considering that it is formed by the same people who are likely to flock together as a result of former affiliation.

Another internal management problem of the IC is that the officers will quite often investigate crimes committed by their former colleagues, which only increases the risk of corruption, especially at an early stage of the Committee's buildup. The management suggested resolving this intricate administrative problem with the help of two institutions: the formal institution of Committee's subordination to the president and informal institution of "righteousness" which Committee Chairman Valery Vakulchik and heads of regional divisions have been talking about. The future of these

¹ Information from the report made by Leonid Maltsev, State Secretary of the Security Council of Belarus, at the meeting with the president on perfection of the preliminary investigation system: <http://belta.by>. Date of access: 02.08.2011.

institutions will be determined within 2012 (the term for adjustment set by President Lukashenko²).

Power elites after the reform

The reform enhances President Lukashenko's authority first of all by establishing his monopoly over criminal investigation in anticorruption cases. His eldest son Victor, Assistant to the President for Security, has gathered one of the most influential elite groups of security officials around him, which means that the Lukashenko family wields huge power, although the contours of the Victor and Alexander Lukashenko groups do not match.

Victor Lukashenko group

The Belarusian expert community usually refers to Victor Lukashenko's circle as a group primarily composed of former officers of the State Border Committee (SBC) and the Brest regional KGB office, including SBC Chairman Igor Rachkovsky, KGB chief Vadim Zaitsev, former head of the presidential Operative Analytical Center (OAC) Valery Vakulchik, and SCC FID Director Grigory Veremko. The history of this group is worth noting for its tidal influence in 2011 when the spurt in December 2010 through midsummer 2011 turned into a setback in the second half of the year with creation of the IC.

Involvement in the notorious case of the mass unrest of December 19, 2010 bolstered influence of the KGB which then gained ground during investigation of the bomb blast in the Minsk subway on April 11 and was even praised by the president for the quick uncovering of the crime. In February, the SCC FID addressed Lithuania and Poland requesting information about Ales Beliatsky's bank accounts that resulted in the arrest of the human rights activist in August and his conviction in November.

In April, the chiefs of the KGB and OAC, backed by Victor Lukashenko, informed the president of the results of the inspection of the State Border Committee, which entailed appointment of two new SBC vice chairs. Finally, in summer the OAC was given an exclusive right to give concurrence to investment projects in the field of telecommunications worth over USD 1 billion. All the events

² See: *Belorusskaya Niva*: <http://www.belniva.by>. Date of access: 10.01.2012.

and processes prove consolidation of the Victor group and demonstrate hard-driving political ambitions of its members.

However, reinforcement of the group slowed down in August when creation of the IC was publicly announced. Certain constraint became obvious after the terrorist attack on the subway station platform. The president ordered Assistant Prosecutor General Andrei Shved to head the interdepartmental investigative group which included Interior Minister Anatoly Kuleshov and KGB Chairman Vadim Zaitsev. In September, Alexander Konyuk, former chairman of the Belarusian Military Court and Vice Chairman of the Supreme Court, was appointed prosecutor general. He supervised creation of the IC together with State Secretary Maltsev. Both are not usually linked with the Victor group.

The mild sentence for Svetlana Baikova, former major case investigator of the State Prosecutor's Office, who was in charge of the high-profile corruption case of former SCC FID head Anatoly Gromovich, and who was arrested on Zaitsev's order, also indicates that the group released hold to a certain extent. Valery Vakulchik's appointment as the IC chairman was a kind of a compromise solution: the president instructed him unofficially to focus on Committee's logistics, while Shved would be in charge of investigations³. Owing to the appointment of Igor Shunevich, former head of the KGB anti-corruption and organized crime unit, as the first deputy minister of the interior, the Victor group managed to secure a footing in the police ministry which is now seriously weakened by a number of discreditable resignations and Minister Kuleshov's inactivity. One of the assistant ministers, Evgeny Poluden, was arrested in December on bribe taking suspicion and another Assistant Minister Oleg Pekarsky was dismissed allegedly for discreditable conduct.

Alexander Lukashenko group

As a matter of fact, it is not very proper to speak about a certain clearly defined elite group when it comes to Alexander Lukashenko. The Belarusian president has been using disagreements between different influential groups to his best advantage trying to stay above-the-fray as an arbitrator and a kind of a platform for

³ From the report of the presidential press service; see: <http://president.gov.by/>. Date of access: 24.10.2011.

accommodation of interests. The Investigatory Committee is apparently meant to anchor his "natural" status institutionally as he sees it.

Also notable is that creation of the Committee was announced on the same day when the Supreme Court passed sentence upon Baikova. It looks like the president offered a mutually acceptable solution for this long-lasting case, dangerous for security agencies as more than 30 people were involved in it including officers of the Customs Committee, SCC FID, and Brest regional KGB office. In November, the Belarusian Military Court acquitted most suspects in the Gromovich case of all charges that (alongside the personnel rearrangements in the IC and State Prosecutor's Office initiated by Alexander Lukashenko) show the president's intention to retain and consolidate his position as the center for accommodating interests of the elites keeping the "Victor group" away by creating a counterbalance using the Prosecutor's Office and the Ministry of the Interior, the major suppliers of managerial personnel to the IC. This configuration of the power elites secures the president to the utmost.

Among other things in 2011, security agencies were largely involved in what they had not normally done before for it was out of their field of expertise that strengthened the president as well. Investigation of the bomb blast in the subway was used as an occasion for creating a semi-formal decision-making institution which the mass media later called the "club of security officials." Security agency chiefs and the president came together on a regular basis to address not only security matters, but also labor discipline at enterprises and domestic market protection. In June, they compiled a list of goods temporarily banned from export to countries outside the Customs Union or otherwise subject to export duties.

The regular sessions chaired by the president continued in 2012. Involvement of plainclothes officers in breaking up protest flash mobs in summer was also an initiative of President Lukashenko who earlier promised to "whack" the protestors⁴. This illegal measure – brutal and extremely dangerous for civil security – scared away many people from participating in network protest actions.

⁴ From *BelTA* reports: <http://belta.by>, June 14, 2011.

Conclusion

The preliminary investigation reform makes the interdepartmental competition between security agencies less stiff and, objectively, creates conditions for a higher quality of criminal investigation, which is supposed to have a healthy effect on the entire system of justice in the Republic of Belarus. As concerns the government administration system, the most significant effect of creation of the Investigative Committee will be the centralized investigation of corrupt practices and extension of President Lukashenko's influence. He will perform the function of a coordination center and guarantor of interests of the elites. At the same time, Lukashenko becomes a hostage of the situation when methods of force are used much more often to suppress dissidence alongside the black lists of persons subject to travel restrictions.

The most distinguishable and active group in the security agencies led by Victor Lukashenko will keep trying to compensate its declined power (partly lost due to delegation of investigative functions to the IC) in other areas. The KGB has already gathered momentum in protecting the political system in the broad sense of the word, for instance monitoring of election campaigns, prevention of social unrest in the industry sector and crackdown on the so-called revolution through social networks. The Financial Investigations Department is likely to maintain international cooperation in the field of economic intelligence (the Egmont Group). The Operative Analytical Center will engage deeper in the investment sector alongside the usual information intelligence.

THE "ANTI-CRISIS" GOVERNMENT, OR ON THE ART OF MANOEUVRING

Ina Ramasheuskaya

Summary

The year of 2011 has been rightfully named the "lost year", which main outcome was the rollback of the starting position for an inevitable reform of Belarusian social-economic model (which clearly has exhausted its potential) primarily due of the drop in competitiveness of the national economy. The main achievement of the government was the preservation of *status quo* at the expense of the living standards of Belarusians, of the trust and interest of investors and of the financial losses suffered by many small and medium businesses. During the year the government has not been able to come up with a comprehensive anti-crisis plan, leave alone a plan for future reforms. Throughout the year, its planning horizon was constantly shrinking, often to downright "here and now". Manoeuvring between the necessity to react to populist slogans of the political leadership and the desire to preserve at least a facade of social stability, the government focused on short-term tasks of suppressing one after another pocket of instability and pretending to fulfill yet another impossible political demand. The government, led by prime minister Mikhail Myasnikovich, focused on three main objectives: (1) securing external financing; (2) maintaining control over social and economic situation; (3) lobbying for minimal structural reforms necessary to restore the economic balance.

Trends:

- The crisis in the relationship between the government and the presidential administration, where the government tried to advocate minimal structural reforms;
- The crisis of government policy which ended up paralyzed by the government's chaotic attempts to preserve economic and social stability;
- The crisis of communication, which resulted in the loss of trust of the people who essentially reverted to individual – i. e. independent of the government's efforts – strategies for overcoming consequences of the economic crisis.

Securing external financing

Appointment in the late December 2011 of experienced administrator Mikhail Myasnikovich (whose career included such positions as deputy prime minister in the mid-90s and head of the presidential administration during 1995–2001) as a prime minister

gave rise to cautious expectations of some structural reforms in public administration and economic management. Far from being an adherent of market economy, Myasnikovich nevertheless seemed to realize the danger of widening economic imbalances — most importantly, of the increasing foreign trade deficit against the background of dwindling international reserves. Already in January 2011 he ordered to revise the draft program for social and economic development of Belarus in 2011–2015 (which was approved just a couple of months earlier by the All-Belarusian People's Assembly) in order to more clearly define the ways to achieve by 2014 the positive external trade balance — primarily, by increasing exports.¹

The first two months of 2011 were marked by constant assurances by public officials that the national economy will continue to develop steadily and the country will not face any economic shocks. Indeed, the expectations were that having weathered the final — populist — phase of the electoral cycle, the government will be ready to embark on unpopular economic measures, in particular, a wide-scale privatization (which was cautiously advocated by the new prime minister in his public statements). These expectations were enforced, on one hand, by the unyielding position of the Russian Federation in the negotiations of the terms of oil supply to Belarus, which made it impossible to revert to the previous scale of profitability in oil processing. On the other hand, despite the political crisis flaring up in the relations between Belarus and the EU and US after the brutal suppression of the December post-election protests, the economic cooperation seemed unaffected, which gave rise to the hopes of securing external financing, including from international financial institutions. For instance, despite repeated President's orders to stop expensive external borrowing, in mid-January the government — in cooperation with several European banks — has implemented its last year's plans to issue Eurobonds.

The expectations for economic reforms were enforced by much-awaited Directive Number Four adopted just before the New Year, which outlined the measures for the improvement of business climate, including the liberalization of price formation mechanisms. In February, the newly appointed deputy prime minister, ex-banker

¹ http://www.belta.by/ru/all_news/economics/Mjasnikovich-poruchildorobotat-proekt-Programmy-sotsialno-ekonomicheskogo-razvitija-Belarusina-2011-2015-gody_i_538120.html (in Russian)

Sergei Rumas has detailed the government's plans for relaxing the administrative controls over prices, including transportation tariffs. This allowed some experts to rank him among the few perceived economic liberals in the government.²

However, already within a month these liberalization plans had been rolled back and the government's dedicated almost all its efforts to the search of external financing, needed not only for replenishing the rapidly dwindling international reserves, but also for supplying hard currency to export-oriented state-owned enterprises (which required constant flow of dollars and Euros to purchase imported raw materials and assembly parts).

Soon the impossibility of commercial external borrowing at any remotely acceptable interest rate became obvious, and the government's efforts focused on attempts to get loans from Russian Federation, from the EurAsEC Anti-Crisis Fund (the application was made in 2010) and from the IMF (the application was made in May 2011). In March 2011, the Russian Federation assured the Belarusian government that the answer to the application will most probably be "yes" if Belarus comes up with a comprehensive — and public — anti-crisis plan. Similar conditions were put forth during the IMF's regular monitoring mission in June.

As a result, the government devoted the second half of 2011 to trying to persuade the potential creditors of its serious intentions to mitigate immediate economic imbalances without undertaking any binding commitments (which proved to be quite difficult since the first and foremost demand of the creditors was to liberalize the exchange rates — which meant admitting the reality of devaluation of Belarusian ruble with all its social and political implications). Throughout the year, senior officials' reports to the president and to the Council of Ministers seemed to be dedicated solely to the progress in obtaining each of the loans.³

The progress was only partial, since the IMF — having a realistic view of the ability of "economic liberals" in the government to influence the economic policy — had agreed to review the government's anti-crisis plan only after the country's political leadership publicly supports it (which has not been done at the time this review was written). Despite the repeated assurances that Belarus is

² <http://belapan.by/archive/2011/02/16/450118/>

³ <http://belapan.by/archive/2011/05/17/471050/belapan.by/archive/2011/05/17/470968/>

not desperate for a new IMF loan made by Nadezhda Ermakova, the newly appointed governor of the National Bank, the government clearly expected that in the end the IMF would soften up and take a few diffident gestures (such as liberalization of the exchange rate literally on the eve of the next round of loan negotiations) for a comprehensive anti-crisis plan. This however did not happen. Similarly, then Russian Finance Minister Alexei Kudrin was insisting on balancing the economic policy as a pre-requisite for obtaining the requested loans (in the end narrowed down to just a loan from the EurAsEC Anti-Crisis Fund). Despite Kudrin's resignation in September 2011, the strict conditionality for each of the two tranches of the loan received in 2011 has been enforced by the leadership of the Fund each time prompting somehow bitter public reaction from Belarusian government (along the usual lines of not tolerating the interference in its economic sovereignty).

However, the struggle over each 400-million tranche of the EurAsEC loan, as well as hectic attempts of the government to secure additional external financing somehow abruptly lost their significance in November-December 2011 after a series of favorable steps made by Russian Federation, including finalizing the purchase of *Beltransgaz*, issuing a 1-billion loan backed by 51% shares of *Naftan* oil refinery, promising to finance the construction of a nuclear power station, as well as concluding the new – much more advantageous - agreement on the terms of oil and gas supply to Belarus.

Maintaining control over social and economic situation

In contrast with the relatively well thought-out communication strategy employed in early 2009 after the IMF-inspired devaluation of Belarusian ruble, during the period of financial and economic shocks of the last year the government did not construct a consistent plan for communicating neither with the population nor with the business community. After the repeated assurances of the country's leadership that the devaluation of Belarusian ruble is not going to happen under any circumstances, the devaluation ended up being conducted amidst nearly total silence of state-controlled media (apart from a noncommittal remark on the next day's exchange rates). The second devaluation was conducted in an identical way. Against the background of almost total policy paralysis and incessant pop-

ulist orders of political leadership (which essentially boiled down to the demand to “make everything as it was”), none of the members of the government mustered up courage to announce what exactly is going to be done. The situation was aggravated by the fact that any – no matter how sensible or economically justified – plan of the government could be instantly criticized and abolished by the president. This situation was perfectly illustrated by the case of the government's attempts to increase gasoline prices. This attempt resulted in relatively substantial (by Belarusian standards) drivers' protests, which in turn prompted the president to quickly order the prices to be brought back and to organize the public “flogging” of those responsible for the decision (at the same meeting, the president prohibited the government to raise any price by more than 5 per cent without his personal permission).⁴

However, these examples of concessions to the public discontent were far and few apart, since in the situation of total uncertainty the government increasingly reverted to familiar administrative-command methods, acting mainly through prohibitions and threats of punishment. As a result, the population faced not only hard currency shortages, but also shortages of goods, including medicines (the result of administrative price controls distorting incentives for export and import). The government tried to threaten vendors not offering what it considered an adequate assortment of goods, however these threats were effective only during brief periods of government inspections. The effects manifested themselves in the ways usual for administrative command economy – people queuing for “deficit” goods and many private retailers suffering huge losses and even going out of business.

With its hands essentially tied, the government was not able to neither explain the real causes of the crisis to the population nor describe the plan for overcoming it. The only evident plan the government came up with was to use disproportionate force to squash weak public protests (“the silent revolutions”) and to point to the alleged culprits of the economic troubles (such as protesters themselves, gasoline traders, and importers).⁵

⁴ <http://news.open.by/economics/55313>

⁵ *Мясникович: белорусский рубль не пойдёт в свободное плавание* ('Myasnikovich: the Belarusian rouble will not go on a free voyage'): <http://telegraf.by/2011/07/myasnikovich-cherez-paru-mesyacev-mi-viidem-naravnesnii-kurs-rublya>

For the sake of fairness it should be mentioned that some members of the government were instructed by the president to venture out in the field and explain the situation to individual working collectives. However, the motif of these talks (apart from referring to the world economic crisis and blaming Russia for abruptly raising oil and gas prices) was the one formulated earlier by Andrei Tur, then the deputy minister for economy: "You lived above your means".⁶ In this way, the blame for tipping the balance of national economy was being shifted to the population apparently guilty of consuming too much imported goods and of accepting salary increases which outpaced labor productivity.

Lobbying for minimal structural reforms necessary to restore the economic balance

During the first six months of 2011, the collision between the government and the presidential administration on economic policy largely remained below the surface. As late as the end of March, when the currency crisis was already raging and threatening up to 600 thousand jobs in the retail sector, the minister for economy was still painting quite an optimistic picture of economic development marked by sustainable growth and controllable inflation.⁷ However already a month later, in his annual speech to the National Assembly, Lukashenka heavily criticized the Myasnikovich's government on the grounds that the measures suggested by the government for stabilization of the economy (and the exchange rates in particular) are detached from the reality and based purely on the theories "described in Western textbooks".⁸

As the economic situation deteriorated and the government was growing desperate for foreign loans, disagreements between the government and the president started to erupt to the public sphere. In May the president yet again threatened to dismiss Myasnikovich, expressing in this way his displeasure with the plans for liberalization of the economy that the government kept submitting to the administration. "Starting today, all price increases should be

⁶ Тур: вы живёте не по средствам ('Tur: you live beyond your means'): http://telegraf.by/2011/06/tur_vi_zhivete_ne_po_sredstvam_-_video

⁷ http://www.belmarket.by/ru/120/15/9388_120/15/9388/Пока-сажаем-косточки-плоды-будут-потом.htm

⁸ <http://belapan.by/archive/2011/04/21/465632/>

stopped in the most severe way. This is the only market reform that we need" – he said, adding that any plans to conduct a wide-scale privatization (which at that time were actively discussed with the EurAsEC Anti-Crisis Fund) would not be accepted either.⁹

In the light of finally undertaken commitments to the Anti-Crisis Fund and with the hope of securing an IMF loan, the government (in the person of vice-premier Rumas) did attempt to publicly and objectively explain the situation in the economy and outline the planned steps for its stabilization.¹⁰ As the result, the discrepancy between the opinions of the government and those of the administration became so obvious that they were openly remarked on by the IMF representative (later on, the absence of the agreed position became an official reason for the IMF's refusal of the loan).¹¹

The standoff peaked in November at the Council of Ministers' meeting, where deputy minister for economy Yaroshenko presented several scenarios for the economic development in 2012 and outlined the measured planned by the government for stabilization of the economy (including the cutting down on lavish financing of various state programs via printing press, which was a conditions for the EurAsEC loan and also an IMF's recommendation). This suggestion provoked a very harsh reaction of the president's chief economic aide Sergei Tkachev who insisted on preserving and expanding the state programs. In return, the prime minister openly accused the administration of carrying out an unsustainable economic.¹²

Very soon there was a retribution from the president who yet again threatened Myasnikovich with dismissal reminding him that his job is to achieve target economic indicators approved by the All-Belarusian People's Assembly: "And if you want to make everything market-like, then such policy is not acceptable to us".¹³

However in just a few days these frictions lost their significance after the package of agreements on substantial credit and other support extended by Russian Federation to Belarus was

⁹ <http://belapan.by/archive/2011/05/27/473807/>

¹⁰ http://www.belta.by/ru/all_news/economics/Pravitelstvo-Belarusi-prinimat-srochnye-mery-po-stabilizatsii-ekonomiki-_i_557438.html

¹¹ <http://belapan.by/archive/2011/06/13/477437/>

¹² *Правительство vs эмиссионное лобби ('The government vs. the emission lobby')*: <http://www.interfax.by/article/85983>

¹³ <http://www.interfax.by/news/belarus/101696>

signed in Moscow during the meeting of the Council of the Union State.¹⁴

Conclusion

Many trends in public administration that were first charted out in 2010 gained further momentum in 2011, therefore narrowing down the options for future social and economic development of Belarus. The adherents of short-term solutions and administrative command methods (who form the core of the presidential administration) prevailed over the proponents of a more balanced approach to economic policy in the government (often referred to as the Myasnikovich—Rumas group). This triumph was made possible first of all by the generous terms of oil and gas supply from Russian Federation seen by many as a means to stimulate Belarus' deeper integration into the Common Economic Space.

The perspectives for the transformation of Belarusian social and economic model also became clearer. At this point it is evident that any reforms would take place only within the Common Economic Space (CES) framework, and their consistency and depth would depend on how much pressure the Russian Federation applies. Taking into account the fact that the terms for oil and gas supply to Belarus are likely to remain more or less stable in the next three years, and those CES agreements which are least compatible with Belarusian economic model will not yet come into force during this period, the government can hardly be expected to put significant efforts into initiating any large-scale reforms.

Another factor which surfaced in the 2011 and which is likely to negatively affect the government's capacity to develop and implement a comprehensive reform plan is the decline in the prestige of public employment as a result of the devaluation, and the subsequent outflow of talented administrators from the civil service (specifically, from the ministries). As long as the private sector (both inside and outside of Belarus) continues to offer more lucrative employment opportunities to specialists with competitive managerial skills capable of operating in market environment, the number of proponents of market reforms in the Belarusian government is going to shrink even further.

¹⁴ http://www.belta.by/ru/all_news/economics/Beloruskaja-storona-polnostju-udovletvorena-podpisannymi-v-Moskve-dokumentami—Rumas_i_582515.html

THE BELARUSIAN ARMED FORCES: INTERNAL DEVELOPMENT AND INTERNATIONAL COOPERATION

Andrei Valodzkin

Summary

The international events of the Arab Spring, in particular NATO operations in Libya, have raised a clear question about the security of regimes that find themselves in a political confrontation with the West, and they have forced the Belarusian leadership to take a more serious approach to the modernisation of the country's defence system. However, the need to improve the country's military readiness has arisen during a challenging economic crisis, causing a delay in the planned timeframe for re-equipping the army. In a list of priorities, one ought to include the development of the country's air defence, air force, and territorial defence forces.

As before, Russia remains as Belarus' main partner in the military sphere. However, cooperation with Ukraine has been intensified. Relations with its Asian partners, however, have not been particularly active. The West has introduced sanctions against Belarus in the military sphere, while it has also accused Belarus, several times, of illegal arms deals.

Trends:

- Belarus' economic problems have resulted in a decision not to obtain new, modern weapons but instead to purchase second-hand equipment and modernise old weapons through its own military-industrial sector.
- The creation of a territorial defence system has intensified.
- While Russia remains Belarus' main partner in the military sphere, the inability of the Russian military-industrial sector to fully meet its own needs with respect to new military equipment has induced Belarus to intensify its military and military-technical cooperation with Ukraine.
- Belarus' participation in the international sale of arms and military equipment has led to charges of illegal supplies of weapons to factions and regimes that are under UN sanctions.

Internal development of the country's defence industry

Air defence is the main defence priority

The events in Libya showed just how ineffective ageing air-defence systems are against modern Western weapons. Therefore, the un-

disputed priorities for the country's leadership during the period under review were the modernisation and upgrading of the country's air defence, which they carried out in two ways: by purchasing new military equipment from Russia, and by modernising existing weapons within the national military-industrial complex.

As an example of the first method, we could mention the purchase from Russia of new Tor-M2E anti-aircraft missile systems, the delivery of which began in December 2011. There were numerous reports of Belarus' intention to obtain Russian S-400 anti-aircraft missile systems (SA-21 Growler), as well as Iskander-E missile systems. However, the realisation of these plans in the near future will be highly problematic since Belarus cannot afford to purchase these weapons at the market price. Russia, for its part, has no intention of offering them at a discount since, as of today, the Russian military-industrial complex is not able to completely meet the needs of its own army.

One could say that the main success of the national military-industrial complex in terms of upgrading its air-defence systems was the creation (on the basis of a major overhaul of the Soviet Osa-AKM [SA-8 Gecko] surface-to-air missile system) of a T-38 Stiletto system, the testing of which was carried out in October 2011.¹ According to the deputy head of the State Military-Industrial Committee of Belarus, Igor Bykov, within the framework of the country's new policy on military equipment, a number of projects are also being carried out for the construction of radar equipment and automated control systems that are in demand not only in Belarus but also on international markets.²

Besides this, cooperation is developing between Belarusian and Russian military-industrial companies. For example, there was a presentation of a modified version of the Buk and Buk-M2 (SA-6 Gainful) surface-to-air missile system on the basis of a wheeled chassis from the Minsk Tractor-Wheel Plant. Earlier, these same chassis were used for the modernisation of the Tor missile system.³

¹ A. Alesin. *Belarusian air force prepares to arm itself with 'Stiletto's*. See: <http://news.tut.by/society/255692.html>.

² V. Budkevich. *Goskomvoenprom devises new concept for Belarusian military-technical policy*. See: <http://news.tut.by/society/228195.html>.

³ A. Alesin. *Russian missiles on Belarusian chassis*. See: <http://news.tut.by/society/248729.html>.

Aviation: individual successes against the backdrop of growing problems

The Belarusian military-industrial complex's main achievement in the aviation sector in the past year was the development of unmanned drones that were presented at MILEX-2011 and MAKS-2011. According to certain experts, although the Belarusian drones are significantly inferior to those built by the leaders in this field, Israel and the United States, there is nothing similar in the CIS.⁴

On the whole, however, the situation in the sphere of military aviation in Belarus is rather complicated. The problem of the deterioration of the country's aircraft is becoming more and more obvious. In June, a representative of the military leadership reported that nearly all of the Su-24 (Fencer) attack aircraft in the Belarusian air force were under repair.⁵ Problems with aviation equipment have also been frequent. While there was not a single incident between May 1997 and August 2009, the air force has lost *four* military vehicles over the past two and a half years. The crash of an Mi-24 (Hind) helicopter in the Pruzhany District on October 29, killing the entire crew, had the greatest impact. As a result, all flights of Mi-24s were temporarily suspended on November 30, and all flights by the Belarusian air force were suspended on December 1.⁶

Aircraft are also being upgraded through the modernisation of existing equipment and through purchases abroad. Because of financial limitations, however, the acquisitions are often of second-hand, rather than new, equipment. For example, it was reported in September that Belarus intended to buy Russian-made Su-30 (Flanker-C) fighter jets from India that that country's air force has used for several years. Concerning modernisation of national enterprises, the deputy commander of the country's air force, Vladimir Bashtanenko, announced, in April, plans for the modernisation of existing MiG-29 (Fulcrum-D) fighter jets.⁷ There has been no further information about the implementation of these plans.

⁴ O. Galkin. *Belarusian drones prepare to fly high*. See: <http://news.tut.by/society/253978.html>.

⁵ V. Budkevich. *Almost all the Belarusian armed forces' Su-24s are under repair*. See: <http://news.tut.by/society/232506.html>.

⁶ *Belarusian military aviation flights temporarily suspended*. See: <http://news.tut.by/society/261520.html>.

⁷ V. Budkevich. *The Belarusian Army intends to modernise its MiG-29 fighters*. See: <http://news.tut.by/society/222238.html>.

Structural reforms and personnel issues

During the first half of the year, draft laws were introduced in parliament on alternative service and on eliminating the disciplinary battalion in the Belarusian army. On June 24, the House of Representatives adopted a draft law on the elimination of the disciplinary battalion after its first reading.⁸ There were no reports about the adoption of a decision on alternative service.

The creation of a system of *territorial defence* was identified as the main area for military reforms in 2011. Although, according to official sources, this had already begun in Belarus with the Berezhina-2002 tactical exercises, the presidential decree on confirmation of the status of territorial defence of the Republic of Belarus was adopted on 1 February 2011. In 2011, an administration for territorial defence was also created, and a field manual for territorial forces was confirmed.⁹ A structure for territorial defence was developed and confirmed that includes *seven* zones, headed by the governors of the six oblasts and the mayor of Minsk. On November 3, the president conferred upon these officials the rank of major-general.

With respect to personnel decisions, we ought to mention the case of the former commander of the air and the air-defence forces, Igor Azaryonok. General Azaryonok was arrested in December 2010 and charged with abuse of office and accepting large bribes. On January 11, the president relieved Azaryonok of his duties and assigned his responsibilities to the first deputy commander, Sergey Lemeshevskiy (who was officially confirmed as commander on May 6). It should also be noted that, prior to his arrest, Azaryonok had been considered a potential candidate for the post of defence minister.¹⁰

International military cooperation

Interaction with Russia and CIS countries

As before, Russia remains Belarus' main partner in the military sphere. The Russian military-industrial complex works with 120 Belarusian

⁸ *Draft law on eliminating disciplinary battalions adopted after its first reading.* See: <http://news.tut.by/society/232133.html>.

⁹ L. Maltsev. *Territorial defence as part of the national security system.* See: <http://www.mogved.by/ofitsialno/3944>.

¹⁰ V. Budkevich. *Belarusian Ministry of Internal Affairs has so far failed to comment on the detention of Igor Azaryonok.* See: <http://news.tut.by/society/209779.html>.

factories and engineering firms on some 1600 types of military products. In fact, cooperation in the military sphere is considered the most successful area of cooperation between the two countries.

In the first quarter, the Russian State Duma ratified agreements between Belarus and Russia "on the mutual supply of military, dual-use, and civilian products under conditions of a threat of aggression or war" and "on the establishment and operation of a joint communications system for regional troops", which had already been signed in December 2009 and January 2008, respectively. Two meetings were held (in April and October) of the Joint Board of Defence Ministries of Belarus and Russia that dealt with the preparation and evaluation of the joint military exercises Union Shield 2011 at Russia's Ashuluk training ground. In March, there was a meeting of the Joint Consultative Group on Arms Monitoring, at which the parties agreed on positions and joint actions regarding international agreements in this area.

In 2011, Belarus finally agreed to chair the Collective Security Treaty Organisation (CSTO) (according to the planned rotation, it was supposed to do this in 2010). As the priority of the Belarusian chairmanship, President Lukashenko named the creation of unified standards for the tactical interoperability of the armed forces of the member states of the CSTO.¹¹ In December 2010, at the organisation's Moscow summit, the Belarusian president proposed that a targeted programme be developed for the rearmament of the CSTO's Collective Rapid Reaction Force (CRRF) with modern weapons and military equipment. Belarus agreed to allocate more than 2000 personnel to the CRRF, thus making it the third such contingent following those of Russia and Kazakhstan.¹² In September, Belarusian officers took part in the CRRF's Tsent-2011 exercises in Tajikistan (in 2010, Belarus had refused to take part in similar exercises).

There were, however, several controversial issues in relations with some allies from the CSTO. In April, during a visit to Minsk, the chairman of Armenia's Standing Parliamentary Committee on Defence, National Security, and Internal Affairs, Hrayr Karapetyan, rebuked Belarus for supplying arms to Azerbaijan, stating that al-

¹¹ A. Lukashenko. *Military cooperation between Belarus and Russia is developing successfully.* See: <http://news.tut.by/politics/215964.html>.

¹² A. Alesin. *Russia to arm Belarusian CSTO peacekeepers.* See: <http://news.tut.by/society/230661.html>.

lies had to take their mutual interests into account and not be guided purely by commercial considerations.¹³ According to information from the UN, Belarus has, in recent years, supplied Azerbaijan with a considerable amount of military equipment, at the same time that only one agreement has been signed with Armenia for the supply of 10 howitzers. There was no official reaction from the Belarusian authorities to the Armenian parliamentarian's statement.

New developments in 2011 included the intensification of military cooperation with Ukraine. Despite the springtime friction between the presidents of the two countries and the spy scandal that played out in April and May, which led to the mutual expulsion of diplomats, the parties strove not to strain relations for the common good. On April 26–27, Belarus' defence minister visited Kyiv in order to discuss cooperation and the training of personnel, particularly officers for international peacekeeping forces. According to information from the Belarusian Defence Ministry, the plan for bilateral cooperation for 2011 foresaw more than 40 joint activities, including the participation of Belarusian soldiers in the international tactical exercises that took place between July 25 and August 5 at the base of the International Centre for Peacekeeping and Security of the Armed Forces of Ukraine.

There was also success in the development of cooperation between the military-industrial complexes of the two countries. For example, at the 10th international exhibition IDEX 2011 in Abu Dhabi, a number of joint advances in the area of anti-aircraft and anti-tank technologies were presented. In fact, Belarus' leadership sees Ukraine as an alternative to Russia (whose military-industrial complex has seriously diminished) as a supplier to fill technology gaps for the creation of modern armed forces.¹⁴

Cooperation with other countries

In 2011, cooperation with the countries of Asia was not particularly active. In March, a delegation from Belarus' Defence Ministry paid

¹³ V. Budkevich. *Armenian member of parliament in Minsk to discuss the issue of supplying Belarusian arms to Azerbaijan*. See: <http://news.tut.by/politics/222435.html>.

¹⁴ A. Alesi. *Kyiv, Minsk's new military ally*. See: <http://news.tut.by/politics/226159.html>.

an official visit to Vietnam.¹⁵ However, there were no reports of any agreements resulting from the visit. In June and July, delegations from military departments of Belarus and China exchanged visits. Again, there were no reports of any specific agreements. The only thing that is known is that, during the visit of the Chinese delegation to Minsk, the issue of training Chinese soldiers at Belarusian institutions was discussed.¹⁶

Relations with the West remained cool. There were several exchanges of inspectors under the OSCE's Vienna Document on confidence- and security-building measures in Europe. In January, a group of Belarusian inspectors visited a US military base in Germany, and, at the end of March, Polish military officials conducted an observation flight over Belarusian territory. In accordance with the above-mentioned OSCE Vienna Document on planned inspections of military installations, representatives of 27 OSCE states visited Belarus, and, in May, a group of Norwegian inspectors visited, this time in accordance with the provisions of the Treaty on Conventional Armed Forces in Europe.

Contacts with NATO were planned and carried out in accordance with the Individual Partnership Programme between Belarus and NATO for 2010-2011. In January, a Belarusian military delegation visited NATO headquarters in Brussels, and, in May, a NATO delegation responded with a visit to Belarus in order to discuss the Planning and Review Process Assessment Document.

In May, the United States introduced sanctions against the Belarusian companies *BelOMO* and *Beltechexport* for their military cooperation with Iran. In June, the European Union placed an embargo on trade with Belarus involving weapons or goods that can be used for the production of weapons. According to some experts, however, these sanctions will not have an impact on maintaining the Belarusian armed forces and may only slightly complicate the fulfilment of orders from Third World countries by the Belarusian military-industrial complex.¹⁷

Throughout the year, several scandals flared up involving Belarus and the illegal arms trade. On February 27, the Office of the

¹⁵ V. Budkevich. *Belarusian military delegation on an official visit to Vietnam*. See: <http://news.tut.by/politics/219433.html>.

¹⁶ *Belarusian and Chinese military officials in Minsk to discuss prospects for bilateral cooperation*. See: <http://news.tut.by/politics/243629.html>.

¹⁷ K. Lashkevich. *What effects will the EU arms embargo have on Belarus?* See: <http://news.tut.by/politics/231774.html>.

Secretary-General of the United Nations accused Belarus of violating the embargo on supplying military equipment to Côte d'Ivoire, and it was even planning to bring the issue before a special session of the UN Security Council. The information could not be confirmed, however, and, on March 2, the UN officially apologised for causing harm to the country's international image.

Belarus was soon thereafter suspected of supplying arms to Muammar Gaddafi just before the armed suppression of the Libyan opposition. There were reports in August about the sale of Belarusian arms to Pakistani terrorists, and, in September, accusations of violating UN sanctions on the supply of military equipment to Iran. However, none of these reports could be confirmed. According to some experts, Western competitors use such "black PR" to harm Belarus' reputation in the legal international arms market – in the past, such tactics had already been used against Russia, Ukraine, and China.¹⁸

Conclusion

With limited financial resources, Belarus has been forced to shift its focus in terms of re-equipping its army from buying new weapons to modernising existing ones. And there have been a number of successes in this area: by cooperating closely in the technological sphere with the military-industrial complexes of Russia and Ukraine, Belarus was able to create new equipment designs. At the international level, emphasis was placed on the specialisation of the Belarusian military-industrial complex in the production of radar equipment and automated control systems for modernising Soviet military equipment. In an effort to save money and relieve the army of secondary functions (protecting infrastructure, etc.), the country's leadership intensified measures aimed at creating a system of territorial defence, which had been rather weak in the past.

Belarus' active involvement in the international arms market led, in 2011, to a number of political scandals, beginning with Armenia's reprimand for Belarus' violation of its obligations under the CSTO, and ending with the dissemination by competitors of misinformation about Belarus' involvement in the illegal arms trade.

¹⁸ A. Alesin. *Who is 'bombing' Belarus with hoaxes about arms dealing?* See: <http://news.tut.by/society/246659.html>.

The deterioration in its relations with the West led Belarus to become more compliant in its relations with Russia. The main areas of Russian-Belarusian cooperation were the supply of military equipment, joint exercises, and interaction in establishing the CSTO's Collective Rapid Reaction Force. As it is experiencing hard times, however, the Russian military-industrial complex is unable to meet all the needs of the Belarusian army. In order to make up for the shortage, the country's leadership sought closer ties with Ukraine. Relations with Asian partners were not particularly active, and appeared to proceed in accordance with earlier agreements.

All signs indicate that the above-mentioned trends will continue for the near future. And given deteriorating relations between a number of countries in the Middle East and the West, the demand for Belarusian military supplies may even increase. However, the political uncertainty in a number of Arab countries, economic problems in the European Union, and the complicated economic situation in Belarus itself, as well as other factors, make it difficult to make any more certain predictions.

PARLIAMENT: EXTERNAL IMPACTS AND RUMORED REFORMS

Andrey Kazakevich

Summary

In 2011, the parliament's activities were shaped by external impacts. The crisis in relations with the West changed the scope of its auxiliary functions in foreign policy. The level of contacts with the European Union has dropped significantly; the deputies' key activity became to counterattack the criticism of the Belarusian authorities on all possible levels. They also were developing the "Asian" vector and activities within the EurAsEC.

Legislative activities were performed within the established framework of rules. The deputies initiated only two bills. Others were submitted to the parliament by the government and the president, and all were approved. The public was stirred by a number of controversial normative acts regarding political and civil rights passed by the parliament, which however cannot be seen as an independent institution in making this kind of decisions.

The whole year rumors were heard that some "political reform" might take place – in form of establishing a party of the ruling authority, about "the system" opposition and increasing the political role of the parliament. But these political changes must have been postponed until after the parliamentary elections – if they are going to be realized at all.

Trends:

- Relations with the EU and the USA have deteriorated; attempts to extend relations with Asian countries have been made, cooperation within the EurAsEC has increased;
- Legislative activities followed the established routine: low level of initiative, all normative acts submitted by the president and the government approved;
- A number of controversial normative acts have been passed circumscribing political and civil activities;
- Discussions about political reform, including the change of the principle of the parliament formation, have turned out vain.

Discussions on political reform

For the parliament, the year 2011 was a pre-election one. Traditionally, this showed not in pre-election activities of the deputies but in the discussion of a probable political reform. After 1996 each parliamentary election stirs discussions on this topic.

In 1999–2000 the opposition and the authorities discussed a possible democratization of the election procedure and the parliament's political role through the mediation of the OSCE, unfortunately, without success. The years 2003–2004 were marked by a broad campaign to improve the "Belarusian political model" (by consolidating the authoritarian regime) and rolling out the project "ideology of the Belarusian state". In 2007–2008 a broad discussion was launched about establishing a party of the ruling power. Initiatives to build a new political organization developed into establishment of the association Belaya Rus, but no significant political reform followed.

The year 2011 mostly repeated the situation of 2007: the speculations about political reforms circulated during the whole year. The goal of such a reform was transformation of Belaya Rus into a party of the ruling power and its participation in the election campaign. Moreover, behind-the-scene discussions evolved around including opposition representatives into the parliament and even establishing a "system" opposition. Nevertheless, by late 2011 significant changes of the political sphere were labelled as premature.

Therefore, Belaya Rus has never become a party and the reform, just like in 2007–2008, has been postponed. As far as we can judge, the main reasons for that are the following: unsatisfactory administrative conditions, resistance of the bulk of the bureaucracy, a great risk that something goes wrong during economic instability.

Administrative changes

In 2011, the House of Representatives saw only one change in its chairmanship: in July the Chair of the Standing Committee on International Affairs and Relations with the CIS Igor Karpenko was appointed Vice Chair of Minsk City Executive Committee. His successor was deputy Vitaly Busko. Although the new position cannot be described as high in the system of authority, Karpenko's appointment can be called promotion.

The Council of the Republic also experienced some changes. There was some ambiguity with the Vice Chairperson of the upper chamber of the parliament. In June 2011 former Vice Chair of the Council of Ministers Vladimir Potupchik (2009–2010) took this position. Actually, it was a direct appointment: on 16 June, by presidential ordinance, Mr. Potupchik was appointed member of the

Council of the Republic and the next day he was elected Vice Chairperson. We should point out that he is the third person to take this position in the Council of the Republic of the 4th convocation. Before him, it was Anatoly Rubinov (2008–2010) and Leonid Krupets (from May 2010, after dismissal from Chair of Minsk Regional Executive Committee, till February 2011, when appointed ambassador of Belarus to Brazil).

Moreover, in late 2011 Chairperson of the Standing Committee of the Council of the Republic on Legislation and State Administration Yevgeny Smirnov resigned; he was appointed judge of the EurAsEC Court. Later he was elected Chairperson of this court. The above mentioned administrative changes prove the general tendency that ex-parliamentarians are appointed to relatively minor positions in the state authority.

Relations with state institutions

The 7th extraordinary session (January-February 2011) might have been the most important of all from the formal point of view as the parliamentarians were to give their consent to appointing Mikhail Myasnikovich Prime Minister. The decision was predictable and formal.

Presenting the new head of the government, Lukashenko pointed out that “the country needs to develop more dynamically and the economy requires up-to-date approaches”. And Mr. Myasnikovich can “not only organize work to reach good gross figures but also secure effective economy”¹. In their turn, the deputies made special mention of the new head’s “high professionalism and organizational skills”. Afterwards, the consent for appointment was expressed by secret ballot.

The meetings of Vladimir Andreichenko, Chairperson of the House of Representatives, and Alexander Lukashenko emphasized the subordination of the parliament to executive bodies. In particular, on 17 May the president was instructing the formally independent branch of power on some aspects of legislation, which has already become a usual and somewhat institutionalized practice.

¹ See: http://www.belta.by/ru/all_news/president/Belarusi-neobxodimybolschaja-dinamika-razvitija-i-sovremennye-podxody-k-upravleniju-ekonomikoj—Lukashenko_i_540792.html.

The House of Representatives also regularly cooperated with the Council of Ministers and local authorities. No details about the form of cooperation are available, so assessing their effectiveness is rather difficult. The main effect of this cooperation must be informing and coordinating because half of normative acts are prepared by the bodies of the executive power.

Foreign-policy activities

In their foreign-policy activities the parliamentarians represented the official line, which became very topical when relations with the European Union and the West deteriorated after December 2010. Attention was focused on resolutions and other actions toward Belarus taken by interparliamentary bodies and national parliaments.

The PACE resolution “The situation in Belarus in the aftermath of the presidential election” (of 20 January 2011) was received “with regret” because of its “unbalanced and destructive character”, as expressed in the special press release. In his interview for *Soviet-skaya Byelorussia*, the chair of the House of Representatives expressed a similar position, remarking, “Belarus is being pushed out of European policy, which has neither common sense nor prospects”². A similar reaction followed the European parliament’s resolution on the situation in Belarus of 2 March that introduced some sanctions against the official Minsk.

Belarus and the EU continued to move in different directions and on 2 May the parliamentary assembly Euronest signed the statutory documents without the Belarusian delegation. The preceding consultations aimed at finding a compromise format of Belarus’ participation failed, which did not come as a surprise.

Generally, statements were the only form of counteracting the EU’s actions following the events of 19 December and after. The official Minsk tried to exploit parliaments of other Eastern Partnership member-states to promote its position but the effect was limited (only Azerbaijani parliamentarians rendered active support).

The Belarusian parliament also took advantage of the annual session of the OSCE parliamentary assembly in Belgrade on 6–10 July. The deputies took a critical stance toward the OSCE actions

² See: <http://pda.sb.by/post/111571/>

and together with some other countries came out for reforming the organization. But the central event of the summit was the resolution on Belarus that raised issues of democracy and meeting the OSCE requirements. The Belarusian side did not succeed in blocking the resolution, but it managed to convince some CIS delegations to support its position.

The events took an interesting turn when the parliament initiated "the Polish issue" in response to discussions on Belarus in the Polish parliament. During the 7th extraordinary session the deputies sent a request to the Constitutional Court for legal treatment of the Act on the Pole's Card. Officially, the request was made "at the suggestion of Belarusian citizens and civil society entities". The Constitutional Court passed the respective resolution on 7 April pointing out that certain elements of the Polish act disregard some generally accepted principles and international legal norms.

On 2 April, the deputies took part in the international scientific and practical conference on "Modern geopolitics of Poland in the context of the Peace of Riga 1921". The conference was of rather political than scientific character and rounded up with a critical address to the authorities and the public of Poland.

Poor relations with the West showed in more severe criticism towards western countries and their policies. For example, at a press conference the chairperson of the Standing Committee on International Affairs Igor Karpenko described the coalition's actions in Libya as a war and violation of international law.

The parliament continued to participate in various interparliamentary entities (EurAsEC, CIS, CSTO and others) and held bilateral meetings with representatives of various countries (Cuba, Azerbaijan, Vietnam, Armenia, Iran, Kazakhstan, Estonia, etc.).

To compensate poor relations with the West, the parliament paid special attention to expanding cooperation with Asian countries. In September 2011 the Belarusian parliament was granted the observer status with the International parliamentary assembly of the Association of Southeast Asian Nations (ASEAN). The procedure was initiated with assistance of Vietnam as far back as 2010 and in 2011 it came in handy as the political isolation increased. Great attention was paid to the visit of the delegation of the National People's Congress in line with the general intention of the Belarusian authorities to extend relations with China.

Legislation

The parliament performed its legislative activities during two regular sessions. Normative acts of international character made up the bulk of them. The parliament passed acts related to the Customs Union, the Single Economic Area, establishment of the Court of the Eurasian Economic Community, bilateral agreements. The parliamentarians passed a package of bills and amendments of economic and administrative character, particularly, concerning licensing, registration, applications and addresses of citizens, alternative legal procedures, and others. As for civil legislation, they discussed and amended legislation on family relations, medicine, trade unions, innovation, law enforcement, advocacy, criminal procedure, etc.

During the year only two bills were initiated by the House of Representatives. One passed two readings and the other – the first one. The parliament approved all the bills submitted by the president and the government.

It should be noted that the spring session drew less attention of the public than the autumn one. The parliament's amendments to the law 'On mass events' and 'On amendments and changes to some normative acts' drew a wide response. They were stimulated by summer protests, which revealed certain gaps in the legislation. The official motivation was that the bills were to "ensure civil security during mass events and specify out-dated notions"³.

The parliamentarians passed the normative acts on the very first day of the autumn session and at both readings. This instant passing of the politically-tinged bill drew a wide public response. Eventually, on 5 October the parliamentarians held a press-conference to present the official position on the bill with the special stress on the international experience and protection of interests of the Belarusian citizens. But it did not change the public opinion.

Conclusion

The parliament's activities went within the established framework of rules in the Belarusian political system. Basically, the deputies'

³ See: http://www.belta.by/ru/all_news/society/Vstupaet-v-silu-zakon-omassovyx-meroprijatijax-v-novoj-redaktsii_i_582582.html.the.

activities were influenced by the current political situation, external to the representative organ itself.

When relations with the West worsened, it had to change orientation of its foreign-policy activities compared to the previous years. Its main activities were to react to criticism against the policies of the Belarusian authorities from different European institutions. The parliament also made attempts to develop relations with Asian countries but we cannot assess the effectiveness of these steps.

In legislation the parliament consistently followed the role of amender and passer of bills elaborated by the government or the presidential administration. The deputies showed little enthusiasm in initiating new bills. Neither did the parliament have objections to the candidate for the chair of the Council of Ministers or to passing the program for government activities until 2015. In response to rising political activities in spring and summer 2011 the parliament helped to change legislation to circumscribe political and civil activities.

The year 2011 saw non-public discussions about a political reform in Belarus that was to change the principle of the formation of parliament. But these projects are yet to be realized.

LOCAL AUTHORITIES: POLITICAL LOYALTY, ECONOMIC STAGNATION

Zmicer Kuchlej

Summary

In 2011 the degree of centralization of local authorities in Belarus remained high both in the administrative and in the financial spheres. Local authorities demonstrated a high efficiency in maintenance of political stability on the subordinated territories that was endangered by the growth of social intensity and protest activity in regions. However the "chain of command" showed worse results in realization of economic tasks put forth by the central authorities, which requires a certain initiative from the local authorities.

Simultaneously, keeping the status quo in administrative control over local authorities, the centre gave more and more competences in financial and economic activities to local authorities. In 2011 the principle of distribution of taxes between different levels of local and republican budgets was changed. In comparison with the previous year the share of gratuitous revenues in local budgets from the republican one increased. The intention of the central authorities to stimulate economic development of the regions through changing sources of a profitable part of local budgets faces inertness of officials who continue to count on centre subsidies. However republican bodies cannot support former amounts of budgetary transfers and expenses on the state programs any longer, the financing of which was one of the reasons of monetary and financial crisis of 2011.

Trends:

- The share of local budgets in distribution of tax revenues of the consolidated budget increases;
- The further increase of the level of centralization of resources in the republican budget is typical for budgetary process;
- Disproportions of the level of subsidies are observed in the regions. Simultaneously the quantity of non-subsidized budgets and budgets with moderate level of subsidies at the primary level of local authorities increases;
- Competence and responsibility of local authorities in the financial sphere extends, however they are hardly used.

Local chain of command: loyalty acknowledgement

The system of bodies of local government and self-government of Belarus in 2011 did not experience cardinal changes and was characterized by actual absence of the autonomy of Belarusian regions

from the centre. Local representative bodies (councils) continue to act a symbolical role and entirely depend on local administrations/executive committees that are actually public authorities of a local level. Councils are deprived of their executive bodies and their activity is limited partly to the adoption of decisions of local executive authorities that have a strategic importance for regional development.

At the same time the competence of representative bodies of power in the financial sphere continues to decline, which is to the good of the local administrations. In 2011 local financial bodies and executive committees received additional powers to modify the decisions of local councils concerning the budget and to specify the indicators of the local budget.

It should be noted that local authorities in 2011 had to play a big role in the political process when the central authorities at the first stages of the monetary-and-financial crisis lost control over the situation, which caused the growth of discontent of the population with the state policy. However the local authorities testified loyalty to the incumbent president and managed to stop protest activities quite effectively in their regions.

Summer protests of Brest and Hrodna businesspeople that were engaged in illegal frontier trade and felt restrictions of their possibilities, were soon stopped by regional authorities by means of agents of national security, pressure of tax department and negotiations. "Silent actions" in the regions, the peak of which occurred in summer 2011, were crushed even more cruelly. Disturbances of workers at some enterprises were suppressed in their turn and did not become systemic: they were stopped through concessions from the local authorities and fulfillment of remonstrates' requirements.

With a considerable delay the president reacted to the growth of social intensity that was obviously shown in separate regions, having begun "territorial protection" to struggle against external and internal enemies, having awarded the rank of major general to the heads of regional executive committees.¹ Regional authorities were assigned to carry out the duties on territorial protection one of which was a prevention of "chaos of revolutions".

In comparison with 2010 local authorities after other state institutes lost the trust of the population to a certain extent. However this decrease was not so sharp as the falling of the president's

¹ <http://newsru.com/world/04nov2011/luka.html>

rating,² which testified to the fact that society understands the real position of local authorities and self-government in the system of decision-making.

Local finance: centralization and initiative stimulation

In a situation of reduction of resources for maintenance of the former social-economic model the central power intended to provide a bigger interest of officials in local sources of a profitable part of budgets. In 2011 tax sources of profit were redistributed in a budgetary system for the good of local authorities. At the same time they failed to reach the targets on investments, import substitution, development of business and property privatization last year because of the inertness of local administrations which lost initiative because of an excessive budgetary centralization during the previous years and count exclusively on gratuitous revenues from the republican budget.

In 2011 the policy of republican authorities was directed at the increase of the interest of the local controls in the development of the territories through the introduction of a new mechanism of distribution of profit tax. In 2010, 50% of this tax remained in the republican budget and 50% went to the local level while in 2011 the whole profit tax of the enterprises of municipal property and also the profit tax of the enterprises of non-state form of property remained at the disposal of local budgets. The profit tax of the enterprises of republican form of property was distributed as earlier: 50% – to the republican budget, 50% – to local.³ A new way of distribution of the profit tax allowed leaving 67.6% of all revenues from this tax which is imposed in regions at the local level.⁴

However it is impossible to say that the increase in tax base of local budgets at the expense of the profit tax became an essential

² See the article *Public Opinion. Historical Collapse* in this book.

³ Budget Code of the Republic of Belarus (revised, came into effect 15.10.2010); Budget Code of the Republic of Belarus of 16.07.2008 № 412-3; as in force on the Law of the republic of Belarus of 13.12.2011 № 325-3 // *National Register of Enactments of the Republic of Belarus*. 2011. № 140, 2/1877.

⁴ Analytical report *On State Finances of the Republic of Belarus during January-December 2011* / Web-page of the Ministry of Finance of the Republic of Belarus : <http://www.minfin.gov.by/i/budget/yd11.pdf>.

stimulus for creation of new manufactures in 2011, which is proved by the reaction of the central authorities. Last year in March the State Control Committee of Minsk region criticized the activity of local authorities for their insufficient support of entrepreneurial activity, and in October the Prosecutor's General Office testified that local executive committees were not active enough in searching for and attracting investors, in informing subjects of entrepreneurial activity on privileges at realization of investment projects. The chairman of the House of Representatives Mr. U. Andreichanka joined the criticism, having stated a low level of independence and lack of initiative of the local authorities while solving the problem of import substitution.

Except for profit tax, income tax (100%), property tax (100%), value-added tax (29.4 %) and a number of other taxes (about 32.4 % in total) were added to local budgets in 2011. At the same time the fiscal policy in Belarus remains centralized: for all regions there is a unique order of income taxation and land and real estate taxation defined at the republican level. In 2011 local authorities still had a right to raise property tax — only twice as much.

It should be noted that during the last five years one could observe a constant tendency of increase in the share of profits of local budgets in comparison with the republican budget from tax revenues. In 2007 only 44.7 % of tax revenues went to local budgets while in 2011 this figure was about 58 %.⁵

Table 1. Income revenues of the republican and local budgets in 2007–2011

	2007	2008	2009	2010	2011
Republican budget, BYR, billion	14,645.5	18,016.1	16,708.2	16,410.8	22,559
Local budgets, BYR, billion	11,814.5	16,611.6	15,989	18,388.6	31,205
Total, BYR, billion	26,460.1	34,627.7	32,697.2	34,799.4	53,817

⁵ Revenues of the consolidated budget of Belarus in 2011 increased by 10.9% to BYR 85.4 trillion: http://www.belta.by/ru/all_news/economics/Doxody-konsolidirovannogo-bjudzheta-Belarusi-v-2011-godu-uvelichilis-na-109-do-Br854-trln_i_588208.html.

Thus there is an essential distinction between the regions in sources of a profitable part of the consolidated budgets. In Minsk the public sector has 51.8 % of revenues, in Brest region this figure is 55.7%, in Hrodna — only 30.4%.⁶ In Brest, Mahilou and Hrodna regions a considerable part in tax revenues of the consolidated budget is taken by income tax: 33.1%, 29.2 % and 27.3% accordingly. At the same time in the Minsk, Homel, Vitebsk regions and in Minsk city the income tax constitutes only 18.8%, 15.9%, 12.7% and 12.6% accordingly. A part of revenue from the profit tax in Hrodna, Brest, Homel, Mahiliou regions and in Minsk city is almost identical — 16.2%, 16.5%, 15.5%, 15.3%, 16.4% accordingly. In Vitebsk region the share of the profit tax is the lowest — only 8.2%. Minsk region is a leader among the regions with the highest budget revenues from dividend payment and other revenues from other forms of participation in the capital — 37.1%, the profit tax also occupies a considerable part in the structure of revenues — 21.6%. However the general share of local budgets revenues of the consolidated budget decreased from 37.9% in 2010 to 36.5% in 2011.

The part of gratuitous revenues from the republican budget in a profitable part of local budgets increased from 34.3% in 2010 to 35.4% in 2011, keeping grants and subventions at the highest level during the last years.

The share of expenses of local budgets in expenses of the consolidated budget of 2011 increased to 55.3% in comparison with 53.5% in 2010.

In 2011 the share of non-tax profits of local budgets was insignificant. Local officials hamper the process of privatization of real estate and refuse to sell it to Belarusian businesspeople: the part of profits of the consolidated budget on this article makes only about 0.28% of gross national product. Besides, local officials received an additional tool of pressure upon business activity and the possibility to interfere into the process of privatization due to Decree no. 677, according to which regional executive committees and Minsk city executive committee have a priority right to acquire the shares of economic associations, including those of the strategic ones. However the use of these privileges by regional authorities remains limited in practice because of the absence of money in local budgets.

⁶ Structural shifts or radical reforms // *Economic Newspaper*. 2012. 17 February. № 14(1533).

At the same time the government of each region and Minsk city received the task to attract foreign investments the amount of which in 2011 exceeded the planned targets of 2010 in times. However all regions failed to achieve the mentioned indicators, having fulfilled them at the level of 7%. The greatest indicator of hitting the target was in Mahiliou region – 13%, and the smallest was in Vitebsk region – 3.4%.

With his Decree no. 75 the president authorized regional authorities to attract external loans in foreign currency in order to get additional resources. In 2011 Minsk city executive committee planned to issue five years' eurobonds of USD 200–300 million; however it failed to do so because of a low credit rating and a high price of loans. According to the Decree loans of local authorities were not officially a type of state external debt of the country, which allowed the Belarusian government to manipulate with the rate of public debt of Belarus. At the same time, since January 1, 2011 the right of local authorities to loan when the sum of the planned payments on repayment and service of newly and formerly accepted debt duties in the current or in every next year exceeds 15% of the incomes of the budget planned for the current year without the received subventions was limited, which testifies to the concern of the central government about the growth of loans of local authorities.

Strengthening of financial independence of the primary level of local authorities

Since 2011 the personal income tax has started to be accumulated at the primary level however there is an essential difference in the realization of the state policy among country regions. In its turn specification of the budget expenses at the primary level had a positive impact on the functioning of local authorities that nonetheless are far from being financially autonomous.

Since 2011 deductions from personal income tax have been included into the revenue of budgets of the primary level. The specifications of deductions should be defined by regional councils of deputies depending on a tax payment of each territory. Before 2011 this tax, collected on territory of the village council, was not added to their budget but had been distributed between district and regional budgets. The region could have taken up to 20% of the income tax collected on territory of a district. The change in income tax distribution had a positive influence on self-sufficiency

of primary budgets: the number of non-subsidized village councils grew 7 times: in 2010 there were only 33 of them, and in 2011 there were more than 240. Besides, the quantity of budgets with a moderated (less than 50%) level of subsidies increased almost twice: in 2010 there were 389, and in 2011 – 742 (out of 1358).⁷

However the degree of concentration of resources at the level of village councils in regions differs and depends on the distribution of the finance by Councils of Deputies of regional and base levels. In Homel, Brest and Mahiliou regions the greatest part of expenses at the primary level is provided at the expense of grants, and in Minsk, Hrodna and Vitebsk regions the majority of primary budgets are self-sufficient.

Since 2011 a new mechanism of an expenditure of the off-budget means received by self-taxation has been introduced. Before this off-budget means hadn't passed through the budget, and since the last year the means received from self-taxation has been included into the profitable and, accordingly, cost-based part of the primary budget. However the lack of budgetary funds forces the government of the basic level to increase the personal base of incomes of primary budgets: village executive committees receive tasks on scrap metal and waste paper collection and "targets" on self-taxation.

It should be noted that local authorities at the primary level, having expanded profitable base of budgets, faced a lack of cost-base powers that essentially interfere with the initiative of local executive committees. For example, there are difficulties with the mechanism of use of means that came to the budget of a village council as a result of land sale at an auction.

Conclusions

Having faced the reduction of resources for maintenance of the Belarusian social-economic model, the central authorities try to create conditions for the increase of activity of local administrations on attraction of investments into regions, creation of new manufacture and increases in the share of profits of local budgets at the expense of local sources. However, the local chain of command got used to the state policy of previous years when its primary goal was to

⁷ Budget deficit is equal to zero // *Local self-government*. 2012. 12 January. № 1(273).

preserve social-economic stability in regions due to grants from the center. Changes and expansion of sources of the profitable part of local budgets is not a stimulus for local officials to show their initiative when the lack of financial assets is always compensated by grants from the republican budget.

Thus the aspiration of the Belarusian government to improve the business climate in the country in comparison with the partners of the Customs Union and to stimulate business activity through decrease of tax loading on economic subjects will negatively affect profits of local budgets which are formed at the expense of these taxes. Besides, it seems improbable that essentially understated targets on attraction of investment will be fulfilled in 2012 by local authorities which continue to hamper the process of denationalization.

FOREIGN POLICY

RUSSIA AND THE BIG INTEGRATION (AS OPPOSED TO THE SMALL ONE)

Anatoly Pankovsky, Valeria Kostyugova

Summary

Despite all last years' efforts to diversify foreign, trade and energy policies, Belarus has become heavily dependent on Russia in 2011. Given the isolation, which was the price Alexander Lukashenko had to pay to win the election, the country has largely surrendered positions in negotiations with the only ally left. As a result, Belarus was dragged into the Customs Union (CU) and the Common Economic Area (CEA) thus giving up possibilities for an economic upgrade and giving Russia strategic control over the gas transit network.

Moreover, last year Russia became the only creditor of Belarus' inefficient economy, which lead to even more limitations on the independence of the latter's economic policy. The eventual upshot was that by 2012, Belarus to a large degree gave up its independence in foreign and economic policy and lost control over strategic advantages of its geographic position.

However, these changes are not irreversible, except for the loss of a great deal of the transit infrastructure primarily because the parties keep building up national infrastructures (at least Russia does) although Belarus' foreign policy is limited to relations with its only partner.

Belarus and Russia have been maintaining relations while staying suspicious to each other's intentions. The integration project – Belarus-Russia Union State – has actually been taken over by the trilateral Belarus-Russia-Kazakhstan Customs Union.

Trends:

- Russia has become the only creditor, only ally and only supplier of energy to Belarus.
- Specific advantages within the Union State of Russia and Belarus were gradually substituted with obligations and preferences under other integration projects.
- Russia is building up a trade and transit infrastructure not dependent on its neighbors.
- Protective measures and preferences available to the CEA members make it possible to postpone but not to prevent inclusion of the Russian Federation, Belarus and Kazakhstan in global trade on a common basis.

Introduction

The outcome of the presidential election of December 19, 2010, which ended with the arrests of former presidential candidates and

a crackdown on political opponents of the regime throughout the year 2011, predetermined focusing of Belarus' foreign policy on Russia and its one-way dependence on its only powerful ally. Belarusian-Russian relations concentrated on three basic areas: credit support from the EurAsEC anti-crisis fund, energy supplies and transit of Russian energy through Belarus. The degree of this interaction was determined by severity of the economic recession Belarus had been dealing with since last spring.

Apart from interaction in the specified areas, political relations between the allies remained strained although both managed not to drift into heated confrontations as they did in 2010¹. Russia refrained from rhetorical support for Belarus' actions in the international field thus trying to neutralize the Belarusian factor in the context of its presidential campaign using mostly information resources.

In general, bilateral relations were supposed to be less "specific", and regional competitive advantages, such as concessions, subsidies and low-cost government loans which Belarus had in the Union State, were appropriated by other post-Soviet institutions. For instance, Russia did not respond to Belarus' application for a government loan and suggested the partner trying its luck with the EurAsEC fund, while the oil-and-gas-feeding stimulant was now offered within the Customs Union of Russia, Kazakhstan and Belarus.

Post-Soviet multi-integration

In 2011, Russia was living in wait for the presidential campaign. Heavily intensified promotion of integration projects in the post-Soviet space – the process which possesses its own logic and value – was a crucial component of pre-election efforts. They basically aimed at reconstruction/creation of a global transit infrastructure around the periphery of the Russian Federation with the participation of the transit countries and energy suppliers (Belarus, Ukraine, Kazakhstan, etc.) alongside the usual imperial intents and connotations of the integration goals.

Appreciable results were achieved that year, namely creation of the Customs Union of Russia, Kazakhstan and Belarus and, since

¹ See: V. Kostyugova and A. Pankovsky. Russian-Belarusian Relations: Ultimate Dependence // *Belarusian Yearbook 2010*. Minsk, 2011. Pages 85–87.

January 1, 2012, the Common Economic Area which, as a matter of fact, offer a common market with free movement of goods, services, capital and labor force; harmonized tax, monetary, currency, trade and customs policy (these goals are proclaimed in CEA documents). Also, on October 18, 2011, the Council of the CIS Prime Ministers signed a new agreement on the CIS free trade zone joined by two GUAM members, Ukraine and Moldova.

Benefits of the Russian integration initiatives are not obvious yet and, probably, will not be in the foreseeable future, while certain achievements have been made when it came to blocking of competing projects of GUAM and Eastern Partnership². In 2011, Vladimir Putin came out with another initiative – transformation of the Eurasian Economic Commonwealth into a Union – and EurAsEC member states endorsed the idea.

Meanwhile, the strenuous efforts aimed at promotion of integration initiatives raise the question of how EurAsEC, the Customs Union of EurAsEC, the Union State of Russia and Belarus, CEA, and CIS (with its key purpose to legitimize elections in the post-Soviet republics, which actually has not worked and the CIS is now some sort of a big zone of half-free trade) are supposed to coexist and cooperate functionally. Firstly, it is quite clear that the lack of proper integration-related coordination shows substantial disagreements between the members of all these "Eurasian unions" and groups in the post-Soviet governments inclined to speed up some projects to the detriment of the others.

Secondly, it is possible to see certain benefits of each of the forums: CEA questions and EU sanctions against Belarus can be addressed at EurAsEC summits together with the observer countries which do not attend CEA summits; Customs Union affairs can be discussed and some political statements can be made during CIS forums, and so on.

The very existence of some integration forums signifies a kind of integration communication which often has nothing else in it except agitated sovereignization and separation of economies below the surface. It means that the presence of various associations (sometimes with overlapping functions) does not make it possible to unite the post-Soviet countries in one hyper-institution like the European Union.

² See: *Crisis of Regional Integration Projects in the East of Europe* by V. Dounaev in this *Yearbook*.

The Customs Union of Russia, Belarus and Kazakhstan is the most intensively developing form of association mostly owing to Russia's efforts and because the participants are few. The infrastructural component (ample and rapid transit from China to Europe and back) is the main purpose of the CU because Russia is apparently determined to become a transit country like Belarus and Ukraine, only a much bigger one. According to Russian government experts, using the CU capacities to the full can make transportation of cargoes from China to Europe almost four times quicker³. Purely economic augmentation is also considerable: in 2012, the CU is expected to give Russia a profit of nearly USD 400 billion, Belarus and Kazakhstan count on USD 16 billion each. The CU can stimulate economic development and secure a 15% GDP growth in the member countries by 2015⁴. This is what the positive expectations are about.

At the same time, development of the CU is accompanied with heightened risks, first of all when it comes to instability of national economies and, specifically, increasing consumption of Russian and Kazakh energy by the European Union. The second risk concerns the key feature of the CU, namely the unification of customs duties and restrictions (except for special protective, antidumping and compensational measures) which are also pulled up the WTO level.

Like other associations of the kind, the CU is a collective form of protectionism, but it does not guarantee that the CU partners will not apply restrictive measures to each other. More likely, it will even heat up some internal trade disputes and wars. Besides, unification of customs duties presents an immediate threat to the principle of "specification" which the Union State of Russia and Belarus is based on. Owing to this association, Belarus has been provided with specific competitive advantages, i.e. gas and oil subsidies, an access to the Russian market, etc. for years, making no comparable concessions such as access to its market, unification of macroeconomic policy, or discontinuance of state sponsorship of domestic manufacturers, i.e. the advantages which enable the government to secure the so-called "Belarusian miracle."

Stepped up development of the Customs Union actually means demolition of the Belarus-Russia Union State especially

³ See: http://www.vch.ru/cgi-bin/guide.cgi?table_code=12&action=show&id=19515.

⁴ See: <http://www.annnews.ru/news/detail.php?ID=202112>.

if Russia managed to draw Ukraine, Kyrgyzstan and Tajikistan into the CU.

Demolition of the Union State

So, the enlargement and unification seriously endangers "specificity" of Belarusian-Russian relations, therefore Lukashenko was so nostalgic for the Union State thus pointing out that the CEA and CU were direct competitors of the Union and insisting that the Union was the most advanced integration association the example of which all others should have followed.

EurAsEC is certainly not an exception: in December 2011, the Belarusian leader made a "realistic" estimate of this association saying that his country would not finance EurAsEC and its officials, who had already fulfilled all their tasks, anymore. He emphasized that EurAsEC had exhausted itself and further cooperation on the post-Soviet space would be effective within the framework of the CEA which Kyrgyzstan and Tajikistan were welcome to join.

Lukashenko's irritation most likely reflects the situation with the EurAsEC loan which was overloaded with terms including the demand to reform Belarus' economy. On June 9, 2011, Belarus and the Eurasian Bank signed an agreement on a EurAsEC loan to the total amount of USD 3 billion in six tranches 2011 through 2013.

The first tranche worth USD 800 million came in June 2011; then 440 million were given in December 2011. Speaking about the probable terms of the third tranche, Nadezhda Yermakova, Chair of the Board of the National Bank of Belarus, said, "Technically, the terms of agreement with the anti-crisis fund are fully met. But the fund believes we need to tighten these terms. The basic claim concerns structural transformation which means privatization of state property. I think we have our own head on shoulders and we know better what needs to be changed and what does not. As concerns the numerical values, we have done everything we were supposed to do⁵." She actually let them know that the EurAsEC loan terms have little difference from the IMF terms and Belarus can hardly expect quick and easy money.

⁵ See: http://www.belta.by/ru/all_news/economics/Belarus-prodolzhaet-rabotu-s-Antikrizisnym-fondom-EvrAzES-dlja-poluchenija-tretjegotransha_i_591695.html.

As concerns the Customs Union, the Kremlin perfectly understands that this association can only be successful – i.e. it will start bringing the anticipated benefits – if Russia combines enforcement with specific inducement. Therefore the special oil advantages⁶ which Belarus used to enjoy in the Union State become a component of the Customs Union's joint tariff policy. As a matter of fact, the CU substitutes the Union State some way or another.

The greater goals of the CEA (as compared with those of the CU), such as creation of a single market with agreed tax, monetary, currency, trade and customs policy retailored to fit the CEA, are very remote. Considering the outcome of the year 2011, it is impossible to predict how they can be achieved within the Union of three autocratic states with unstable economies. Experience of the Union State with three projects on the joint energy and gas transport system, single currency and unified constitution is quite illustrative in this respect. Only one out of the three projects has been implemented and even that one was not what Belarus wanted to see: Russia bought out the Belarusian gas-transport network⁷.

The other projects of political and economic association (in particular the single currency launch) have been taken to the CEA, in other words, they are a matter of the distant future which none of today's politicians is responsible for. The future hides failures and shortcomings of the past as nothing else.

Conclusion

Further Belarusian-Russian bilateral cooperation in a number of key areas will flow into multilateral interstate associations. Accordingly, the hothouse conditions of the post-Soviet associations will get worse for its members as Russia accepts the international trade rules becoming a part of global economy. It means that involvement in Russian integration initiatives does secure Belarus' undisturbed prosperity and only postpones an economic reform. At the same time, given the huge amount of Russian transit through Belarus, Russia is likely to cushion the possible shock to Belarusian economy, at least at the rate of the standard transit insurance of USD 3 billion to 4 billion a year.

⁶ See: *Energy Sector: On the way to selling all assets* by A. Rybkina in this Yearbook for details.

⁷ Ibid. See also *Foreign Investments: Beltransgaz and something else* by M. Akulova in this Yearbook.

IN THE SHADOW OF DECEMBER 19: BELARUS-EU RELATIONS

Dzianis Melyantsou

Summary

In 2011, Belarusian-European relations developed in the framework of a reaction to the presidential elections and the events of December 19, 2010. The European Union returned to their previous policy of sanctions, though leaving open the possibility to restore the dialogue under the condition that all political prisoners are released and rehabilitated. After the failure of informal negotiations with the EU and a disappointing summit of the Eastern Partnership, which occurred during a deep economic crisis in Belarus, official Minsk preferred a more intensive economic integration with Russia and simultaneously strengthened repressions inside the country. Thus, relations with the EU appeared again in the shade of the Kremlin stars.

Trends:

- The European Union returned to the policy of sanctions in relation to Belarus;
- Belarusian authorities, disappointed with the absence of the expected financial help from the EU and angry about the expansion of sanctions, preferred the further integration with Russia;
- Foreign policy imbalance towards Russia forced Minsk to search for possibilities to return to the dialogue with the EU but with a minimum of concessions from its part in order to keep the power and prestige in the country.

Returning to the policy of sanctions

The "great political year" of 2011 did not begin on January 1, but on December 19, 2010, when the dialogue of Belarus with the European Union had been unilaterally suspended and Belarusian authorities had returned to their habitual repressive practice in relation to political opponents and the civil society. Reaction of the EU didn't take long to appear and it was naturally negative. The European leaders however restricted themselves to general terms by stating that it was not clear what had happened during the protest action and who was guilty of it. The Belarusian government tried to join this information war as soon as possible and pursued a pre-emptive tactic, having spread the shots of the storm of the House of Government and having explained the necessity of tough suppres-

sion of the action by the desire to protect an important governmental object.

At this stage one thing was obvious to the European politicians: Lukashenko had broken the promises he made to the commissioner Füle, ministers Sikorski and Westerwelle and other EU representatives before the elections. It not only meant an inefficiency of the European strategy of retraction in a short-term prospect, but also a crash of personal diplomacy of Sikorski, Westerwelle and other politicians that had invested political capital and put their image at risk by agreeing with the Belarusian president.

Belarusian authorities lost the information war at the European stage as soon as independent journalists, bloggers and opposition leaders entered the fight. In the middle of January the representatives of opposition, human rights activists and relatives of the arrested visited the European capitals and had high-level meetings with some European politicians and EU officials. These meetings together with hearings on Belarus organized in party groups and an emergency meeting in the European Parliament on January 12¹ predetermined unprecedented tough decisions under the resolution from the political groups of the European Parliament.

However, after the consultations with experts and general debates deputies of the EU Parliament corrected their position and adopted the resolution that differed greatly from the suggestions of the parliamentary groups. Formulations concerning the suspension of the participation of Belarus in the Eastern Partnership, introductions of pointed economic sanctions, a suspension of macro financial help, and boycott of sports actions became more lenient (it was suggested just to consider these possibilities). Besides, the final version of the document did not include paragraphs about an interdiction for contacts with the higher government officials, freezing of the Joint Interim Plan, the sanctions against *Beltekhexport*. But there was a requirement of urgent and unconditional release of the political prisoners after which personal sanctions should have been removed.

¹ What is meant is the special session of the EU Committee on Foreign Affairs in cooperation with the Subcommittee on Human Rights, the Delegation for Relations with Belarus and EU Parliament Delegation held in the Euronest. The session was dedicated to the Belarusian situation after the events of December 19.

To prevent or at least to soften potential sanctions, the Belarusian Minister of Foreign Affairs Sergey Martynov visited several European capitals in January. He tried to inform EU colleagues about the governmental version of what had happened in Belarus. According to some mass-media it was typical that S. Martynov actively used a "geopolitical map": he spoke about the Russian trace in events on December 19 and about the increase of the Russian pressure. However, the arguments of the Minister were not welcomed by the EU.

On January 31, the EU Council of Ministers adopted the Conclusion on Belarus². The document appeared even less rigid than the Resolution of the European Parliament of January 20³. The Council confirmed visa interdiction and the freezing of action in relation to 158 people responsible for political repressions in Belarus. It was decided to increase the help to the Belarusian civil society and to simplify the visa regime for Belarusian citizens. The international conference "Solidarity with Belarus" which took place on February 2 in Warsaw under patronage of the Polish Minister of Foreign Affairs Radoslaw Sikorski, became a logical continuation of the decisions of the EU Council. The result of the conference was to allocate EUR 87 million for needs of the civil society in Belarus, to develop democracy, and to help the repressed.

On March 10, the European Parliament adopted one more resolution that called for stricter measures in relation to those who were involved in infringement of human rights in Belarus. And on March 21, the EU Council expanded the list of Belarusian citizens to whom the sanctions could be applied. The same day the Belarusian Ministry of Foreign Affairs promulgated the introduction of the return sanctions: a list was introduced (a secret one) of people that are not permitted to enter Belarus, as well as a tougher control concerning illegal foreign financing of political activity.

On May 12, the European Parliament adopted the next resolution on Belarus which called for introduction of pointed economic sanctions⁴. The same day, the information was spread that in case

² See: http://www.eeas.europa.eu/delegations/belarus/documents/news/council_conclusion_ru.pdf.

³ *Resolution of the Council of Ministers on Belarus of January 31, 2011* [Electronic resource]: http://www.ej.by/news/politics/2011/01/20/evroparlament_prinyal_sanktsii_protiv_belarusi.html.

⁴ *European Parliament resolution of 12 May 2011 on Belarus* // [Electronic resource]: <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2011-0244&language=EN>.

of introduction of economic sanctions by the European Union, Belarus would send away a number of EU ambassadors from the country and would forbid 200 oppositionists to leave Belarus. Later this information was disavowed by the Belarusian Ministry of Foreign Affairs.

On May 23, the EU Council returned to the "Belarusian question" and added 13 new surnames to the black list of persons banned from entering the EU. The next expansion of sanctions happened on June 20, when the EU added 4 new surnames and the black list contained then 179 persons. Also the EU imposed an embargo on the delivery of some technical equipment to Belarus in order to prevent its use for political repressions. And, at last, after numerous months of discussions, the EU imposed sanctions against three Belarusian enterprises: Joint-Stock Company *Beltekhexport*, Joint-Stock Company *Sport-pari* and unitary enterprise *BT-Telecommunications*.

Ales Byalyatski's case became an occasion for further expansion of restrictive measures against Belarusian government. Taking into account the resolution of the European Parliament on October 10, the EU Council added 16 new surnames to the list of those who are banned to enter the EU and demanded the urgent release of Byalyatski and other political prisoners. It occurred against the background of numerous anti-European statements and materials in the state mass-media of Belarus. Special attention was paid to the media mini-conflict with Poland and A. Lukashenko's charges of the Polish government, which surprised even those who were accustomed to the rhetorical creativity of the Belarusian president.

On November 24, the head of human rights center *Vesna* Alexander Byalyatski was sentenced to four and a half years of imprisonment in a reinforced regime colony with confiscation of property. On December 16, the EU included two more names into the black list of Belarusian officials who had been in charge of A. Byalyatski's adjudgement. Thus the black list totals 210 names today.

Secret diplomacy and its results

Despite the general trend of deterioration of relations with the EU, there were some events in 2011 that were directed at a search for a way out of this awkward foreign policy situation. On June 17, there was an appointment of the head of the EU Delegation in Belarus in the rank of the ambassador. It was Maira Mora who had headed the diplomatic mission of the Latvian Republic in Belarus earlier. It is

important to notice that the question of appointment of the EU ambassador in Belarus had been suspended for a long time. Therefore, this event became a certain message of official Minsk about its readiness for a constructive dialogue with Brussels.

Belarusian authorities directed a number of messages to the EU in order to defreeze relations. Criminal cases concerning some oppositional politicians were stopped, the majority of the condemned for the Square event were pardoned (except for A. Sannikov and M. Statkevich, who were key figures), judicial proceedings against newspapers *Nasha Niva* and *Narodnaya Volya* were stopped. Moreover, A. Lukashenko said about the possibility to solve the problem with political prisoners completely, and also voiced the invitation to the EU to take part in a national round table in Belarus. As it became known later, these statements had been made as a result of confidential agreements of the Belarusian president with the Bulgarian Minister of Foreign Affairs Nickolay Mladenov who had secretly visited Belarus for informal negotiations with Minsk.

However, very soon the fact of the visit and its details became known to the public. Such an approach to the "Belarusian question" caused a wave of indignation and condemnation both in the EU and in Belarusian opposition. The fact of revealing secret measures to restart the dialogue and the absence of a fast positive reaction from the EU to the steps of Minsk led to the fact that Lukashenko disavowed the promises he had made to Mladenov and suspended the process of release of political prisoners.

This experience (as well as the one of Javier Solano's visit in 2009) showed that the process of a direct dialogue and negotiations with the Belarusian leader can become the tool of achievement of such aims of the EU as the release of political prisoners and softening of repressions in Belarus. However, one of the main conditions of an effective dialogue is its private character, which is very important for Lukashenko and his reputation, but which is unacceptable for the European society and Belarusian opposition.

Eastern Partnership: an epilogue?

During the second year of the Eastern Partnership the stagnation of this initiative became obvious as well as the necessity to give a new impulse to its development. Negotiations on the conclusion of agreements on association with the member countries were delayed greatly, dates of signing of the Agreements on DCFTA with Ukraine

were postponed a lot of times (and the negotiations with other countries of the region hadn't even been started), the process of visa liberalization appeared to be much more difficult than it had been expected. The Euronest Parliamentary Assembly took long time to start its work⁵. In other words, it seems that the fulfillment of the tasks of the Eastern Partnership is still very far away.

Against the background of repressive actions of Belarusian authorities, the heads of the political groups of the European Parliament decided on February 10, 2011 to "defreeze" the question on Euronest and to call its first session without delegates from Belarus. The constituent meeting of Euronest took place on May 3. Thus, after two years of negotiations with Minsk on the participation format of the Belarusian side the inter-parliamentary platform began its work without the "problem delegation". This event did not become something extraordinary against the background of general deterioration of relations: However, it clearly caused an irritation on the side of the Belarusian authorities, who were left out in the cold.

The summit of the Eastern Partnership which took place on September 29–30 in Warsaw became one of the most essential events of the year. For Belarus it was marked by a number of diplomatic scandals. It was initiated by the organizers of the summit who invited the Minister of Foreign Affairs S. Martynov as a head of the official Belarusian delegation, instead of the president A. Lukashenko (as the latter is on the list of those who are banned to enter the EU territory). Step-down of the level of participation in the summit came as a reaction of official Minsk to such "discrimination measures": Ambassador Extraordinary and Plenipotentiary of Belarus to Poland V. Gaisenk was appointed as head of the delegation. The organizers considered such a level as insufficient and limited the participation of the Belarusian delegation in the summit. As a result, the representatives of official Minsk had left the summit before its formal end and refrained from signing the final documents.

The reasons of such behavior of Minsk lie in the deep disappointment over the Eastern Partnership and in the understanding

⁵ *Euronest* is Parliamentary Assembly of the Eastern Partnership. It was founded in 2009 but had not started its work because of the problems with the Belarusian delegation. The European parliament does not recognize the National Assembly of Belarus as a democratically elected parliament.

of the fact that Belarus cannot receive short-term benefits from the participation in it. It is necessary to note an exceptionally high level of reception of the Belarusian oppositions during the summit. In Warsaw, the delegation of the Belarusian opposition met German Chancellor Angela Merkel, British Minister of State for Europe David Lidington, the Prime Minister of Poland Donald Tusk, Polish Minister of Foreign Affairs Radoslaw Sikorski, the Council of Europe Commissioner for Human Rights Thomas Hammarberg. During the meeting the European leaders paid even more attention to the opposition from Belarus than to the heads of the member countries. Angela Merkel, for example, talked to the leaders of opposition for an hour and a half, and to the president of Ukraine Victor Yanukovich – only 10 minutes. Such an approach also confused official Belarusian delegation and the government of the country in general.

Against the background of a general disappointment over the summit results, the package of the financial help to Belarus suggested by Donald Tusk looked especially ambitious and sensational. The Polish Prime Minister offered EUR 9 billion to the Belarusian government in case it complied with three conditions: release and rehabilitations of political prisoners, organization of a dialogue with opposition and carrying out of parliamentary elections according to OSCE standards. According to Tusk, this money should have gone to reforms in Belarus, and it should have come from different sources including the IMF, the European Bank of Reconstruction and Development and other financial tools. At the same time there was no condition of A. Lukashenko's resignation. "Tusk's Plan" reminds of Sikorski–Westerwelle's suggestion of the previous year which had also been too general.

At the Warsaw summit, the organizers did not manage to include the point on Belarus in the final declaration. Eastern European member countries were against it. As a result, the EU delegates had to accept a separate statement on condemnation of the situation in Belarus. This circumstance testifies both the professionalism of Belarusian diplomats and (first of all) the fear of other EU member countries to appear in "Belarus's shoes" in future. Such a consolidation of the "Eastern European Six" becomes an important structural factor that limits the EU possibilities in the Eastern Partnership.

The summit of the Eastern Partnership and the context in which it passed underline the discrepancies and inconsistencies in the

policy of the European Union in relation to Belarus. On the one hand, there is an attitude to the economic crisis in the country as to a window of possibilities to overthrow the regime by means of revolution, and on the other hand there is an ambitious offer of the financial help to the government. But also: on the one hand, they count on the opposition and the exceptionally high level of its reception in the EU, and on the other hand there are secret negotiations with A. Lukashenko. And finally: on the one hand, there are pointed economic sanctions, and on the other there are joint projects with state institutions (for example, the general protection of borders, struggle against illegal migration, etc).

Conclusions

All the above-mentioned specifies that the European Union cannot decide on its aims and tasks concerning Belarus: either it is the change of the regime or its gradual transformation through integration projects and work with the society. These purposes provide different toolkits of influence. Accordingly, to decide on strategy and tactics, it is necessary to define the aims.

For the present, the European Union abstains from formulation of a strategic approach to the "Belarusian question" because of different reasons: discrepancy of approaches of the countries friends, a weak interest in the region as a whole, absence of experience of transformation of authoritative regimes, etc. This means that Brussels will continue to use the tested mechanisms of interaction with official Minsk, such as symbolical sanctions in a combination with programs of technical help and support of the civil community.

BELARUS – UNITED STATES: THE FREEZING POINT

Andrey Fyodorov

Summary

In Belarusian-American relations, the year 2011 actually began two weeks before the calendar year officially started. The whole negativity was entailed by the post-election crackdown after the police brutally broke up protestors against electoral fraud in the December 19, 2010 presidential election. The government's actions that followed only aggravated the situation, and the two countries approached the line past which freezing of cooperation was the only option. Both still maintain diplomatic relations, which is the only positive outcome and this just proves the gravity of the situation.

Trends:

- Political contacts have been maintained at the lowest level.
- Washington tightens economic and visa sanctions.
- Bilateral economic cooperation is reduced to a minimum.
- The United States objects international financial institutions' aid to Belarus.

Condemnation and sanctions

As was to be expected, the United States disagreed with the viewpoint of official Minsk that the presidential campaign was "a huge step" toward improvement of relations between the two countries. The U.S. embassy made a statement as soon as December 20. It "resolutely condemned" the violence committed on the election day and voiced "particular concern" over the excess force the Belarusian authorities resorted to. On the next day, the Department of State demanded to release all jailed activists immediately and stop civil society harassment. Besides, the U.S. seconded the OSCE in dismissal of the election as flawed.

In late January, Deputy Assistant Secretary Thomas Melia delivered Hillary Clinton's message to Minsk. However, as Melia told journalists, Foreign Minister Sergei Martynov and his assistant appeared to be on a very tight schedule and did not find time to meet with him. It is quite possible though that both knew well what it was going to be about: the appeal "to release all arrested protestors accused of made up or real actions and drop all charges against them."

After that, statements of the Department of State and the U.S. Mission to the OSCE came one after another. Literally, not a single verdict in the 19 December case went unnoticed.

The Congress was very active as always. On March 17, the Senate unanimously passed the resolution on Belarus. It urged the U.S. Administration and the European Union to take stringent measures and coordinate joint reaction. Specifically, Brussels was suggested to forbid doing business with the Belarusian state-controlled Belneftekhim Concern and block its reachable assets, and also to terminate Eastern Partnership projects in which the Belarusian authorities were involved.

On April 1, the Congress held hearings on the situation in Belarus and proceeded with consideration of a bill on reinforcement of the Belarus Democracy Act issued in October 2004 and then amended in 2006 and 2008 this time titled "Belarus Democracy and Human Rights Act."

The Act was passed on December 14. With due account for the December presidential election and all that happened after it, the authors rewrote the Conclusion section thus listing the facts which the American legislators believed most evidently displayed the Lukashenko Administration's disrespect for democratic standards and human rights. Among the earlier events, only the referenda of 1996 and 2004 and forced disappearances of politicians and a journalist were mentioned. Accordingly, the substantive provisions were about non-recognition of the election results and relevancy of resumption and expansion of the previously imposed sanctions against a number of Belarusian officials. American companies were forbidden to provide financial aid to Belarus except for deliveries of humanitarian and agricultural goods and medicines.

The Department of State was supposed to inform the Congress of Belarus' arms trade. The U.S. president was suggested strengthening support for the independent electronic media broadcasting to Belarus. Finally, the International Ice Hockey Federation is called on to strip Minsk of the right to host the 2014 World Championship.

As concerns the demands addressed to the Belarusian authorities, they include "immediate and unconditional" release of all political prisoners, prosecution of senior leadership of the government of Belarus responsible for violations of human rights, and holding free and transparent presidential and parliamentary elections consistent with Organization for Security and Cooperation in

Europe standards and under OSCE supervision. The sanctions could be lifted and relations could be improved only after these conditions have been met.

As a matter of fact, the law was not that big a threat to official Minsk (except for those to be hit by the visa sanctions individually), but it can cause serious troubles in combination with other factors. It first of all concerns cooperation with international institutions, such as the International Monetary Fund, World Bank and World Trade Organization where the United States is quite capable of blocking resolutions Belarus is looking to. Generally speaking, the document kept with American policy towards Belarus of the past few years and confirmed Washington's determination to monitor the human rights situation in the country.

The executive branch made its contribution as well: restrictions on transactions with *Polotsk Steklovolokno* and *Lida Lakokraska* enterprises were resumed on January 31 and the list of persons banned from the U.S. was expanded considerably. Making comments on this decision, U.S. Charge d'Affaires ad interim in Belarus Michael Scanlan said "the policy of sanctions was just a simple mathematical equation: as soon as the human rights situation in Belarus has improved, which we hope for, the sanctions will be mitigated. If the situation gets worse, the sanctions will get tighter." He also informed that the list of Belarusian officials banned from America was longer than those compiled by the European Union and new names would be added with time.

Confirmation came shortly: the Department of State announced restrictions on Belorusneft Concern on March 29 and Belarusian Optical and Mechanical Association (BelOMO) and Beltechexport on May 24. Although all three were officially punished for dealings with Iran, it may be safely suggested that the reaction to Belarus' domestic policy was one of the major causes.

The U.S. president made his first statement about the situation in Belarus on May 27. He condemned the guilty verdicts for Lukashenko's contenders from the opposition and called the trials politically charged. Barack Obama promised new restrictions against some enterprises controlled by the Belarusian government in addition to those previously imposed.

The sanctions followed quite soon. Four more enterprises of Belneftekhim – *Belshina*, *Grodno Azot*, *Grodno Khimvolokno* and *Naftan* – were put on the list on August 11. A bit later, the Initiative for Social Action and Renewal, which used to sponsor NGO's

environmental efforts by allocating around USD 50,000 for over 200 projects every year, closed its local office explaining that the procedure of official registration of small grants was not transparent.

Nothing happened after that, though. The incident with delayed visa for Nadezhda Yermakova, Chair of the Board of the National Bank of Belarus, is hardly worth noting.

Looking for an "adequate response"

Minsk's reaction seemed to be rather muted up to a certain point. Unlike before, no loud public statements sounded from the top level but one made on February 28 in Alexander Lukashenko's interview to *The Washington Post*. Using some not very diplomatic terms, he accused the West of deceit, double standards, creation of a fifth column in Belarus, aspiration to establish global dictatorship and other sins.

Some president's answers given to the periodical were "inaccurate", to put it mildly. He said that "nobody doubted the outcome of the election", "you kicked out our ambassador from America" and "nobody stops you from sending your ambassador to Belarus." A couple of compliments addressed to Barack Obama could not mask severe irritation with the policy pursued by Washington.

The Belarusian leader however abstained from criticism during the annual address to the nation and parliament on April 21 and the big press conference held on June 17. It was the Foreign Ministry that had to carry the can. They certainly condemned all measures taken by the U.S. but without the usual metallic notes in the voice. For instance, when it came to BelOMO and Beltechexport, the MFA only stated the intention "to clear things up." Obama's declaration was called "unjustified and not based on actual facts" but no appeals for "constructive cooperation to the benefit of our nations" followed.

It would be wrong to say that patience of the Belarusian government exhausted after the August sanctions took effect. Considering the pained reaction to Washington's similar steps of the past few years, one would expect much harsher response this time like the confiscation of money and property of American businessmen in Belarus like it was with McDonald's. Moreover, closing the U.S. embassy and even rupture of diplomatic relations would not have been something out of line.

Nevertheless, after a week of meditation, the Belarusian Foreign Ministry only announced suspension of the highly enriched

nuclear fuel exchange and termination of the American program on training of high class managers at the Belarusian State University. Although the probability of other countermeasures was hinted at, none were taken.

There was a strange episode on October 7. During a press conference for Russian journalists, Lukashenko claimed the United States was going to make a proposition through an intermediary: "safe and warm existence in retirement" in exchange for resignation, but the intermediary refused to negotiate it.

On first thought, few would doubt that this narve offer would be repelled right away, but it was well worth a try in seeking to resolve the Belarusian issue in such a simple way given that there were no better options the West saw at that time.

Against the general dark background only two bright spots stood out, thus one of them resulted from the tragedy: after the April explosion in the Minsk underground, the U.S. embassy expressed heartfelt condolences to the people and government of Belarus and provided USD 7 million worth medicines as humanitarian aid under the Giving Hope Program of the *City Hope International* patronized by the Department of State.

Prospects far from being encouraging

It is yet unclear how painful new American sanctions would be to Belarus' economy. Department of State Spokesman Mark Toner said Belarusian businesses would face problems in the U.S. due to the restricted access to the American market and the sanctions would be a signal for European partners.

Belarusneft said it expected troubled import of manufacturing equipment and financial servicing of some projects outside the country, not to mention certain damage to the reputation. Independent experts believe the measures taken will not have serious economic consequences in the long view. Although Belarusian exports to the United States almost doubled year-on-year, it was still quite insignificant standing at USD 331 million. Besides, the turnover is fluctuating: for example, it amounted to nearly USD 90 million in May and ten times less in September.

Belarus certainly cannot retaliate because its leverage is far too modest for that. The refusal to maintain the nuclear exchange was not quite logical. The Foreign Ministry emphasized that Belarus would still safeguard nuclear fuel security in full conformity with

international nonproliferation commitments, which means that Belarusian uranium will not come to hands of international terrorists contrary to fears of the United States.

This approach could only be welcomed, at least for pragmatic reasons, otherwise it would not have been reduced to sanctions against Belneftekhim, and Belarus would confront not only the U.S. but also all parties concerned. But in these circumstances, Belarus has to keep paying big money to secure the uranium stocks and cannot expect an invite to the next Nuclear Security Summit in Seoul scheduled for the spring. When Lukashenko was not invited to the previous summit in 2010 he called it "brainlessness and stupid inertia..."

Finally, as a result of all that happened during this crisis, the country to a great extent surrendered its credibility as a reliable partner, and the United States found grounds for impeding construction of a nuclear power plant in Belarus using all available means. As a result of the said decision, Minsk has no benefits to count on.

Conclusion

The developments observed in 2011 do not suggest any positive trends. The Belarusian government emphatically refuses to reconsider its domestic policy, and the demands to call off the Democracy Act and lift the sanctions as a prerequisite for normalization of bilateral relations are precisely the opposite of America's expectations. The United States keeps pressurizing the opponent thus having not enough leverage to bring about the desired effect.

The year 2012 will most likely see no breakthroughs, the more so as America will be too busy with the presidential campaign and Belarus-related foreign policy matters will as always pale into insignificance for a while.

Basically, it is quite possible that the Belarusian government will intend to resume dialogue, but it can only happen if Minsk and Moscow are brought into a serious confrontation again, but nothing suggests that at this point. All things considered, any progress in Belarusian-American relations is very unlikely in the foreseeable future.

This article used information from BelTA, BelaPAN, and Interfax news agencies

POLAND: COLD WAR IN POLITICS AND A TRADE BOOM

Kamil Klysinski

Summary

When Alexander Lukashenko aggravated the domestic policy in December 2010, it caused a deep and formidable crisis in Minsk-Brussels relations. Relations between Belarus and Poland reached a point of dramatic tension and the latter turned into the major external enemy, and became an object of unfriendly activities and propaganda attacks. Being an immediate neighbor and presiding in the EU in the second half of 2011, Warsaw tried to convince Minsk to moderate its policy and re-establish a dialogue with Brussels. But Belarusian authorities absolutely reject Poland as a mediator and initiator of the EU's Eastern policy. Therefore, they purposefully boycotted the Eastern partnership summit in September and consistently oppose reducing tension in bilateral relations. At the same time, the terrible political climate became no hindrance to bilateral trade that reached the record-breaking USD 3.2 bln in 2011.

Trends:

- Poland became the main target of the state-owned media's propaganda attacks and unfriendly activities of the regime.
- The two countries found themselves facing a terrible crisis, forbidding any kind of cooperation or political contacts, except the bare minimum.
- The terrible political crisis did not hinder Polish-Belarusian trade, which reached a record USD 3.2 bln in 2011 and vividly demonstrated the potential of Polish-Belarusian relations.

Poland as external enemy of Belarus № 1

In early November 2010, foreign ministers of Poland and Germany Radoslaw Sikorski and Guido Westerwelle tried to persuade Alexander Lukashenko to hold democratic election in December in exchange for economic benefits from extended cooperation with the EU. It was another attempt of the so-called policy of conditionality, which meant that Warsaw and Berlin showed a greater interest in democratization of Belarus than other EU countries. It was also the reason why the both states, after the opposition demonstration was broken up on 19 December 2010, had to react promptly and decisively, i.e. proportionally to their previous engagement in political liberalization. Harsh criticism and threat of sanctions provoked the regime's aggressive reaction.

In January 2011, the printed organ of the Presidential Administration newspaper *SB. Belarus Today* published a number of long articles titled *The backstage of a conspiracy*¹, claiming to be based on operative materials of the Belarusian secret services and proving that Germany and Poland had prepared and financed a revolution in Belarus aiming to overthrow Alexander Lukashenko. Both countries disclaimed these accusations and called for re-introduction of visa sanctions against the regime's representatives with Lukashenko at the head, which were lifted in autumn 2008. It should be noted that Poland had introduced its own list of persons banned from entry into its territory before such a decision was made at the EU forum. Later, the Belarusian authorities lessened accusations against Germany but retained severe criticism of Poland. In February, the Belarusian TV channel ONT broadcasted a program «Open Format», where the guests evaluated the policy of Polish authorities as non-constructive, hostile and far from the democratic standards promoted by Warsaw. This was just the beginning of anti-Polish propaganda aimed at discrediting the Polish authorities and their Eastern policy. As a result, Poland became the regime's enemy №1, which is understandable because any authoritarian system has a natural need for creating an external enemy to shift responsibility for political and economic problems and to consolidate society and the power camp.

In the 20-year history of Polish-Belarusian relations Warsaw has often performed this role in Minsk's policy. Therefore, it was an ideal object for another big propaganda campaign. As a result, relations between two countries were in a deep crisis, which paralyzed any kind of a wider political cooperation.

Together with the campaign in the media, the Belarusian authorities launched legal actions against the *Karta Polaka*, or the Pole's Card, a document confirming belonging to the Polish nation for individuals who cannot obtain dual citizenship in their own countries. The Card is issued, among others, to the citizens of Belarus of Polish origin and provides them with a number of discounts, including a fee-free visa. On proposal of the House of Representatives of the Belarusian Parliament the Constitutional Court analyzed the legality of the Act on the Pole's Card and resolved in the ordinance of 7 April 2011 that Polish consulates granted these documents illegally violating, among others, the UN's ordinances,

¹ <http://sb.by/post/111079/>

Polish-Belarusian bilateral agreements and the Vienna Convention on Consular Relations. Despite references to such solid legal acts, the ordinance was of somewhat ludicrous nature as evaluation of a legal act of an independent state by a judicial body of another state is not a conventional international practice. Besides, the content of the ordinance showed that it had been prepared hastily: a statement in the document indirectly indicates that the illegal Union of Poles in Belarus was recognized as a full-fledged non-governmental organization, which surely could not have been the aim of the Constitutional Court. In this light, the judges' decision seems to be a mere pretext for actions limiting the accessibility of the *Karta Polaka* to the citizens of Belarus.

Despite the propaganda, the Card seems to have caused alarm among the Belarusian authorities because they see it as a dangerous and effective lever of influencing a significant part of the society (according to the census 2009, 300,000 people of Polish origin live in Belarus). So, in late 2001 the Belarusian parliament made amendments to the law on civil service prohibiting civil servants to hold or obtain the Pole's Card under threat of dismissal.

But the fact is that no repressive activities, similar to those of winter 2010 in Ivianiec, were launched against the independent Union of Poles in Belarus headed by Anzelika Orechwo in 2011. Similarly, in July 2011 Andrey Pachobut was convicted to a 3-year sentence with a stay of execution for 2 years not because of his activities in the Union but for writing critical articles about the Belarusian regime in the Polish daily *Gazeta Wyborcza* as its resident correspondent in Belarus.

Poland's presidency fiasco in relations with Lukashenko

One of the most difficult tasks of Polish presidency in the European Union in the second half of 2011 was Belarus-EU relations. Since the presidential elections in December both Minsk–Warsaw and Minsk-Brussels relations were halted and nothing indicated that they might be resumed. The regime's tough policy convinced the EU policy-makers to enlarge the list of individuals banned from entry into the EU and to introduce some economic sanctions, starting with three companies of Vladimir Peftiev, a businessman close to Lukashenko.

Since the very beginning of the crisis, Poland has been among countries calling for a stern position in relations with the regime,

which lessened Warsaw's appeal as a feasible negotiator in resuming a dialogue between Belarus and the EU. In late September, Foreign Minister of Bulgaria Nickolay Mladenov was invited to Minsk for behind-the-scenes negotiations on this issue, which proved that the Belarusian authorities would work around Poland in their contacts with the EU at any cost. Despite Mladenov's failure Minsk did not change its negative attitude to Poland's role during its EU presidency. Alexander Lukashenko decided not to send Foreign Minister Sergey Martynov to the Eastern partnership summit in late September in Warsaw and the Belarusian delegation was excluded from the sittings.

As a result, Polish diplomats did not stand a chance to exploit the summit and try resuming the dialogue. At the same time, the Belarusian president once again accused Poland of planning to annex Western Belarus and rejected Donald Tusk's preliminary modernization package for appr. USD 9 bln. Minsk was firm rejecting Poland's role in molding relations between Belarus and the EU. In these circumstances, at a press-conference in December 2011 Poland's ambassador to Belarus Leszek Szarepka had to admit that during Poland's presidency no significant improvements had been achieved in Belarus-EU relations. What is more, besides issuing offensive statements and ignoring Poland's role in the EU the Belarusian authorities performed a number of unfriendly activities that impeded reducing tension in bilateral relations. For example, the Belarusian side blocked enactment of the agreement on local border traffic, signed as far back as early 2010.

As a result, Poland's support of the Belarusian opposition and civil society out of its Foreign Ministry's aid fund and other, non-governmental sources, turned out to be the only realm of political cooperation between the states. But the positive cooperation atmosphere was marred by Ales Bialacki's arrest on the grounds of information handed over by the Polish Prosecutor's Office and the Lithuanian Ministry of Justice. An oversight with tragic consequences, this accident was negatively received by the Belarusian civil activists and generated a formidable suspicion toward the Polish authorities.

Best year for trade

Good trade figures have always been typical for Polish-Belarusian relations, despite tensions in the political sphere. The 2011 Minsk-

Warsaw crisis had no negative influence on the bilateral trade; on the contrary, the total turnover reached the record-breaking USD 3.2 bln. The figure of USD 2.4 bln in the Belarusian statistics is accounted for by a different calculation method.

Compared to 2010, it grew by 20%. Traditionally, the Belarusian export to Poland consisted of petroleum-based products, potash fertilizers, and wood. Belarus imported an extensive list of items ranging from vegetables and pork to furniture and metal products. It must be underlined that this significant growth occurred as a part of the general trade increase between Belarus and the EU,

Nevertheless, just like the rest of Europe, Poland made little investment into Belarus - only USD 15.8 mln.

Conclusion

By late 2010, after a long period of dialogue, Polish-Belarusian relations landed in a profound and deep political crisis. Due to diametrically opposed interests and conflicting values both sides are unable to find a common language and come to at least temporary understanding. Poland decisively rejected Minsk's cliché "accept us the way we are", which, besides other things, would mean accepting repressions against the opposition. On the other hand, Belarus consciously rejected Poland as a negotiator in relations with the EU and the key initiator and immediate implementer of the Eastern policy. In this situation, Minsk – Warsaw political contacts in 2011 could not cross the minimum conditioned by the immediate neighborhood, although the record-breaking level of bilateral trade hints at a mighty but uncultivated potential of the bilateral relations.

BELARUS – UKRAINE: NEIGHBORLY STAND-OFF

Gennady Maksak

Summary

In 2011, Belarusian-Ukrainian relations were as always influenced by external factors linked with domestic political events and multi-vector integration processes in the Eastern European region. As concerns the assessment of the events of December 19, 2010 in Belarus, Kyiv seconded the OSCE and European Union, which refused to recognize the results of the flawed elections, and pointed at violations of human rights and liberties that resulted in a political communications decline down to the level of the foreign ministries.

In spring, dependence of Belarusian-Ukrainian relations on the European Union's position led to a big public scandal when Lukashenko insulted the Ukrainian government.

At the same time, Ukraine did not support the advocates of sanctions and tight isolation of Belarus taking into account close economic ties between the countries. Despite the downgrade in political contacts, Kyiv did not renounce the idea to act as an intermediary in rectifying relations between Minsk and Brussels.

In 2011, no solutions were found to the major problems including the exchange of ratification instruments for the border agreement. By the end of the year, the parties came back to the usual format with a focus on development of trade and economic relations that resulted in new record-breaking parameters of the bilateral commodity turnover.

Trends:

- The level of political dialogue is being reduced to technicalities and procedural matters.
- No progress was made on the way to the border agreement.
- The bilateral commodity turnover reached the new record level of USD 6.2 billion.
- Oil cooperation with Russia that is favorable to Belarus impedes the Odessa-Brody project.

Political dialogue

The events of December 19, 2010 determined the status and intensity of political dialogue between Belarus and Ukraine throughout the year 2011. Kyiv adopted the assessment made by the OSCE and the European Union as concerns human rights violations and the

crackdown on protestors which followed the presidential election in Belarus. Given that Kyiv wanted to sign an association agreement with Brussels in 2011, Ukraine chose the tactics of avoiding active political contacts with the Belarusian leadership.

Nevertheless, President of Ukraine Victor Yanukovich was one of the first to congratulate Lukashenko by telephone for winning the election, while the Ukrainian presidential press office withheld comments on that gesture¹. Yanukovich was unable to congratulate his counterpart in person. Ambassador of Ukraine to Belarus Roman Bezsmertny was supposed to attend the inauguration² but he refused to do it referring to political and moral views³.

The European context of the Belarusian-Ukrainian relations eventually resulted in a conflict situation when Ukraine took a disputed position on participation of the Belarusian president in the event timed to the 25th anniversary of the Chernobyl accident. Initially, Kyiv was going to host a Nuclear Safety Summit on April 19. Leaders of the countries which possess nuclear technologies or have interest in their application were invited and Lukashenko was on the invitation list too. Then Jose Manuel Barroso, President of the European Commission, said that, given the political situation in Belarus, he would not come if Lukashenko was there.

Kyiv therefore attempted to keep the Europeans and the Belarusian president separated in different social events⁴. Representatives of European institutions were supposed to take part in the summit on April 19, and Lukashenko was suggested visiting Chernobyl on April 26 to pay tribute to the memory of the victims together with Victor Yanukovich and Dimitry Medvedev.

In April, the Belarusian president did not show up in Ukraine, explaining his decision to refrain from the visit in a very emotional

¹ See: *Кто представлял Украину на инаугурации Лукашенко* ('Who represented Ukraine at Lukashenko's inauguration') // January 2011: <http://www.unian.net/news/417464-kto-predstavlyal-ukrainu-na-inauguratsii-lukashenko.html>.

² See: *На инаугурации Лукашенко Украину представлял посол* ('Ambassador represented Ukraine at Lukashenko's inauguration'): <http://podrobnosti.ua/power/2011/01/23/748933.html>.

³ See: Роман Безсмертний: *Українці навіть не уявляють, у якому раю живуть* (Roman Bezsmertny: *Ukrainians do not even realize what a paradise they live in*): <http://www.day.kiev.ua/324>.

⁴ See: *Лукашенка й Баррозу у Києві розведуть* ('Lukashenko and Barroso to be separated in Kyiv') : <http://www.pravda.com.ua/news/2011/03/21/6035112/>

manner, and while using offensive language. He suggested looking for the reason in Kyiv. "Address this question to Yanukovich: why the Belarusian president is absent from the events. You ask them. Unfortunately, lousiness is typical of their leadership⁵."

Ukraine certainly could not pretend it had not heard that. The Party of Regions called the statement hasty and inconsiderate. Opposition parties reacted harshly and called on the prime minister of Ukraine to demand public apologies.

President Lukashenko made an attempt to mollify anger. During a meeting with Ukrainian Premier Azarov on May 19 in Minsk, he tried to downplay tensions and proclaimed willingness to cooperate with Ukraine in all sectors⁶ but then kept making uncomplimentary comments on Ukraine's foreign policy in the European arena⁷.

May and June saw a peculiar diplomatic scandal between Kyiv and Minsk. In the first half of 2011, Ukraine expelled two military attaches of Belarus on suspicion of espionage. Minsk responded by deporting two Ukrainian military diplomats in June. This conflict did not severely affect mutual relations, though⁸.

In 2011, Ukraine replaced its ambassador to Belarus. Roman Bezsmertny was dismissed after around a year in this position. Victor Tikhonov, former vice premier for regional development, building and housing and communal services of Ukraine, was appointed in early June⁹.

Roman Bezsmertny, one of Victor Yushchenko's team-mates, is known for his negative attitude to Belarus' human rights policy.

⁵ See: Яценюк: Азаров «проковтнув» заяви Лукашенка (Yatsenyuk: Azarov swallows Lukashenko's statements): <http://www.pravda.com.ua/news/2011/05/19/6218382/>

⁶ See: Лукашенко поклявся Україні у вірності. Про вошивість — ані слова ('Lukashenko swears friendship to Ukraine. Not a word about lousiness'): <http://www.pravda.com.ua/news/2011/05/19/6216009/>

⁷ See: Лукашенко: Захід тримає Україну на короткому повідку (Lukashenko: The West keeps Ukraine on a short leash)// <http://www.pravda.com.ua/news/2011/06/18/6308272/>

⁸ See: Білоруських дипломатів вислали за шпигунство ('Belarusian diplomats expelled for espionage'): <http://www.pravda.com.ua/news/2011/07/16/6392177/>

⁹ See: Президент України Віктор Янукович назначил новым послом Украины в Белоруссии бывшего вице-премьера страны Виктора Тихонова ('President of Ukraine Victor Yanukovich appoints ex-vice premier Victor Tikhonov ambassador to Belarus'): <http://news2000.com.ua/news/sobytiya/v-ukraine/181138>

The Foreign Ministries of Ukraine and Belarus spoke about diplomatic ethics and non-interference in domestic affairs of foreign states more than once¹⁰ and Tikhonov, one of the closest associates of President Yanukovich, was most likely expected to mend the diplomatic situation in terms of bilateral dialogue.

The replacement seems to help unblock diplomatic dialogue on the governmental level in 2011. The Belarusian-Ukrainian inter-governmental commission for trade and economic cooperation held the 20th session in mid-December to address a number of agreements which had been waiting to be signed since the end of 2010.

The two MFAs had to act as liaison offices as both countries lacked steady channels for top-level information interchange. Ukraine mostly confined itself to official statements and notes about violations of the rights of Ukrainian citizens in Belarus addressed to the Belarusian Foreign Ministry and declarations regarding Ukraine's position on the trials of opponents of the Lukashenko regime.

A high profile incident which required intervention of Ukrainian diplomacy took place in late 2011 when the Belarusian KGB allegedly detained Ukrainian *FEMEN* movement activists and put them through a humiliating treatment for an unsanctioned picket near the KGB building in Minsk¹¹ on December 19.

Belarus in Ukraine's foreign policy coordinates

As concerns Ukraine's foreign policy toward Belarus, Kyiv abided by the European Union's viewpoint on the situation in the neighboring state, but actually did not follow the mainstream having in mind close trade and economic cooperation with Belarus, thus reserving the role of an intermediary between Belarus and the Union, although Minsk had never articulately agreed to use Ukraine's conciliatory services.

¹⁰ See: Грищенко натякнув, що Безсмертному заборонено говорити від себе ('Grishchenko hints that Bezsmertny must not speak for himself'): <http://www.pravda.com.ua/news/2011/02/18/5931659/>

¹¹ See: Бессмертный: Украина должна была поддержать FEMEN в Беларуси ('Bezsmertny: Ukraine should have supported FEMEN in Belarus'): http://news.liga.net/news/politics/582387-ukraina_dolzha_byla_podderzhat_femen_v_belarusi_bessmertnyy.htm

When introducing Ukraine's position on the Eastern Partnership in the European Parliament as far back as January 2011, Supreme Rada representatives from the Party of Regions faction said Ukraine did not expect this program to actualize without Belarus¹². In February, Prime Minister Azarov did not sign the statement of the Visegrad Four, Germany and Austria, which condemned civil society harassment in Belarus¹³.

In September 2011, the Euronest Parliamentary Assembly (September 15, Strasbourg) and the Eastern Partnership summit (September 30, Warsaw) did not adopt final resolutions on the situation in Belarus in many respects due to the dissenting opinion of the Ukrainian delegation. Although Kyiv's efforts did not improve relations between Minsk and Brussels, the blocking of some international resolutions against Belarus displays Ukraine's aspiration to stand up for the neighbor in disputes with third parties.

The presidency of Ukraine in the Committee of Ministers of the Council of Europe May through November 2011 did not produce appreciable results for Belarus either. In 2010, Ukrainian government officials and experts stated Kyiv's intention to put forth strenuous efforts to mend fences between Minsk and the Council of Europe but after the December presidential election in Belarus and before the Council of Europe got to Ukrainian agenda, the "Belarusian issue" was finally rendered irrelevant and unrealistic in terms of the stated objectives.

Trade and economic cooperation

Despite all political misconceptions, the economic sector has always remained beyond the framework of verbal confrontations that made it possible to achieve record-breaking parameters of the bilateral commodity turnover. The Belarusian-Ukrainian intergovernmental commission for trade and economic cooperation held a session in December 2011 with the participation of the first vice premiers. The delegations signed a number of bilateral protocols,

¹² See: *Україна намерена вступитися за Беларусь перед ЄС ('Ukraine intends to defend Belarus in EU')*: <http://ukranews.com/ru/news/ukraine/2011/01/26/35904>.

¹³ See: *Азаров не підтримав критичну заяву Європи про Лукашенку ('Azarov does not support Europe's critical resolution on Lukashenko')*: <http://www.pravda.com.ua/news/2011/02/15/5920976/>.

including those on implementation of transport infrastructure projects¹⁴.

In 2011, the commodity turnover between the two countries exceeded USD 6.2 billion with Belarus' trade surplus of USD 2,122 billion¹⁵ (almost a fourfold increase as compared with 2008) owing to strengthening of Belarusian exporters after the Belarusian ruble devaluation.

Tractors, potash and mineral fertilizers, MAZ cargo trucks, refrigerators, freezers, and agricultural machinery accounted for most of Belarus' export supplies to Ukraine. Ferrous metals and ferrous materials remained Ukraine's key exports to Belarus constituting one third of the entire volume alongside agricultural goods (oil cakes, sunflower oil and corn), electric energy, rail cars, sunflower seeds, tobacco, paper, etc. Border zone trade contributed greatly with nearly one third of turnover in 2011¹⁶.

Belarus was second among the largest trade partners of Ukraine in the CIS (after the Russian Federation) and fifth worldwide. As of October 1, 2011, Belarus invested USD 41.6 million in Ukraine's economy and Ukraine answered with USD 4 million¹⁷.

¹⁴ See: *Україна і Білорусь вийшли на рекордні обсяги двостороннього товарообігу ('Ukraine and Belarus reach a record-breaking level of commodity turnover')*: http://www.kmu.gov.ua/control/publish/article?art_id=244789812.

¹⁵ See: *Товарооборот Беларусі і України в январе-февралі возрос на 35.3% — до USD 865.7 млн ('Belarus and Ukraine's commodity turnover shows a 35.5% increase up to USD 865.7 million in January-February')*: http://www.belta.by/ru/all_news/economics/Tovarooborot-Belarusi-i-Ukrainy-v-yanvare-fevrale-vozros-na-353-do-8657-mln_i_593611.html; *Україне і Беларусі удалось значительно нарастити двусторонній товарооборот ('Ukraine and Belarus manage to considerably increase bilateral turnover')*: <http://transport-journal.com/dlya-hlavnoj-stranytsyi-s-foto/ukrayne-y-belarusy-udalos-znachytelno-narastyt-dvustoronnyj-tovarooborot/>.

¹⁶ See: В. Величко: *Товарооборот Беларусі і України в 2011 году превысит USD 5 млрд при сохранении положительного сальдо (V. Velichko: Belarus and Ukraine's commodity turnover to exceed USD 5 billion with secured trade surplus)*: http://www.belta.by/ru/all_news/economics/Tovarooborot-Belarusi-i-Ukrainy-v-2011-godu-prevysit-5-mlrd-pri-soxranenii-polozhitel'nogo-saldo-Velichko_i_570472.html.

¹⁷ See: *О состоянии торгово-экономического сотрудничества Украины с Республикой Беларусь за январь-ноябрь 2011 г. ('The status of Ukraine-Belarus trade and economic cooperation in January-November 2011')*: <http://www.belarus.mfa.gov.ua/belarus/ru/1055.htm>.

Energy: might-have-been strategic orientation

Cooperation in the energy sector was outlined as strategic for both countries. Energy was prioritized in the plan for development of bilateral trade and economic cooperation for the year 2011 signed in December 2010. However, the energy cooperation targets were not achieved.

In 2011, Belarus imported 2,561.6 million kWh of Ukrainian electric energy (down 12.9% year-on-year). The decline in supplies of Ukrainian electric energy resulted from the suspension of the export in May-June 2011 due to the shortage of currency Belarus experienced at that time. The export to Belarus resumed since July¹⁸.

The project on transportation of Azerbaijani oil to the Mozyr refinery through the Odessa-Brody main, which was intended to safeguard energy security, fell short of expectation. Belarus and Ukraine agreed on January 17 to deliver four million tons of Azerbaijani oil in 2011-2012, but Belarus only accepted 988,000 tons in 2011¹⁹. Minsk lost interest in the project as Russia provided oil on better terms.

Predictably enough, Belarusian-Ukrainian partnership in constructing the nuclear power plant, transit of Ukrainian electric energy to the Baltic States, and cooperation in the gas sector²⁰ made no progress despite Ukraine's information and diplomatic efforts.

Conclusion

Participation of Minsk and Kyiv in integration projects of various geopolitical orientations sounded the keynote of Belarusian-Ukrainian relations in 2011. While Belarus was accommodating itself to the Common Economic Area and Customs Union, Ukraine was working on an agreement on association with the European Union.

¹⁸ See: Беларусь за 2011 год импортировала 2561.6 млн кВт·ч украинской электроэнергии ('Belarus imports 2,561.6 mil kWh of Ukrainian electric energy in 2011'): <http://newsby.org/by/2012/01/14/text22780.htm>.

¹⁹ See: Украина и Беларусь подписали договор о транспортировке 4 млн т лёгкой нефти в год ('Ukraine and Belarus enter into contract on transportation of 4 mil t of light crude oil a year'): <http://news.tut.by/economics/211874.html>.

²⁰ See: Украина намерена помочь Беларуси в строительстве АЭС ('Ukraine is going to assist Belarus in construction of the nuclear power plant'): <http://podrobnosti.ua/economy/2011/09/01/789087.html>.

Seeking deeper relations with the EU, Kyiv had to adjust to the common European policy toward Minsk that affected interaction between the two neighbors to a certain extent. In turn, Belarus was guided by the new format of relations with Russia, and a number of joint projects with Ukraine became either economically inefficient or politically inadvisable.

The year was hard for Belarus' economy. Both countries however managed to reach a new level of economic cooperation, but failed to implement important infrastructural projects and to determine a strategy and tactics to approach markets of third countries. Most of the quite promising energy and transportation projects, some of which have been waiting to be implemented for a few years now, made no progress either.

CRISIS OF REGIONAL INTEGRATION PROJECTS IN THE EAST OF EUROPE

Vladimir Dounaev

Summary

A downgrade of European policy in the East paralyzes regional integration processes in Eastern Europe to a considerable extent as seen on the example of GUAM. After a short revitalization in the second half of 2010, inspired by the hope to involve Belarus in this regional alliance, GUAM went back into stagnation.

The year 2011 was not productive for another European project in the east of Europe – the Eastern Partnership initiative. Russia has become less concerned about the European Union's activity on its western border that indirectly pointed at the Eastern Partnership crisis.

The Eurasian oil-transport corridor launched in 2011 did not step up integration of the countries between the Baltic Sea and the Caspian Sea either. The situation which compromised political and economic integrity of the region is aggravated by the growing conflict of national historical mythologies.

Trends:

- Russia's increasing expansion against the background of fading interest of the West in Eastern Europe as a buffer zone weakens integration processes in the region.
- The crisis of regional solidarity is manifested by the growing conflict of national historical and political myths, evasion from consolidated policy shaping in relation to the European Union and Russia and retardation of large regional energy transport projects.

Historical policy

Multinational regions as virtual communities require a symbolic division of their territory with the help of transnational historical myths. The Jagiellonian idea of Poland's responsibility for the future of the eastern neighbors used to be looked at as a tool of symbolic Eastern European integration. Poland intended to claim leadership over the peoples which once were a part of Rzech Pospolita and establish it in the entire territory from the Baltic Sea to the Caspian Sea. However, since 2009, the Civil Platform party started to push the Jagiellon paradigm out with the ideology of primacy of all-European Neighborhood over Polish eastern policy

and succeeded in it quite well. Rejection of the Jagiellon mythology was mainly caused by its inability to play the role of regional historical policy which could reconcile national historical myths.

New historical policy pursued by Minsk appeared to be the most hostile towards the regional historical-political paradigm. After the cautious attempts to implant Belarusian history in the Eastern European Grunwald myth in 2010, Belarus pivotally redirected the vector of integration rhetoric. As soon as January 2011, during an extraordinary session of the House of Representatives of the National Assembly of Belarus, President Lukashenko accused Poland of territorial claims to Belarus¹. On October 7, 2011, he told Russian journalists that "they dream of the border of Poland passing near Minsk. They just cannot accept today that the border is there, before Grodno; those eastern boundary markers²." Warsaw did not react to the territorial claim accusation, but then considered it necessary to emphasize that Poland had never disputed the post-war borders in Europe.

As the Jagiellonian idea was rejected, Belarus' historical insinuations looked even more groundless and exhibited the intent to provide an historical background for the Belarusian-Polish political confrontation. The TV series titled "Talash" poured oil on the flames kindling anti-Polish sentiments. The negative interpretation of the Polish-Soviet war of 1919–1921 in this screen adaptation of *Drygva* short novel by Jakub Kolas was meant to replace the image of Eastern European brotherhood in arms depicted by the Belarusian five-episode miniseries *Grunwald* (2010) with an image of a hostile western neighbor.

Lukashenko's demand to put an end to "dissolution of our past in the history of Poland and Lithuania³" addressed to Belarusian historians follows the same logic of isolation from Eastern Europe. In the opinion of the Belarusian leadership, a true historical narrative must justify the eastern vector chosen for Belarus by its leader.

In 2011, Belarus was officially done with the idea of integration into Eastern Europe, and the other countries of the region made little effort to harmonize the transnational history.

Interpretations of the so-called Volhynia Massacre which Warsaw regards as genocide of the Polish population in Ukraine in

¹ See: <http://www.interfax.by/news/belarus/86782>.

² See: <http://president.gov.by/press107111.html>.

³ See: <http://news.tut.by/it/272771.html>.

1943 still remain a sensitive point in Polish-Ukrainian historical-political relations. As before, Poland and Ukraine disagree over the attitude to the Ukrainian Insurgent Army (UPA) responsible for the massacre of the Poles. Although Kyiv tries to act smoothly not to irritate the western and eastern neighbors by glorification of the nationalist military units, Warsaw cannot achieve a distinct estimation of their actions in relation to the Poles⁴.

The disputes over interpretations of the past still complicate mutual relations between Lithuania and Poland as well. The entanglement between the history and current policy in bilateral relations which seemed to be forgotten long ago reminded of itself with a new upsurge of the historical-political conflict in 2011. The new law on education, which the Polish minority believes is violating their right of using their native language, brought back reciprocal claims concerning the historical status of the Wilecki kraj (Vilnius County) where the most part of the Polish diaspora lives. The historical policy was rendered relevant by both parties and, according to a number of experts, Polish-Lithuanian relations reached a freezing point in 2011.

Lithuania's concerns over possible historical claims of Belarusian nationalists to Vilnius County give rise to suspicions and mistrust toward the Belarusian opposition. This viewpoint on historical threats to the integrity of Lithuania found support among European parliamentarians from Lithuania in February 2011 during the debates hosted by its embassy in Brussels. Some Lithuanian politicians consider the Lukashenko regime to be not that bad an alternative given the atmosphere of mistrust to the democratic camp in the neighboring country.

Growing politicization of history in almost all countries of Eastern Europe impedes integration processes in this region sowing suspicions among the states and peoples.

⁴ The book *Друга польсько-українська війна. 1942–1947 у документах ОУН та УПА (Second Polish-Ukrainian War. 1942–1947 in documents of OUN and UPA)* by Vladimir Vyatrovich released in 2011 could give hope for resolution of the historical-political conflict around the Volhynia Massacre. The Ukrainian historian, former chief record keeper of the national security service, tried to offer a compromise in interpretation of the 1943 events in Volhynia as an episode of the Polish-Ukrainian war, rather than an act of genocide. However, this intellectual provocation has not led to reconciliation of historical-political interpretations on both sides of the Polish-Ukrainian border.

Institutionalization of regional cooperation

In the history of the GUAM Organization for Democracy and Economic Development, the year 2010 was marked by a burst of hope for expansion through inclusion of Belarus and then disappointment over the failure. Initially, the geostrategic value of GUAM was in many respects determined by the opportunity of creating an energy transport corridor from the Caspian Sea to the Baltic Sea. There was a place for Belarus in this meridional project and the country exhibited its ability to influence the strategic decision on hydrocarbons transportation via the Eurasian oil-transport corridor in 2010. This route, which had been remaining a mirage in Eastern European geopolitics for years, could take shape owing to involvement of Belarus.

However, Minsk made a U-turn towards the union with Russia in December 2010 that shattered the hopes of GUAM expansion. Although Lukashenko did not officially reject an opportunity of bilateral cooperation with the alliance members, he ruled out the regional format of political and economic interaction.

Meanwhile, the regional projects were in decline even without that, being unable to work out viable solutions in response to strategic challenges, such as unexpected signing of a new free trade zone treaty by two of four GUAM members at the session of the CIS prime ministers council on October 18, 2011 that posed a threat to GUAM unity. Ukraine and Moldova, which used to criticize the treaty before, joined the other six signatories. There is a free trade zone inside GUAM too: it was created in 2006 when the organization's activity reached its peak.

During the fifteenth summit held on September 29, 2011, GUAM foreign ministers were quite optimistic about the future of economic cooperation. The joint statement released at the summit says the GUAM members have successfully overcome the recession of 2010 and reached the pre-crisis level of mutual trade. The objectives include doubled sales turnover within five years, generation of a stabilization fund, etc. In order to stimulate particular programs and projects, the foreign ministers council adopted an action plan for stepping up cooperation⁵. However, three weeks later, several GUAM members joined the CIS free trade agreement in St. Peters-

⁵ See: <http://guam-organization.org/node/1215>.

burg that revealed poor coordination of actions and a solidarity crisis within GUAM.

None of the organization's missions is being properly accomplished. Russia's aggression against Georgia in 2008 showed very clearly that GUAM is unable to withstand external threats in a consolidated manner possessing no effective mechanisms for resolving conflicts. The statement of the foreign ministers council made in Warsaw during the Eastern Partnership Forum of September 29, 2011 actually suggests the European Union taking care of conflict resolution⁶.

The year 2011 did not see any appreciable efforts aimed at ensuring energy security of GUAM members and their European neighbors. The launch of Odessa – Brody oil main did not result in large-scale transit of hydrocarbons from the Caspian Sea region to Europe. Ambitious energy forums which gathered leaders of many countries from the Baltic Sea to the Caspian Sea are history now. Summits of the GUAM heads of state have not been held since 2008, which is actually against the organization's protocol. It means that GUAM has lost its attractiveness as an integration institution.

Its crisis is bound up not only with the new EU program, Eastern Partnership, but also the United States and European Union's lesser interest in integration policy in the east of Europe. Two regional leaders went off the scene. Polish President Lech Kaczynski tragically died in an accident on April 10, 2010 and Victor Yushchenko lost the 2010 presidential election in Ukraine that beheaded regional policy. None of the incumbent presidents have attempted to assume leadership in their stead in 2011.

Eastern Partnership

The Eastern Partnership prioritizes backstopping of bilateral cooperation projects in Eastern Europe and the Southern Caucasus, rather than promotion of regional integration at the eastern border of the Union. At the same time, the program can perform certain functions of a regional initiative in the context of multilateral cooperation.

Sure enough, the post-Soviet republics with different geopolitical orientation and often contradicting interests hardly can create a common political-economic space. Nevertheless, the year 2011

⁶ See: <http://guam-organization.org/node/1215>.

provided examples of impressing solidarity of the six countries in the face of the European Union's determination to put pressure upon Belarus.

The first demarche was made by the parliament speakers of the Six in response to the European Parliament's decision to open Euronest keeping Belarus away. Since October 2009, the task group for creation of a parliamentary assembly of the EU and Eastern Partnership member states tried hard to work out a compromise for participation of Belarus' delegation in the assembly given that the parliamentary elections in Belarus were dismissed as flawed and not complying with the OSCE standards. On May 3, 2011, the European Parliament decided to start Euronest without Belarus although parliamentarians from the member states opposed it. The EU faced the consolidated position of the partners for the second time when trying to add a special paragraph criticizing Belarus for violation of fundamental human rights and liberties in the final variant of the summit declaration issued on September 29–30, 2011 in Warsaw.

Whatever the motives of those demarches might be, in 2011 the Eastern Partnership was turning into a platform for manifestation of political solidarity of the states. Resolutions of the internal contradictions in this mosaic post-Soviet space in many respects came as an answer to the European Union's attempt to impose its political standards on the partners. It was an effect the Europeans were never looking to. It showed the growing disappointment in the Eastern Partnership's efficiency.

Russia has become less concerned about the European Union's activity on its western border that indirectly revealed a crisis in the Eastern Partnership. Large-scale modernization projects, which the Eastern Partnership participants put high hopes on at the initial stage, never came to implementation due to serious problems with financing. Unwillingness of the West to strain relations with Russia and the fierce competition for resources in the Mediterranean Union cast strong doubt about good geopolitical prospects of the Eastern Partnership. Although the European Commission's review of the European Neighborhood Policy titled "A New Response to a Changing Neighborhood"⁷ calls on to address both dimensions, most members of the Union prefer the southern vector.

⁷ See: http://eeas.europa.eu/delegations/russia/press_corner/all_news/news/2011/20110525_ru.htm.

France and its allies grow stronger in the European framework as they insist on the redistribution of funds for the benefit of what is called the “new Roman Empire.” Even now, two thirds of the program’s funds allocated to support neighborhood policy in 2007–2013 are channeled to the South. Seven EU members – France, Italy, Slovenia, Greece, Spain, Cyprus and Malta – addressed Catherine Ashton stressing relevance of an increase in the share of financing for the Southern Mediterranean countries. They pointed at a support disproportion in comparison with the Eastern Partnership members. For instance a Moldovan gets 25 euros from the EU budget on the average; seven euros go to a Tunisian and 1.8 euros are given to an Egyptian.

Eastern policy of the Union quickly loses expansion momentum that comforts Russia but alarms Poland, the traditional promoter of this policy, which was most evident during the latter’s EU presidency in 2011. Poland has given up independent eastern policy but it is still eager to influence the post-Soviet neighbors using European tools for this purpose. Germany, which seeks to contain growing influence of France on the European Union’s foreign policy, remains Poland’s ally in securing the eastern dimension. However, this intricate game of interests has not resulted in increased efficiency of regional projects of the Eastern Partnership.

Regional energy transport cluster

Over the past few years, it looked like development of the trans-European and international transport corridors, first of all the 9th multimodal corridor which connects the north and the south of Europe and goes on along the Silk Route down to the new industrial district in the northwest of China, as well as the meridional Eurasian oil-transport corridor (EAOTC) from the Caspian region to Western Europe, could provide a large capacity for regional integration in the near future. Serious doubts about feasibility of such projects arose in 2011.

The Ukrainian Odessa–Brody main used for a long time in the reverse mode for transportation of Russian oil was a key element of the EAOTC. Ukraine had to reanimate the corridor after Russia stopped supplies through Brody–Odessa and partly drained the southern string of Friendship oil main in mid-2010 and Belarus suggested filling it up with Azerbaijani oil. On January 17, 2011, Ukrtransnafta and Belarusian Oil Company entered into a contract

on transit of four million tons of oil a year through Odessa–Brody to the Mozyr oil refinery in Belarus in 2011–2012. The main was supposed to deliver Azerbaijani oil as a replacement of Venezuelan oil. The project started working on February 13, 2011.

Minsk managed to put the main in the direct mode as the EAOTC initially planned, but it did not stimulate further development of the project. Minsk fails to gain credibility as a partner in creation of the regional economic cluster due to non-transparent oil contracts with Venezuela and Azerbaijan, unclear economic motivation for Caspian oil purchases, doubtful ability to fully load the main, political risks resulted from Belarus’ increasing dependence on Russia and the aggravating conflict with the West. The agreement on terms of Russian oil supplies to Belarus in 2012–2015 signed on December 15, 2011 in Moscow finally made deliveries of Azerbaijani oil to Mozyr economically senseless.

Belarus’ ability to load Odessa–Brody main was questionable from the very beginning. In 2011, Belarusians pumped only one quarter out of the four million tones, thus Ukraine is to be paid for transit of the entire amount every year until 2013 no matter how much Belarus is transporting as established by the Ukrtransnafta-Belarusian Oil Company contract. In September 2011, Ambassador of Ukraine to Belarus Victor Tikhonov confirmed that Minsk was paying for the use of Odessa–Brody in due time and said that the project was beneficial for Belarus and Ukraine both economically and politically⁸.

These benefits are probably not directly connected with the amounts of oil. Ukrainians call the situation with Odessa–Brody “an energy illusion.” Lately, every year begins with declarations about a substantial increase in deliveries of Azerbaijani oil through the Ukrainian oil-transport system and then, at the end of each year, it is found out that the volumes are not actually required. Then comes a new year and new declarations about fascinating prospects are made. Despite the arrangements with Russia, Belarus willingly keeps the ball rolling. In such a way, the Odessa–Brody main keeps performing its function as a political tool without fail: Russia turns the heat on the transit countries by using alternate routes for hydrocarbons supplies and the transit countries have their own leverage to respond to the challenge.

⁸ See: <http://president.org.ua/news/news-308128>.

In the never-ending haggle with Russia, Ukraine and Belarus still place their stake on the Odessa–Brody main but both are playing their own games regardless of the other partner's plans, which makes EAOTC development very uncertain. The project could survive, though, if Poland decided to join. In 2011, Ukraine tried to get a distinct answer about Poland's probable involvement in the EAOTC, but Poland wanted to see clear economic prospects first, before starting to lay its section of the Brody-Polotsk-Gdansk pipeline. During the visit to Kyiv in April 2011, as a reply to Ukraine's concerns, Polish Prime Minister Donald Tusk said it was time "to move on from political declarations to joint resolution of financial and organizational issues for economic advance⁹."

This economic advance largely depends on the demand for Caspian oil in Poland. The Polish government tried to sell the state-owned 53.2% stake in Grupa LOTOS which owns four oil refineries including one in Gdansk. Neither Ukrainian, nor Azerbaijani businessmen took any interest in equity investments.

Kazakhstan was not motivated to get involved in EAOTC extension either. Most likely, Ukraine will have to give up the initial function of the Odessa–Brody pipeline as an element of the regional and European energy security system for the sake of the current economic and political goals unless Warsaw starts pushing the EAOTC forward.

A different situation arises with the transport-logistic cluster. In 2011, the integration possibilities of the 9th Pan-European transport corridor were actualized again. After the recession of 2010, transport-logistic projects, such as the shuttle trains Viking and Zubr capable of mobilizing the Eastern European transit potential for development of regional communications, were dying and the year 2011 re-energized them. Until 2011, cargoes were moving almost exclusively within the limits of Lithuania and Belarus. They could hardly reach Black Sea ports because of the Ukrainian transit adversities. Officially, there was a multimodal route from Klaipeda to Ilyichevsk, but the Ukrainian haul distance was only used for 10% of cargoes at the very most that just nullified its basic value as a link between North European and Asian markets.

Some key problems were solved as a result of long negotiations in 2011. *Firstly*, on July 13, 2011, Ukraine's Cabinet removed a

⁹ See: <http://www.unn.com.ua/ru/news/331233-polsha-zainteresovana-v-realizatsii-proekta-odessa—brody—plotsk—gdansk—d.-tusk/?print>.

great deal of obstacles for high-grade functioning of the Ukrainian route section. After Viking started running through Ukraine on a regular basis since January 19, 2012, the freight turn-over went up 380% in the first month only. *Secondly*, Moldova and Georgia announced joining to the Viking project and Azerbaijan, Turkey and Syria were on the way.

All these changes make involvement of the Eastern European countries in the transit of cargoes between the EU and China and between the EU and other Asian markets through the Caucasus via the 9th transport corridor more realistic. At the same time, it has been recognized that development of this transport-logistic complex is mostly free from the intention to use it for the purposes of political integration of the region.

Conclusion

For Eastern Europe, the year 2011 was marked by increasing disintegration and a regional solidarity crisis. Internal problems and controversies of the states in this geographical space are amplified by Russia's massive energy expansion and fading interest of the West towards regionalization processes in the east of Europe. Meridional political and economic relations in the region, which contributed to preservation and reinforcement of its integrity years ago, presently cannot withstand the pressure as it tears them apart between the East and the West.

BELARUS AND DEVELOPING COUNTRIES: POTASSIUM, OIL AND TRACTORS

Siarhei Bohdan

Summary

Belarus' relations with developing countries always had a pragmatic character. The official Minsk steered clear of ideological projects, offering purely verbal support of the Libyan and Syrian regimes and pursuing law-abiding policies in military and technical cooperation in conformity with international legislation. Belarus' main objective in the developing world was to increase the number of partners. The difficult economic situation – a huge trade deficit – was another powerful argument in this situation. Furthermore, global developments forced Minsk to refuse contacts with a number of Arab countries, including Iran.

Trends:

- A number of Belarus' long-standing partners – Libya, Syria, and Egypt – de facto ceased to be on the list of Belarusian foreign policy objectives.
- Its main partners were mainly China, Arab countries of the Persian Gulf, Venezuela and Iran.
- With respect to the economy, cooperation with developing countries remained unchanged – app. 10% of Belarus' export. Structurally, potash and nitrogen fertilizers were leading items in the Belarusian export, with chemical, mechanical engineering products and other goods far behind. This very persistent situation is a hindrance to overcoming the trade deficit, which could be done by increased delivery into developing countries.

China. It is very doubtful that Belarus be of any great significance in China's foreign policy, despite all pretence on the Belarusian side. Chinese President Hu Jintao conspicuously ignored Belarus during his summer 2011 visit to Kazakhstan, Russia, and Ukraine. Belarusian contacts with the PRC are on the level of departmental and organizational heads interested in cooperation, and not on the higher political level, compared to other developing countries.

In March 2011, Vice President of AVIC International (part of China Aviation Industry Corporation – AVIC) Jiang Wei visited Belarus. In June, a delegation of Great Wall Corp (satellite launch and delivery) was received personally by the President.

Belarusian officials consider PRC to be a kind of a state building model, an alternative to those of the West. Facing a financial

crisis, President Lukashenko invited a panel of experts from the People's Bank of China headed by Xie Duo, director of Financial Market Department, hoping that they would suggest solutions to the crisis different from those of the IMF and thus more acceptable for him. Ex-ambassador to the PRC and incumbent Deputy Prime Minister Anatoly Tozik keeps publicizing Chinese methods of approaching issues – from secondary education to Chinese construction norms.

Belarusian authorities are pinning high hopes on China as an investor. China's role and that of other developing countries is growing more significant as relations with the West are worsening and Russia is gaining more and more control over the Belarusian economy. Nevertheless, experts point out that "China is an active creditor but a reluctant investor into Belarus"¹.

In September, Belarus received a USD 1 bln credit to buy Chinese goods, but its conditions for Belarus, lack of finances, are highly advantageous. When Wu Bangguo, Chairman and Party secretary of the Standing Committee of the National People's Congress of China, visited Belarus an agreement was signed on Chinese participation in privatization and establishment of a Chinese-Belarusian industrial park. This will include household appliances and electronic, mechanical engineering and biomedicine productions.

In 2011, bilateral trade grew by 31% and reached more than USD 3 bln. The trade deficit increased by 27% and reached USD 1.617 mln. The key export items were potash fertilizers (44% of total export) and caprolactam (25%).

India. A number of objective reasons – differences in foreign policy and ideology, economic structure – Belarusian-Indian relations are far less intensive than those with China. Despite this, India is a significant direction of Belarusian foreign policy.

In early August India officially expressed its interest in acquiring a stake in Belaruskali². On 26–27 August Belarus hosted an official delegation from India headed by Sanjay Singh, Secretary

¹ Dmitry Zayats. Minsk expects Beijing to invest but China is ready only for credits // *Naviny.by*: <http://news.tut.by/economics/252625.html>

² Siarhiej Gezgal. Realny pakupnik. Indyja aficyjna wykazala zacikaulenasc u akcyhach Belaruskalija ('A potential buyer. India officially announced its interest in a Belaruskali stake') // *Nasha Niva*: <http://nn.by/?c=ar&i=58321>

(East) of the Foreign Ministry and former fertilizer secretary Sutanu Behuria. The Indian press wrote about the possibility of acquiring a 20% stake in Belaruskali. The decision was made on 10 August at the government meeting chaired by Prime Minister Manmohan Singh. Anonymous sources in the Indian authorities name overvaluing (USD 30 bln) to be the biggest stumbling block. At the same time, "while the August visit did not result in any concrete step towards India acquiring a stake in Belaruskali, the officials said Belarus had agreed to give India the first right of refusal if and when it decided to sell a stake in the company"³.

Middle East

Iran. In February, ambassador of Iran announced that his country is implementing projects totalling USD 1.5 bln and negotiating some more in total of over USD 1 bln. He mentioned constructing EUR 250 mln worth Magnit-Minsk complex and a logistics centre in the free economic zone "Minsk". Projects with Iran are widely publicized at the planning stage but few develop any further, so we should be cautious about the ballyhoo. The bulk of Iranian (Chinese and some other) investment projects are low-tech or "dirty" industry. For example, Iranian businessmen intend to start wire production in Reınyca (Rechitsa), to extract crushed-stone and to build a cement plant.

The ambassador also mentioned car assembly, but on 15 February 2011 First Deputy Prime Minister Vladimir Semashko announced that the government intends to refuse Iranian car assembly: "We are very dissatisfied with this production. Only 5 000 cars have been sold over 5 years".

On 2–4 March Minister of Justice Viktor Golovanov visited Iran. He held talks with the Minister of Justice Morteza Bakhtiari and met the head of the judicial system of Iran Sadeq Larijani and Chairperson of the Parliament Ali Larijani. An extradition treaty was signed during this visit, but the ratification practice between Iran and Belarus shows that it is unlikely to come into force soon.

After the USA introduced sanctions against Belarusian companies doing business with Iran, in early June the president of Iran

³ Aman Malik. India, Belarus may ink non-disclosure pact // *Livemint.com* of 14 February 2012: <http://www.livemint.com/2012/02/14000657/India-Belarus-may-ink-nondis.html?h=B>

made a statement warning of "plots by Western powers to bring free nations to their knees" and highlighted the significance of sustainable political and economic relations between Iran and "independent and anti-arrogance countries"⁴ such as Venezuela, Ecuador and Belarus⁵.

In August, Belorusneft oil company withdrew from Jofeir oil production project and the Iranian oil sector altogether. Iran made a statement that Belorusneft failed to meet the treaty's conditions and the extracted volume was lower than had been agreed on⁶. Some Belarusian media suppose that the reasons for Belorusneft to give up on Jofeir were the sanctions the United States slapped on the Belarusian oil producer for cooperating with Iran.

This project is quite mysterious. The officials stated that daily extraction volume did not exceed 2 800 barrels per day against the stipulated 3 500⁷. At the same time, according to the Iranian ambassador's statement in February, the daily extraction at Jofeir totaled 15 000 barrels and was about to double. Moreover, when the project was closing, the National Iranian Oil Company was preparing to open an office in Minsk. The official Belarusian media did not cover the project's closure.

In early October, the National Bank Chairperson Nadezhda Yermakova announced Belarus' intention of drawing in loans from Iran of USD 400 mln in total. But the loan details and the history of Belarusian-Iranian relations render this highly improbable.

Qatar. On 17–19 May 2011 Deputy Foreign Minister Sergei Aleinik visited Qatar, president Lukashenko paid an official visit on 15–16 August. The countries have had close relations since 2007. The 2011 president's visit differed from his first one in 2001: it was solely to Qatar, despite the usual practice of visiting other countries of the region. Active relations with Qatar, which openly supported the uprising in Libya, testified to pragmatism of the Belarusian policy and revealed the lip service nature of the support for Gaddafi.

A large package of documents was signed during this visit. Qatar was offered a number of projects, inclusive of a complex fertilizers

⁴ Iran warns of West plots against nations // *Press TV*. Jun 9, 2011 <http://edition.presstv.ir/detail/183864.html>.

⁵ Ibid.

⁶ <http://www.svaboda.org/content/article/24299296.html>

⁷ Ibid.

production, a multifunctional sports and hotel centre, a joint enterprise for potash ore extraction (or a stake in Belaruskali – as other sources indicate), several trading and logistics centers, etc.

In October, a Qatar delegation headed by Sheikh Abdullah bin Nasser bin Khalifa Al Thani, Minister of Interior, came on a working visit to Belarus to further cooperation. Belarus' relations with Arab countries have a significant sector in enforcement departments, i.e. defense and security. Viktor Lukashenko, the president's son, plays a significant role in them.

Oman. On 4–7 May, an Omani delegation headed by Foreign Ministry's Under-Secretary for Diplomatic Affairs Sheikh Ahmed bin Yusuf al Harthy visited Belarus for consultations. On 24–25 May, Omani Minister of Defense HE Sayyid Badr bin Saud al-Busaidi came to Belarus. Omani media reported that he was received by "Viktor Lukashenko, Vice-President of Belarus for National Security Affairs and Police". During the meetings, the sides discussed matters of cooperation.⁸ The visit took place at the same time with a military exhibition in Minsk, but it is not clear whether this was a mere coincidence or still not. Oman has a relatively well-developed economy and maintains a disproportionately large army, which ensures cooperation in defense and interior affairs.

Turkey. On 17 May 2011, foreign ministries of Belarus and Turkey had a regular round of deputy minister level talks. This level of contacts is basic for Belarus-Turkey relations, until now minister level visits have been a rare occasion. Before advent of Islamists, Ankara's contacts with Belarus were in unison with the EU's policy and thus minimal.

On 2–3 November Belarus hosted Ertugrul Gunay, Minister of Culture and Tourism of Turkey. He signed documents on cooperative production of 5 000 Belarusian tractors until 2015. In summer, *De Textile* won a tender for worsted fabrics production project on Minsk JSC *Kamvol*, which might be up to USD 200 mln worth.

In 2011, bilateral trade reached USD 447.7 mln (122.9% growth to 2010) with trade deficit of USD 318.7 mln⁹. Over the last 5 years, bilateral trade has increased more than five times. In early Decem-

⁸ Ibrahim Al Amri. Badr meets vice-president for security affairs of Belarus // *Oman Tribune*: <http://www.omantribune.com/index.php?page=news&id=92393&heading=Oman>.

⁹ Trade and economic relations. Ministry of Foreign Affairs of Belarus; see <http://turkey.mfa.gov.by/rus/belbelg/trade/>

ber, the Turkish ambassador was very optimistic about the opportunities for Turkish businessmen in Belarus: "the main reason why Turkish businessmen are hesitant about investing into Belarus is their fear to lose against Russians, but they are wrong about it"¹⁰.

Latin America

Cuba. On 21–23 February, 2011 a Cuban delegation headed by Foreign Minister Bruno Rodriguez Parrilla came to Belarus. The minister was received by president Lukashenko who declared that "Cuba is our key partner in Central and Latin America".

Cuba and Belarus have been partners since Soviet times. In 2011, bilateral trade reached record USD 50.2 mln, Belarusian export being USD 34.1 mln, which is a significant increase compared to 2010 only USD 7.4 mln.

Venezuela. In late March, UNIAN news agency reported that Belarus renounced Venezuelan oil deliveries due to more advantageous Russian offers. Belarusian officials refuted this information, and deliveries, especially within the scheme of exchange for Azerbaijani oil, continued. In contrast to Iran, Venezuela is Belarus' partner in developing successful projects of oil extraction and country modernization.

On 26–30 April First Deputy Prime-Minister Vladimir Semashko paid a working visit to Venezuela. On 27 September – 3 October a Belarusian delegation headed by the Presidential Aide for Special Commissions Viktor Sheiman visited Venezuela, with sittings of the Belarusian-Venezuelan High-Level Commission. The results of the visit were new joint projects with Belarusian Steelworks and construction of a gas pipeline in Venezuela. Mr. Sheiman pointed out "in 2006 bilateral trade was only USD 5 mln. This year [2011] it must reach USD 2 bln"¹¹.

In early October Belorusneft announced that in 2012 the Venezuelan-Belarusian joint venture plans to increasing oil extraction up to 1.5 mln tons by enlarging the number of extraction sites – up to 9 oilfields¹². In 2010 PetroleraBeloVenesolana extracted 741

¹⁰ Mustafa Edib Yilmaz. Turkey-Belarus relations: Where are they headed? // *Sunday's Zaman*. 18 December: <http://www.todayszaman.com/news-266014-turkey-belarus-relations-where-are-they-headed.html>.

¹¹ <http://news.tut.by/economics/252881.html>.

¹² <http://news.tut.by/economics/253414.html>.

tons oil, whereas in 2011 the amount was presumably 1.1 mln tons. Belarus intends to develop oil fields in Venezuela conjointly with Venezuela itself and China¹³. The most probable reason for it is lack of investments in Belarus. The same issue was topical for the oil extraction project in Iran in 2006–2007.

On 8–13 May 2011, an official delegation headed by Deputy Foreign Minister Sergei Aleinik paid a working visit to Colombia and Ecuador. In January-August bilateral trade with Colombia reached USD 78.6 mln, with Belarusian exports being USD 73 mln¹⁴. Relations with Ecuador might have been established thanks to President Chavez' assistance, who has good relations with the left-wing government of this country. In January-August bilateral trade with Ecuador reached USD 31.3 mln, with Belarusian exports being USD 11.7 mln¹⁵. Being one of the remotest countries from Belarus, Ecuador presents an ambiguous partnership.

But cooperation developed and on 9–11 October a Colombian delegation headed by Deputy Foreign Minister Patti Londono Jaramillo visited Belarus. On 16–18 October, Belarus received an Ecuadoran official delegation led by the Minister of Foreign Affairs, Trade and Integration Ricardo Patino Aroca.

In June, **Brazil** opened its embassy in Minsk. This country is one of key trade partners of Belarus. In 2008, bilateral trade reached record USD 1.229 bln, Belarusian export being USD 1.074 mln. However, in subsequent years trade decreased, totaling USD 862.6 mln in 2010. The main export item is potash fertilizers.

Other countries

Burma. Contacts with Burma have become more active over the last few years due to Belarus' interest in new partners. However, Belarus has difficulties with offering goods and services that might evoke interest of Burma, as well as with fulfilling contracts and paying them. On 1–3 December, the first official governmental delegation headed by Prime Minister Mikhail Myasnikovich arrived to Burma. During the talks, a number of agreements on cooperation were signed.

¹³ Belarus, China to join oil deposit project in Venezuela // *Xinhua*: <http://english.peopledaily.com.cn/90883/7610633.html>.

¹⁴ http://www.mfa.gov.by/press/news_mfa/d0b054dd0972b7d0.html.

¹⁵ http://www.mfa.gov.by/press/news_mfa/e132adbfc17a89a6.html.

Vietnam. In February, a Ministry of Defense delegation led by head of the General Directorate of Ideological Work Alexander Gur visited Vietnam. On 28 November – 1 December a government delegation headed by Prime Minister Myasnikovich payed an official visit to this country. Since Soviet times Vietnam has been Belarus' trading partner and this cooperation has always remained stable. Over the last five years, bilateral trade has more than tripled and by late 2011, it must have reached USD 300 mln, with a stable trade surplus for Belarus.

Indonesia. The third sitting of the Intergovernmental Belarusian-Indonesian commission on trade, economic, scientific and technical cooperation in Minsk on 15 September was co-chaired by the Deputy Minister of Foreign Affairs of Indonesia, Ms. Retno Marsudi. Together with opening a Belarusian embassy in Indonesia in August, this visit was another step towards building cooperation. Relations with Jakarta became considerable only in 2009. Bilateral trade in 2010 reached USD 170 mln, and USD 130 mln was the result of the first seven months of 2011.

Zimbabwe. On 7–9 April Vice-President of Zimbabwe John Nkomo visited Belarus¹⁶. Taking into account the complicated economic situation and the risk of doing business in Zimbabwe, prospects for cooperation in the near future are rather vague. This visit had a rather ostentatious anti-Western character, one of the many that the Belarusian side took after the elections, the more so as J. Nkomo is an influential figure of the Zimbabwean regime denied entry to the USA.

Ghana may become a new partner of Belarus in Africa. On 8–13 November the Presidential Aide for Special Commissions V. Sheiman visited this country with a delegation of «sponsors» from Belarus, Russia, and Poland. Sheiman headed the delegation¹⁷, which testifies that the Belarusian side would like to exploit the format of multilateral cooperation with African countries.

The officially stated objective of Belarus is to establish cooperative institutions and deliver fertilizers and agricultural machinery to Ghana. Belarus also offers to build a service centre for maintaining helicopters Mi-17 "Hip" for the entire Africa. It was Sheiman's third visit to Ghana as a member of such delegations.

¹⁶ <http://www.government.gov.by/be/content/3709>.

¹⁷ <http://www.ghananewsagency.org/details/Social/10-member-delegation-of-investors-in-Ghana/?ci=4&ai=35346>.

Conclusion

The results of the year allow us to state that relations with developing countries took a rational and efficient turn. The ideological factor is minimal in them, that is why Belarus easily switches from contacts with Chavez over to establishing relations with his Colombian enemies, from being friends with Gaddafi over to cooperating with his sworn enemy — the emir of Qatar. Relations are being logically diversified, which is proven by missions being opened in Indonesia and Nigeria, the Belarusian delegation visiting Morocco, and an attempt to re-establish relations with Iraq and re-opening the Iraqi embassy. It is highly probable that Minsk made a pragmatic decision to renounce the oil project in Iran on realizing the consequences of the US sanctions.

Belarus cannot ignore the developing countries, which, in their turn, cannot fully substitute other directions of cooperation. The Belarusian officials acknowledged that the Venezuelan oil helped Minsk to bargain for better conditions of Russian oil deliveries. But Russia and other neighboring countries will undoubtedly be more significant for Belarus than the developing countries.

SOCIETY

PRO-GOVERNMENT NGOS: MUCH ADO ABOUT NOTHING

Dzmitry Brukhavetski

Summary

In 2011, the largest pro-government NGOs (the Federation of Trade unions of Belarus (FTUB), Republican public association *Belaya Rus* and the Belarusian Republican Youth Union (BRYU) in general were acting in their traditional way: monitoring the public sentiment and maximally distracting people from political issues, particularly by organizing cultural events, sport events and other activities. Since the full-scale existence of three NGOs with similar functions in one organization or enterprise is impossible, in a specific enterprise only one of these NGOs can strengthen its influence at the expense of two others. Partly due to this competition the influence of FTUB, BRYU and *Belaya Rus* among ordinary Belarusians is extremely low and mainly based on administrative resources. On lower levels, these NGOs are closely integrated into state agencies' and organizations' administrative systems. On the national level, they are fully subordinated to the Administration of the President of the Republic of Belarus. The year 2011 was a period of heavy trials for FTUB, BRYU and *Belaya Rus*. While their official goal is to protect above all people's social and economic interests these NGOs were inactive during the economic crisis. This passivity resulted in their further discrediting among the people. They also were not able to make any serious proposals on strengthening the existing political, social and economic models, which are faced with heavy challenges.

Trends:

- The continuing decrease of pro-NGOs' – especially trade unions' – influence due to their disability to protect people's social and economic interests;
- The state's attempts to increase the efficiency of FTUB, BRYU and *Belaya Rus* in strengthening the country's political system don't lead to any significant results.

The Federation of Trade Unions of Belarus: marginalization continues

As in previous years, the official trade unions generally don't have independent power. Being closely integrated to enterprises' management (the cases when a deputy head of enterprise's director at the same time is the head of the local trade union organization are quite often in Belarus), the trade unions are mainly engaged in monitoring public sentiment among employees as well as in orga-

nizing cultural, sport and other activities. As for protection of employees' social rights this function is actually carried out by the state with its policy.

However, in 2011 the state's capabilities in this sphere dramatically decreased, which resulted in tensions at different enterprises and disappointment in trade unions work among ordinary Belarusians. For example, according to one of the independent polls in 2011 about 40% of country's population didn't see any necessity in trade unions existing.

The FTUB signed the General Agreement for 2011 – 2013. Even the independent trade unions admitted that this Agreement significantly guarantees the protection of employees' rights. Nevertheless all these warranties were broken after beginning of the currency crisis. No reaction followed from the FTUB.

For example, the FTUB ignored the statement of the Ministry of Finances Mr. A. Kharkovets about the necessity of 10–15% job cuts in public sector. The Head of the FTUB Mr. L. Kozik even doubted the statement of the Head of the Statistic Committee Mr. V. Zinovski who announced that currency problems affected the employment of 600.000 Belarusians. The official trade unions did nothing to facilitate employees' problems and preferred not to notice the crisis in the country.

As a result of the worsening economic situation in Belarus the strikes began at a number of Belarusian enterprises. On May 23 the strike occurred at *Rechitsapivo*, on May 24 – at "Minsk tractor works", on May 25 calls for a strike occurred in Borisov, on July 1 the workers of a construction department in Slonim refused to start their work, on September 1 a strike was declared by the workers of a construction enterprise in Vitebsk, on September 15 a strike occurred at the Precast concrete products plant in Soligorsk, on October 24 – at enterprise *Zhilyo* (Borisov), in November – at *Belaruskali* (Soligorsk). At the end of December about 600 workers of enterprise *Granit* voluntarily left the FTUB protesting against low salaries and unsatisfied work of the official trade union. More than 200 workers decided to join an independent trade union.

The distinguishing feature of these strikes was the process of their solution: It was carried out by the enterprises' management and local authorities while the official trade unions didn't play any significant role in this process. It is noteworthy that in all cases the authorities and enterprises' management made certain concessions

to the strikers. This shows that there are certain reserves for such purposes which, however, official trade unions probably don't have even credentials to use these resources and to take a significant part in conflict solution process. The call to overcome the crisis and improve the workers' life was made only by some members of the FTUB.

Being almost absolutely helpless, the leader of the FTUB Mr. L. Kozik began to make all possible efforts in order to get favors from the authorities and personally from the President Mr. A. Lukashenko. It is difficult to evaluate in any other way the proposal to make Mr. Lukashenko a candidate for Nobel Prize in economy which was made by Mr. L. Kozik at the end of July at the peak of the economic crisis in the country. It should be clear that the FTUB is fully controlled by the Administration of the President and was not able to take any real steps in order to protect employees' interests: the finance deficit and inevitable transformation of the Belarusian social and economic model lead to the dramatic fall of people's standards of living. The Government is supposed to take responsibility for it and the FTUB fully supported this idea. For example, in May Mr. L. Kozik accused the Government in foot-dragging on the currency crisis, in September – in understatement the crisis, in November – in plot with the independent trade unions in order to worsen the social and economic situation in Belarus. After several days the FTUB proposed to raise the income tax significantly for those who have more than 1000 USD salaries. This proposal was an unambiguous cue to the miners of Soligorsk and caused harsh disturbances at *Belaruskali*, as a result of which Mr. L. Kozik had to disown it.

In general during all year 2011, the marginalization of the official trade unions continued becoming apparent from their disability (due to the policy of the Belarusian authorities) to protect the employees' interests.

The BRYU: an impulse to nowhere

As the official trade unions the BTYU is mainly responsible for monitoring the public sentiment among young people and distracting them from political issues particularly by organizing cultural events, sport events and other activities. The year 2011 became a period of heavy trials for the Union. The active participation of young people in the electoral campaigns of the

opposition candidates at the end of 2010 as well as in "silent" protests in May-June 2011 once again demonstrated that the BRYU hadn't achieved much success in carrying out its main responsibilities.

It should be clear that the Union received a great impulse from its First Secretary Mr. I. Buzovsky who enjoys substantial support from the Administration of the President, especially from an assistant of the President and the Head of the Chief Ideological Department Mr. V. Yanchevsky. The special place among the most famous BRYU's projects belongs to the project "100 ideas for Belarus" which was personally approved by Mr. A. Lukashenko. Nevertheless, in spite of all efforts and unprecedented state support (in 2011 the Union received a record amount of money from the state budget – 20.5 billions BYR, but the devaluation of the national currency seriously reduced this amount) the large-scale youth protests could lead to serious personnel changes in the BRYU. They didn't occur. On December 9th the 41st Congress of the BRYU was held where the Head of the State addressed the meeting. Contrary to the expectations of many experts Mr. A. Lukashenko supported the current Secretariat of the BRYU and its activities in their present form. Moreover the President in a veiled form objected the perennial criticism of the BRYU: the artificial increase of membership number, coercive membership in the Union, passivity of the major part of its members, the formal character of organized activities and unpopularity among a significant part of the Belarusian youth. Basically, in his speech Mr. A. Lukashenko gave a *carte-blanc* for the BRYU and its re-elected leader Mr. I. Buzovsky to continue their work.

All this looks rather strange especially taking into consideration the scale of youth participation in the "silent" protests and exclusively coercive method of trying to solve this problem. The local influence of the BRYU is usually very limited in spite of their numerous activities inferior to the influence of the official trade unions. It seems that the support of the BRYU from the Head of the State was the result of the relations in the Belarusian public administration system (the strong personal positions of Mr. I. Buzovsky) and authorities' reluctance to demonstrate the lack of confidence in the one of the largest pro-government organizations in a time when the crisis of the Belarusian model of development is deepening.

***Belaya Rus*: between quasi-party and pseudo-party**

In contrary to the official trade unions and BRYU and in spite of the few facts of coercive membership in *Belaya Rus*, this organization continues to be a kind of prototype of an elite pro-government organization aimed at uniting the high ranking and desktop public officials in its ranks. But it is not the first year when the organization continues to be in the status of formation: far from each high ranking official is its member. Nevertheless, in general on the local level the principle of a small cell of people close to a head of an organization/enterprise is kept.

The public activities of the organization also seem to be very moderate, especially in comparison with the numerous activities of the FTUB and BRYU. However, *Belaya Rus* is actively involved into the process of "manually" regulating the social and political processes first of all via the wide network (about 160) of its public offices which function as a kind of branches of the Administration of the President of the Republic of Belarus responsible for monitoring the public sentiment among local people.

In 2011 the positions of *Belaya Rus* were undoubtedly strengthened. Partly, it occurred due to the appointment of its leader Mr. A. Radkov as the first deputy head of the Administration of the President. However the main factor of this strengthening was the beginning of the discussions among the Belarusian establishment about the necessity of reforming the country's political system. In 2011 the information about the possibility to create in Belarus a full value party system and conducting parliamentary elections in 2012 on party list appeared in the Belarusian mass-media.

It seems that originally *Belaya Rus* was supposed to become a "governmental party", modeled after the former Communist Party of the Soviet Union, but it couldn't take this place due to the position of Mr. A. Lukashenko, who was unwilling to have even a purely formal rival. According to the official version the first idea about *Belaya Rus* transformation into the party of people's unity was expressed in August by the Head of the Council of the Republic of the National Assembly Mr. A. Rubinov at his meeting with organization's activists. This initiative was immediately supported by the provincial organizations of *Belaya Rus*. The same idea was expressed by Mr. A. Radkov as far back as in March at the meeting of the Republican council of the organization, and apparently was delayed to a more suitable moment. In September, Mr. A. Radkov

fully supported the "initiative" of Mr. A. Rubinov. The prospects of such a reform seem to be very uncertain. The strengthening of "reforming" rhetoric coincided with the attempts to organize a new dialogue with the West and Mr. A. Lukashenko's statements about his willingness to sit at "a round table" with the opposition. It seems that the discussions about party system are mainly aimed at the Western-European audience and have very little influence on the present state (and essence) of the republic's political system. The very possibility of such a reform is seriously limited both by the external circumstances (the problems in dialogue with the West) and by the disability of the Belarusian authorities to use more subtle administration mechanisms which will become necessary in a case of even a merely "decorative" party system.

Conclusion

During the whole of 2011, three leading pro-government organizations — the official trade unions (the FTUB), the BRYU and *Belaya Rus* didn't approve themselves in the frameworks of the social and economic crisis. This passivity contributed to further discrediting of these organizations among the public. We can say only about certain strengthening of the positions of *Belaya Rus*. Firstly it is connected with the appointment of its leader Mr. A. Radkov as the first deputy head of the Administration of the President and secondly with the discussions among the Belarusian establishment about the necessity of political reforms. In the short-term outlook *Belaya Rus* will try to maintain its position, especially in the frameworks of further marginalization of the FTUB and low efficiency of the BRYU.

THE THIRD SECTOR: CONSOLIDATING UNDER PRESSURE

Irina Dounaeva

Summary

After the events of December 2010 political repressions spread over the civil society, whose representatives took part in actions of solidarity and support for the repressed. A new impulse to the human rights movement was added by the arrest and trial of the leader of the human rights centre *Vesna*: Ales Byalyatski. Campaigns for A. Byalyatski's and other political prisoners' support became evident events of the year.

Punitive activity of the authorities blocked the discussions on strategies of a dialogue between the society and the state in the third sector. The discussion "Strategy 2012" at the beginning of the year was in its wane in autumn. To some extent, it was caused by the politicization of the third sector and the transformation of the National Platform of the Civil Society Forum of the Eastern Partnership (CSF EP) into a political organization.

The legal environment, in which the non-governmental organizations (NGOs) worked, became even more hostile because of the adoptions of some changes and additions to laws on mass actions and public associations. But despite negative tendencies in this sphere the unfavorable for a legal status of the NGO bill "On noncommercial organizations" was not introduced to the Parliamentary consideration due to efforts of the organizations of the third sector.

In summer 2011, there were mass civil campaigns initiated through social networks against the personalized regime and the deterioration of the economic situation in the country. Without having exerted serious influence on the political and economic situation, they showed mobilization possibilities of new technologies and the presence of latent protest potential in the society.

Trends:

- Strengthening of repressions against the civil society and the deterioration of the legal environment of NGO activity;
- Development of consolidation processes of the third sector on the basis of the National Platform and strengthening of the coordination of activity of human rights organizations;
- Use of social media for the organization of mass protests against deterioration of the economic situation of the population.

General characteristic of the third sector

In their relation to the authorities Belarusian NGOs can be perceived as a certain continuum, on the one pole of which there are

organizations that have State support (Belarusian Republican Union of the Young, Federation of Trade Unions of Belarus), on the other — the organizations that are an object of repressions (human rights NGOs, pro-democratic organizations). The specific feature of the previous year was the pushing off of the organizations which were in the centre of this continuum into a risk zone by the State.

Before the 2010 elections most of these organizations (social, educational and youth NGOs, discussion clubs, etc.) could have been placed in the central part of this continuum — the organizations with typical difficulties in formation, development, legalization of donor foreign aid, absence of state support. At times, these organizations manage to co-operate with local authorities as they carry out a considerable part of the social order. For such NGOs the working conditions worsened, though they were not as considerable as for pro-democratic organizations.

As of January 1, 2012 there were 2,402 public associations (PAs) in Belarus. During the last few years, the total amount of PAs has increased slightly: 2009 — 2,225, 2010 — 2,325. More than half of all re-registered PAs are sport organizations — 53%, or 61 organizations (in 2010 — 39 %); 6 charitable organizations, 4 organizations that help the disabled, 1 organization of consumers rights protection, 1 organization of assistance to business, 2 organizations of shareholders rights protection. The obvious disbalance of the registered organizations in the type of their activities is connected with the state strategy of discrimination of those NGOs, the declared aims, and leaders that are not acceptable to the authorities for political reasons. As a result, the number of non-registered organizations and Belarusian NGOs registered abroad constantly increases¹.

The statistics of refusals in registration are hidden. Among the "organizations denied" are the Youth PA "Young Democrats", PA "Mahiliou Centre for Strategic Development *Impulse*" and sexual minorities liberation.

Legal field of NGO activity

Strengthening repressive tendencies from the authorities can only appear within the sphere of legal regulation of public associations' activity. Lawyers of the Legal Transformation Center that have analy-

¹ On the phenomenon of Belarusian NGOs in exile see: <http://nmnby.eu/news/analytics/4196.html>.

zed the legal status of NGOs came to this conclusion about the development of negative trends in 2011². Problems of organizations concerning registration, legalization of grants, and renting office space are hardly solved. The practice of unmotivated refusals extends; Article 193.1 of the Criminal Code — imprisonment for activity on behalf of non-registered organization is still in force. Public prosecutor's notices on this article are not frequent but it is often used for terrorizing civil activists.

Additional difficulties for the traditional work of NGOs — organizing trainings, courses, and seminars — appeared because of the Educational Code that came into force in September 2011, since it does not consider public organizations as subjects of "further education".

In November, the changes and additions to the laws "On mass actions in Belarus" and "On public associations" came into force, which limited rights of citizens to participate in peace meetings and introduced new restrictions on financial activities of public associations (a ban on opening accounts abroad and criminal liability for violation of order of foreign free aid)³.

Despite negative tendencies in the sphere of legal regulation of NGOs, one of the most successful public campaigns of 2011 is connected with them. In March, the NGOs initiated the drive for signatures concerning the bill "On noncommercial organizations" that in many respects did not meet the expectations and requirements of the third sector. The appeal supported by 112 organizations (more than 270,000 members) was transferred on March 9 to the House of Representatives of the National Assembly and to the Council of Ministers of Belarus. The result of the action, which was initiated by lawyers of the Legal Transformation Center and the Assembly of Democratic NGOs, was that the bill was removed from the Parliament agenda during its spring session in 2011. Moreover, they received an official assurance of the parliamentary commission that the suggestions of the civil society would be taken into account at the further work on the bill.

Also, it is necessary to acknowledge the participation of public organizations (International Educational Public Organization "AKT", Belarusian association of assistance to children and young people

² See: <http://www.lawtrend.org/ru/content/nko/monitoringsvobodiasoci-acciBelarus>.

³ See: <http://expert.by/EC/monitorings/173594.txt>.

with disabilities, other service NGOs) as successful in the working out of the concept of "social demand", in preparation of materials for and lobbying for the bill "On modifications and additions to some laws of the Republic of Belarus concerning social service", submitted by the Ministry of Labor to the House of Representatives on December 22, 2011. This bill fixes the norms providing the introduction of the system of a state social demand that allow public organizations to receive financing from the state for their activity on a competitive basis.

Dialogue of civil society and the authorities

In 2010, the subject matter of the dialogue was the conflict between supporters of the civil society "National Platform" and supporters of the "General National Platform" that suggested building the interaction of the civil society with the State, business and international communities under the aegis of the Social Advisory Council (SAC) under the Presidential Administration⁴.

The discussion of 2011 continued in the frameworks of the National Platform of the Civil Society Forum of the Eastern Partnership (CSF EP). In February 2011⁵, Belarusian political scientists under the leadership of Vladimir Matskevich (Humanitarian Technologies Agency – HTA) developed and brought to public attention a document "Strategy 2012: From the Dialogue Inside Democratic Forces To the Dialogue With the Regime". Possibility and suitability of the negotiations between the State and the civil society were acknowledged in that document. However, in the political atmosphere that had changed after the presidential elections nobody took the negotiations with the authorities under the auspices of the SAC seriously; nor the civil society, let alone the regime, that after December 19 wasn't concerned anymore about making semblance of the public dialogue.

The aggravation of the confrontation between the authorities and the democratic public induced the developers of "Strategy 2012" to formulate their vision of the way for overcoming of a split in the nation. "Cold civil war" (as the authors called the state of the Belarusian society at the beginning of 2011) does not bring dividends

⁴ See: <http://www.belinstitute.eu/images/doc-pdf/YB%202010%20ru%20bel.pdf>.

⁵ See: <http://methodology.by/?p=1978>.

to any party and is destructive for the country. In order to overcome this situation it is necessary to start a negotiating process. The aim of the negotiations is to ensure fair elections in the autumn of 2012 and to form the parliament as a place of coordination and protection of the interests of the confronted parties. The discussion of "Strategy 2012" became the central event of the conference "Role and Place of the Civil Society in Strategy of the Future" (April 11 – 12). In spite of the fact that at the conference the resolution in support of "Strategy 2012" was adopted, a considerable part of participants wasn't authorized to vote for their organizations.

The National platform of the CSF EP can be considered to be one more ground for the negotiating process. Representatives of the civil society gathered on October 29 to prepare the Belarusian delegation for participation in the third CSF EP (on November 28 – 30, Poznan, Poland). They developed and institutionalized the National Platform.

The conference adopted the "Memorandum on Cooperation in the Frameworks of the National Platform of the CSF EP"⁶ which consolidated the aims, tasks, values and principles of the organization and the National Platform activity. The ideologist of "Strategy 2012" V. Matskevich initiated the creation of an Interim Coordination Committee (ICC) of the National Platform (for realization of organizational functions between conferences) and became its chairperson⁷. The adopted Memorandum fell short of difference of opinions concerning the strategy of actions of the civil society for the nearest future. Supporters of "Strategy 2012" defended a position of consolidation of forces of the civil society and politicians as a condition for negotiations with the regime; their opponents underlined that the major problem for NGOs was to preserve and develop the third sector.

The creation of ICC, which claimed to act as a representative of the whole civil society, made its opponents declare their position. Right after the conferences 13 leaders of the third sector addressed the participants of the National Platform with a statement that was published on November 4 by *Nasha Niva*⁸, and which gave a new impetus to the discussion. Expressing "support of the idea of the National Platform of the CSF EP as a platform for communication

⁶ See: <http://old.eurobelarus.info/content/view/23612/164/>

⁷ See: <http://old.eurobelarus.info/content/view/23688/21/>

⁸ See: <http://nn.by/?c=ar&i=62859>

and dialogue of the civil society organizations interested in the European vector of the development of Belarus", the authors of the statement voiced their fears that the civil society could turn into a politically loaded segment and that the National Platform could transform into a political organization. The authors of the resonant statement paid attention to the necessity to observe democratic procedures in the work of the National Platform and its management: "The Interim Coordination Committee should provide the balanced representation of a wide range of public organizations and various regions of Belarus"⁹.

The decisions of the third CSF EP¹⁰ regarding the Belarusian agenda can be interpreted as a weakening of positions of the supporters of "Strategy 2012" in the National Platform. Vlad Velichko, a supporter of "Strategy 2012", who had actively worked in CSF EP for two years, transferred his functions of a representative of Belarus to Sergey Lisichenko (director of the Executive Bureau of the Assembly of the Non-Governmental Democratic Organizations), Olga Stuzhinskaya ("Office for Democratic Belarus") and Yaroslav Bekesh (ecological association "Green Network"). By the end of the year, the discussions about the Strategy had almost come to a stand still.

In September 2011, SAC ceased to exist. The decision of the authority to dissolve SAC was reasoned by care of SAC members, by a desire to protect them from "unfair defamation from internal and external opponents of a sincere dialogue", by the desire to avoid a split in the civil society¹¹.

SAC was neither unique nor new to Belarus. Social councils work under various bodies of state authorities, but representation of NGOs in them is insignificant and they do not have a real influence on the state policy. Though SAC included both representatives of the authorities and a number of famous members of the civil society, experts agreed that after its dissolution SAC "gave nothing either to the authorities or to the opposition"¹².

⁹ See: <http://nn.by/?c=ar&i=62859>.

¹⁰ The NGO conference that took place on July 5 in Minsk recommended 31 organizations as participants of the CSF EP in Poznan (78 applications had been submitted in total). The final selection of the participants was carried out by the leading committee of the CSF EP with the participation of the European Commission. For the first time, none of the pro-state NGOs that had applied were accepted.

¹¹ See: <http://news.tut.by/politics/251514.html>.

¹² See: <http://www.ucpb.org/component/content/article/65286>.

As a whole, it is fair to draw the conclusion that by the end of the year the interest in continuing the dialogue with the authorities had considerably weakened. This can be explained by the fact that, firstly, the opposition failed to generate a consolidated political subject for negotiations with the regime; and secondly, the behavior of the regime made any further attempts to continue the dialogue meaningless.

Activation and consolidation of a human rights movement

Politically motivated punitive activity of the authorities led to the activation of a human rights movement, the participants of which quite often became victims of repressions. The activity of traditional actors — Human Rights Centre *Vesna*, Belarusian Helsinki Committee (BHC), Consortium *Solidarity*, Legal Transformations Center, the Belarusian Association of Journalists (BAJ), *Charter 97*, etc. — was supported and strengthened by the movement of solidarity with political prisoners. Despite the danger, there were pickets of support, the actions on collecting used clothes, foodstuff, and sanitary products for political prisoners.

One of the main events in the civil society of Belarus was detention and arrest of the leader of non-registered human rights centre *Vesna* Ales Bealyatski, and the lawsuit that followed against him on nonpayment of taxes in a particularly large amount. The court refused to listen to the defense, who explained that money which had been transmitted to Byalyatski's accounts was not his personal income but was donated for organizational purposes, and that donors received a full report confirming the use of funds, etc. The sentence of four and a half years of imprisonment in a reinforced regime colony with confiscation of property was passed on November 23, 2011. Actions of support, drive for signatures for Byalyatski's release, a successful campaign for fund raising for the imposed penalty demonstrated some growth of solidarity in the Belarusian society as well as human rights movement consolidation.

The public campaign of the abolition of capital punishment for Dmitry Konovalov and Vladislav Kovalyov, who had been convicted of explosions in the Minsk underground on April 11, 2011, had a great influence on mass consciousness. The protest against executing the condemned by a shot in the neck became a part of the

abolition of capital punishment campaign organized by human rights organizations in Belarus – human rights centre *Vesna*, BHC, *Amnesty International*, Consortium *Solidarity*. Within the frameworks of the campaign “Human rights activists against death penalty” a documentary film *Cause of Death – Dash* was made. Its presentation took place on July 29 in Minsk. The campaign for moratorium on the death penalty in Belarus managed to collect more than 160,000 signatures.¹³

Repressions against political opposition, civil leaders and activists produced a boomerang effect. According to experts, it led to the growth of mutual trust and consolidation within the human rights movement. Where earlier human rights organizations had coordinated the actions within the frameworks of short-term campaigns, they now reached the level of strategic cooperation and division of work between the organizations, taking into account the professional possibilities of each organization.

Civil campaigns and initiatives

“Revolution through social networks” is the most popular and resonant campaign of the year which included a number of civil actions of “silent protest” which were caused by strengthening anti-regime sentiments among the youth and sharp deterioration of the economic situation in the country. These actions took place regularly on Wednesdays in June-July 2011 in Minsk and regional centers of Belarus. The actions organized by initiative groups through social networks demonstrated a phenomenon new to Belarus, which is the work of social media.

Despite a demonstrative peacefulness, the participants of these protest actions were detained by the police and were subjected to administrative punishments. Such a disproportionate reaction was possibly caused by the fear of the authorities for a success of social media during the “Arabian spring”. In August, the campaign initiators, having felt that actions were played out, announced their suspension. Another reason to stop the actions was the fact that economic crisis saw an improvement.

The campaign “Stop petrol” began in Belarus in May. Actions took place after each rise in prices for petrol from May till August. The largest one took place in Minsk on June 7. Some hundreds

¹³ See: <http://eurobelarus.info/ru/article/160-tysiach-chalavek>.

cars supported by pedestrians in the streets blocked the traffic in the centre of Minsk for 2 hours. It took the participants, which protested against rise in prices for petrol and the decrease of the standard of living, only one day to organize themselves by means of social networks. The massive character of the protests made the authorities back down. But by the autumn this campaign had also fizzled out.

“Public Bologna Committee” (created in October 2011) is a civil initiative that demonstrated the possibility of a small group of experts influencing decision-making at an international level. Experts worked in partnership with students, educational, as well as other organizations in the country and abroad (national unions of students and the European union of students). The aim of the Committee was to adopt the program of real reforms of the Belarusian higher education¹⁴. In the middle of January 2012 in Copenhagen, and on the basis of the alternative report prepared in the frameworks of this civil initiative the Bologna Secretariat recommended to postpone the question of entering Belarus into the Bologna process before the implementation of the European basic academic values into the national system of higher education.

Independent trade unions

Independent trade unions, as well as other non-state public associations, experience the same pressure from the authorities. The most serious problem for independent trade unions is registration. The licensing principle of creation and activity of PA, introduced in 1999, did not allow registering any organization since then¹⁵. Staff ideologists of the enterprises together with the representatives of the state trade union intimidate members of independent trade unions, make efforts to destruct the primary organizations, and try to eliminate free trade unions while terminating labor contracts. The economic crisis incited an increase in the activity of independent trade unions, which, at the same time is meeting serious counteraction from the authorities.

For example, in December 2011 workers of *Granit* enterprise (Мікаль вярну, Brest region) decided to withdraw from membership of the official trade union and created an independent trade union.

¹⁴ For more details see: <http://ampby.org/2012/01/16/13805/>

¹⁵ See: <http://bkdp.org/index.php?area=1&p=news&newsid=1136>.

However, the pressure of the administration upon workers in combination with threats to their relatives incited 80 people to renew their membership of the state trade union.¹⁶

Independent trade unions, having possibilities and channels of influence on the situation in the country, can act as a strong player on the internal political scene. According to the chairman of the Belarusian Congress of the Belarusian Trade Unions (BCBTU) Alexander Yaroshuk "what the European politicians can not do, the European trade unions can do"¹⁷. The statement, adopted at the 8th report-and-election session of BCBTU (December 14, 2011), contains the requirement to cancel the licensing principle of creation and activity of trade unions and to take measures against discrimination of free independent trade unions.

Conclusion

It is difficult to give a single estimation of the overall performance of the third sector: the organizations are diverse, they have various purposes and their productivity is in many respects connected with the character of the organization. Though all NGOs operate in an unfriendly legal environment, and while any non-state initiative is suspected to belong to the political opposition, the State continues to put up with social and charitable organizations, and communities of interests. Sometimes it even cooperates with them, which gives the opportunity to achieve the aims of such NGOs.

The positive result for human rights organizations and the organizations conducting monitoring of the legislation and infringements in the field of basic human rights and freedom is the prevention of deteriorations in the sphere of law and law enforcement activity. The sign of success of the pro-democratic politicized NGOs is not a certain result, but the very fact of their existence and continuation of their activity, because any activity in this segment of the third sector represents danger for the participants.

2011 was marked by some success in consolidation of the third sector: work of the National Platform (in spite of the fact that it unites less than 40 organizations and does not represent the whole civil society), an attempt to develop a joint strategy, united actions in response to political repressions, etc. Most of the popular and

resonant campaigns of the year which were initiated through social networks and showed the protest potential of the society passed without the participation of the organized civil society. "Silent protest" campaign could have proceeded if it had been supported by the basic actors of the civil society who realized its importance only when the campaign started to decrease.

¹⁶ See: <http://belnp.org/> (10.03.2012).

¹⁷ See: <http://www.bkdp.org/index.php?area=1&p=news&newsid=1217>.

POLITICAL PARTIES: FROM PARTICIPATION IN PRESIDENTIAL ELECTIONS TO BOYCOTTING PARLIAMENTARY ONES

Yury Chavusau

Summary

The importance of 2011 for political parties was determined by the political calendar: no election campaigns were held this year and the party activity concentrated mostly either on the analysis of the results of the previous presidential elections or on preparation for elections in the House of Representatives of the National Assembly of the fifth convocation which is to take place no later than in September, 2012. These factors determined the character of the agenda within the opposition as well as its reaction to in domestic and foreign policies.

The basic points of this agenda concern: a) the questions of pressure of external actors on the Belarusian regime (visa restrictions for certain functionaries of the state machinery and businessmen who cooperate with the regime, freezing of assets, possible economic sanctions); b) assessment of prospects of overthrow of the regime by means of street protests (including the analysis of the reasons of fiasco on the "Square" during the last presidential elections); c) struggle for release of the political prisoners; d) the attitude to the question of the dialogue or negotiations with the regime; e) development of the strategy for the next parliamentary elections.

The systemic financial and economic crisis that overtook the Belarusian national economy in 2011 was used by oppositional politicians as an occasion to criticize the regime but it did not become a new opportunity for the opposition. At the same time in a number of parties there were inner reshuffles connected with learning the results of the presidential elections.

Trends:

- Repressions after the presidential election of 2010 undermined the infrastructural possibilities of the opposition;
- Political parties were in a state of shock during the first half of 2011 and could not trigger any active political projects;
- Reaction to the deterioration of political activity was the activation of foreign-policy pressure on the Belarusian regime from almost all political structures of the opposition;
- On the eve of the parliamentary elections campaign the dominant attitude of the parties to it is instrumental;
- There are signs of integration processes, in particular in comparison with the period of disintegration during the presidential elections.

The configuration of oppositional parties will be defined by the above described tendencies. On the one hand the campaign for boycotting the elections basically comes from illegal political structures (including the organizing committees of non-registered political parties). On the other hand the interest to preserve the room for legal political activity unites the registered parties because they consider future elections as means to strengthen their structures and keep the legal status of opposition in Belarus.

Learning the results of the presidential campaign

During the previous election campaign oppositional political parties managed to keep their own subjectivity also by means of tactical unity in the election campaign. The wave of repressions after the elections in many respects predetermined a sharp drop of all forms of political activity. The economic crisis which burst out in the spring of 2011 became a new stage of the development of political life in Belarus: it was this very event rather than political lawsuits that became the symbolical end of the "after elections" stage and the beginning of the period of political activity during the economic crisis and escalation of repressions. But the opposition met this challenge in a broken state. During this period the development of the oppositional political parties is characterized by some apathy and inability to use the electoral disappointment in the power and its leader which obviously seized the minds of the Belarusians. Weakened by repressions and scandals exaggerated by the mass-media, the parties continued to exist in a mode of "renewal of forces after elections". In spite of the fact that the masses were ready to support a political alternative, the majority of political parties concentrated on preparation for future campaigns, strategic planning and lobbying of certain strategies of external pressure.

Loss of strategic benchmarks

After the presidential election of 2010 a large part of the civil community (both non-governmental organizations and political parties) found themselves in a situation of strategic uncertainty. For political parties under the conditions of tens of political prisoners (including candidates for the presidency) and escalation of all forms of political repressions (arrests and searches, pressure upon acti-

vists at their work, threats to liquidate newspapers and prosecution of journalists, strengthening of control over information on the Internet) the very possibility of political activity of oppositional organizations as legal ones was endangered. Those associations that during a relative thaw got used to certain freedom of activity felt the need in radical revision of their plans and tactical targets: many of them had already had prepared strategies of activity with due regard for the "liberal" atmosphere of the Belarusian-European dialogue and had to reconsider them radically after the approach of new "political winter". Thus the beginning of 2011 became the time of loss of benchmarks and catastrophic narrowing of the horizon of planning for the oppositional organizations (for example, at the time of daily arrests at the beginning of year the majority of structures could not plan any serious activity for more than one month). Both political and public structures concentrated on the question of protection of political prisoners — a noble and important activity but obviously not sufficient for a political strategy¹. In this sense the whole Belarusian opposition re-trained for human rights activists in 2011, while human rights activists began to influence the events in Belarus considerably, even more than politicians. However against the background of such a strategic uncertainty in February-April some political subjects declared the strategy for activity of civil community. The group "European Belarus", connected with the political coalition of Andrei Sannikau, a candidate for the presidency, and personified by Victor Ivashkievich and a number of persons of new emigration, declared the necessity to intensify internal and external pressure on the regime, also by means of inspiration of social-economic indignation of the population through sanctions and isolation of the country. Though publicly the main objective of such pressure was the release of political prisoners, supporters of this approach did not hide their desire to bring down the regime by sanctions.

The second group connected with the national platform of the Forum of Civil Community "Eastern Partnership" and with consortia "Eurobelarus" declared the necessity to normalize the situation in the country through a dialogue between conflicting political groups. This group made it a condition for the dialogue that political prisoners should be released and its purpose was to achieve

¹ Chausov Y. Hostages of the Square // *Our Opinion* [Electronic resource]: <http://nmbny.eu/news/analytics/3876.html>.

reconciliation and a mutual recognition of opposite forces in the Belarusian nation through carrying out parliamentary elections in autumn 2012 (and as for the foreign-policy markets to return the situation to the state before the presidential election). It should be noted that neither of the approaches was favored among the officially registered parties, although a number of subjects did identify themselves with certain positions (for example, the grouping *Belaruski Rukh (Belarusian movement)* that split off from the *Belarusian National Front Party* (the BNFP) in February adopted the stand of tough pressure on the regime to demonstrate its own identity in relation to the parent organization). It seems that the principal cause of failure of all strategies was the fact that the main political parties of the Belarusian opposition hesitated and preferred the eclectic combination of elements of both approaches (the *United Civic Party* (UCP), the BNFP, the Party of the Left "Fair World" (PLFW), "For Freedom" movement, etc.). Henceforth this narrow corporative interest of legal oppositional parties became the dominant motivation for the choice of the opposition's actions.

Legal conditions for activity

Throughout 2011 the factor of escalating repressions was of great importance for political parties. The pressure was both on separate members of the parties and on the organizations as a whole. The BNFP had to change its headquarters twice during the year (and as a result its legal address). Since December 2010 the authorities started the process of eviction of the BNFP from the apartment that served as the headquarters for almost 20 years. In this room activists organized the center of gathering help for those who suffered during mass repressions after the presidential election, which became the basis for eviction. On May 10, 2011 Minsk Economic court made a decision to move the BNFP from the capital office in Masherava Avenue, 8. In June after the attempt of appeal procedure the decision on eviction became a valid judgment.

According to the BNFP, the owners of other premises who wanted to help and let flats to the party, faced threats from executive power and special services. After seven months of judicial lawsuits, on July 25, 2011 the party had to leave the former office and to move to a less convenient private apartment. In 2011 the party had to move once again because the authorities got on the proprietor of the rented apartment and he canceled the lease agreement.

The Belarusian Christian Democrats (the BCD Party) held on December 17, 2011 its next constituent congress. It was the fourth attempt to legalize this Christian-democratic party in Belarus however the authorities again refused it. Within a year the congresses were held by the Party of the Left "Fair World", Conservative-Christian Party of the BNFP, the BNFP (it is interesting to note that at the congress where Aliaksei Yanukevich was reelected a chairperson, the limit on the term in office was introduced).

In October the House of Representatives adopted a change in laws on political parties, on public associations, and also in the Criminal Code (further the bill was adopted by the Council of the Republic). These changes imposed new restrictions on getting financing from abroad by all subjects (both parties or public organizations and citizens)². But the most essential here is that changes provide criminal responsibility for violations in this sphere — two years of imprisonment.

Coalition processes in political opposition

During the interelection period the opposition concentrated on the struggle for release of political prisoners, which was basically understood as attracting attention of the international community and consulting for foreign actors. It was also the time of coalition shifts in opposition. If to compare with the period of disintegration of the time of the presidential election, one could notice a certain evolution in the opposition. Right after the collapse on December 19, 2010 National Coordination Council of Democratic Opposition³ was created. Its declaration of January 9, 2011 said that a new formation would seek "release of the arrested on political motives, informing of Belarusian citizens and the international community, returning of Belarus to a legal and democratic way". Also there was a task to create the conditions for free and democratic elections in the country. Almost all oppositional organizations and authoritative politicians jointed the structure. As a matter of fact this coalition should have become the only subject ready to act as a united opposition. However shortly after its foundation, in connection with the above mentioned strategic contradictions the coalition faced polarization.

² See: <http://www.euramost.org/?artc=15016>.

³ See: <http://spring96.org/ru/news/40699>; <http://www.ucpb.org/news/party-news/62693-2011-01-11-1135>.

The additional factor was that political parties and the structured public organizations felt themselves uncomfortable on the same field with the network organizations and single politicians. As a result the council soon ceased to exist though there was no formal dissolution of the structure and from time to time one could hear the statements about the necessity to revive it. At the same time the so-called "Six" — an association of four parties (the BNFP, the UCP, the BCD Party, PLFW) and two public associations ("Tell the truth!" and "For freedom" movement) started its work. This formation declared the intention to create a unique long-term strategy, and the parties reached consensus on key tactical problems. It seems that based on a steady mechanism of decision-making this coalition will be able to act as a unique subject during the upcoming parliamentary elections and to become a gravitational centre for consolidation of opposition. To a certain extent the ideological antagonist of this group is the campaign of boycotting the parliamentary elections, but it is quite unstructured and cannot be called a coalition formation. Those political subjects, who do not enter the coalition processes, have already defined their position concerning the future parliamentary elections. The CCP of the BNFP as usual declared their intention to boycott the elections while liberal democrats are going to nominate as many candidates as possible.

The transformation of the public association *Belaya Rus* (*White Russia*) into a pro-presidential "constructive" party was not realized in 2011: though delegates for the constituent congress were nominated by primary communities it did not take place. All other coalition formations (Belarusian Independent Block, the UDP, "European coalition", "Belarusian choice") practically ceased their existence as public subjects. Except for the questions concerning the elections and the division of the organizations into structured ("Six"), non-registered and network groups ("European Belarus", some emigrant circles), the opposition faces one more crucial question connected with the means of pressure on the regime, i.e. a combination of economic sanctions and street protest actions. If with the deterioration of the economic situation the question of sanctions went into the sphere of non-public policy ("only a self-murderer under the conditions of economic crisis can ask to introduce embargo against his/her own country") the question of street actions is discussed as a main one and it defines interactions among oppositional parties. After the events of December 19, 2010 the authorities stopped the oppositional mass actions in a very tough way.

Against this background the mass actions of silent protests organized through social networks and actions as "stop petrol" against the rise of petrol prices were a big surprise. They attracted big numbers and were geographically widely scattered throughout the country, were positively received by the press and caused an explosion of public interest in the capital outside the limits of a traditional oppositional community. In this situation a non-structured group of opposition ("European Belarus" and some other non-registered organizations) initiated the campaign "National Meeting". It did not gain many participants and will be remembered by infighting among participating politicians.

Concentration in everyday life

It should be noted that oppositional meetings usually pass in a form of traditional bureaucratic games and a competition for resources on the eve of the future election campaign or boycott. Each party is engaged in solving its own problems and defines its stand concerning the future parliamentary elections as the point that determines the activity of the party. Certainly, parties pay a lot of attention to the solutions of current problems and to the question how to survive in today's difficult conditions. For example, for the BSD Party a matter of life and death was the conflict with the former chairman of the party Liaukovich who was dismissed from his office in 2010⁴. The ex-leader did not recognize his defeat and still enjoys certain support from the Ministry of Justice which deemed two new congresses of this party illegitimate and will apparently define its further destiny. The BNFP experienced a withdrawal of a part of authoritative party members in February 2011. The UCP made a lot of efforts to get rid of a negative shade that had been thrown on the organization as a result of Yaraslau Ramanchuk's (a candidate for the presidency) statements in which he accused other oppositional leaders of the defeat on December 19. Eventually this party showed an example of a civilized way how to solve disputes and Yaraslau Ramanchuk left this party at his own request (the international secretary of the Party Andrei Dzmitryeu was dismissed from his office one year after the presidential election because he had collaborated with the campaign "Tell the truth!").

⁴ <http://www.belaruspartisan.org/bp-forte/?news=75449&page=102&locale=be>.

Conclusion and forecast

The inter-election period is the time for inner-party building, accumulation of resources and creation of new coalition formations. Therefore for today's state of the political parties their inner and coalition processes are more crucial than a rush for power: a number of parties during the presidential election of 2010 did let the non-party movements of Sannikau and Niakliaeu move them aside out of the oppositional field, and they were satisfied with these election results. At the same time a sharp deterioration of the economic situation and increase of protest moods in society became an unexpected call for all opposition parties that try confining themselves to rhetorical and symbolical answers to this call. Meanwhile the opposition parties act in an existing political system as "extra-parliamentary opposition" and execute the function of the symbolical internal enemy. It seems that in today's system the political parties can only articulate alternatives rather than aggregate political interests.

MEDIA AS AN INSTRUMENT OF CIVIL COLD WAR

Arkadz Nesciarenka

Summary

In many respects, the events of December 19, 2010 predefined the logic according to which the situation developed in 2011. The authorities opted for strong-arm tactics to rule the country, which resulted in an escalation of the civil cold war in society. Naturally, all this was reflected in the mass media and, as a consequence, both state and independent media were deliberately aggressive in the way they presented their material.

Furthermore, against the general backdrop of decreasing trust in traditional media, one should note the growing influence of alternative online media. In Belarus, Internet penetration has passed the noteworthy 50% mark, which means the target group for Belarusian online media is now comparable in size to that of state television audiences.

Trends:

- Propaganda has shifted its focus: civil society has started becoming the main target for attacks in the state media;
- One of the most relevant forms of presenting news in the Belarusian media is the all but forgotten genre of courtroom coverage;
- Trust in traditional media has diminished, whereas online media have increased in popularity and influence;
- A downward trend has been recorded in the country's Press Freedom Index.

Prime time

Throughout 2011, the socio-political media were dominated by several subjects. A variety of issues were emphasised, and a range of opinions and assessments were voiced, but the dominant themes remained the same in almost all Belarusian media.

The first quarter was marked by the "December 19 trials".¹ In 2011, the all but forgotten genre of courtroom coverage became

¹ A series of court trials over the case regarding mass disturbances near Government House on December 19, 2010. The majority of those implicated in the case were opposition activists, as well as five of the former presidential candidates from the 2010 elections. A total of 41 people were sentenced, including: 28 people imprisoned for a total term of 100 years; 10 who were given suspended sentences or probation totalling 20

one of the most relevant forms of presenting news in the Belarusian media.

The case surrounding the Minsk metro bombing of April 11, 2011 later took over from the December 19 theme. It polarised public opinion into those who believed the official version (spread actively by the state media) concerning this act of terrorism, and those who doubted the official version. The official version was criticised most consistently by online media and the independent press.

Towards the second half of the year, the "top story" became the financial crisis, which subsequently transformed into a full-blown economic crisis (which therefore affected the media too). In all state media, the editorial policy was not to inform, but to seek out the culprits. The basic message in most of the coverage was that the country's worsening economic situation was the fault of the population itself.

Changing enemies

The general result of state information policy in 2011 was a focus-shift in news wars that were regularly initiated by Minsk. The political opposition ceased to be the main target and, throughout the year, civil society bore the brunt of attacks from the state media. In this respect, the "Byalyatski case" was a blatant example of a defined information policy.

Throughout the year, the main foreign enemy was Poland. At the beginning of the year, the presidential administration's newspaper *Sovetskaya Byelorussiya* published a piece entitled "*Behind The Scenes Of A Conspiracy*", which openly accused the Polish Foreign Ministry of interfering with Belarusian internal policy.

In addition, relations with Moscow continued to be strained on the media scene in 2011. In the summer, at the height of Belarus' economic crisis, Russian TV channels were regularly critical of Belarus and its leadership. Moreover, half-way through the year, the

years; 1 person who was sentenced to three years in a penal colony; and another 2 who were fined. Ex-presidential candidate Nikolay Statkevich received the harshest punishment of all – six years in a hard labour colony.

channel *NTV* showed part five of the “*Godfather*” documentaries about Lukashenko.²

These facts illustrate changing trends in Minsk's propaganda wars. Firstly, Belarusian citizens who disagreed with official policy began to be the subject of media attacks. One could describe Vera Protasevich's widely-discussed editorial “*Lower in rank...*”³, in the Borisov regional newspaper *Adzinstva*, as the apotheosis of this media strategy. Basically, it said: “If you don't like the authorities, leave the country!” Secondly, Minsk started to wage a long-term media campaign against Poland, the Belarusian regime's harshest critic among neighbouring countries.

News skirmishes with Russia did not develop further in 2011, however, and one might describe Minsk's reaction to media gibes from the Kremlin as rather restrained.

Decreasing trust in traditional media

The aggressive editorial policies of most socio-political media led to an almost 50% reduction in trust in state media in 2011. Trust in the independent media declined as well, but to a lesser extent (see Table 1). Moreover, trust in the media as a whole also decreased proportionally.

Table 1. Evolution of trust ratings for state and independent media⁴

	Response	12'10	03'11	06'11	09'11	12'11
State media	Trust	52.9	43.4	39.2	25.7	28.6
	Don't trust	38.4	48.5	52.6	62.2	58.7
Independent media	Trust	46.3	45.5	46.2	32.8	32.3
	Don't trust	41.1	42.2	39.5	52.2	52.7

In parallel to their reduced trust in traditional media, people's Internet use is intensifying. In 2011, Internet penetration passed the

² The first of the “*Godfather*” documentaries was screened in July 2010, and had a very negative effect on Aleksandr Lukashenko's pre-electoral ratings. Certain sources indicate that several parts of the documentary were initiated (and also co-edited) by the Russian president, Dmitriy Medvedev.

³ See: <http://www.adzinstva.by/?p=53078>.

⁴ Data from national public opinion polls by IISEPS.

noteworthy 50% mark in Belarus.⁵ By the end of 2011, the daily Internet audience, according to *Gemius*, was 76.35% of Belarusian users. Thus, the daily Belarusian Internet audience and potential audience for new media are now comparable to those of television channels.

If one assumes that the most active audience prefers online media, then one can say that Belarusian TV channels will be facing a serious challenge in the medium term. As online media grow in popularity, television audience figures and, consequently, the influence of television will decrease proportionally. In 2011, the heads of the state Belarusian TV and Radio Company launched a large-scale rebranding campaign as a preventative measure to tackle this problem.

The “Belarus” package

On November 5, 2011, the new channels *Belarus-1* and *Belarus-2* began broadcasting to replace *Channel One (BT)* and the *Lad* channel. There are also plans to launch a Belarusian-language channel *Belarus-3*. The channel *Belarus TV*, which broadcasts for foreign audiences, will become known as *Belarus 24*. Furthermore, the company plans to launch a fully English-language TV channel. Belarusian TV and Radio Company chairman Gennadiy Davydko stated that this step was an “intentional move towards becoming recognizable on the media market”.

One feature of the new broadcasting concept is to stop relaying Russian television programmes, and place the emphasis on original Belarusian content. According to the Belarusian TV and Radio Company's plans aired by Gennadiy Davydko, “*Channel One* must become number one, and the *Belarus 24* channel's tasks include promoting ‘factual information into Russian territory’”.⁶

Apart from the state's actions aimed at promoting its own television products, 2011 saw the end of a process designed to “purge” the Belarusian television space. On December 31, *Euronews* – the only foreign TV news channel available to wide audiences – was removed from cable networks. It had been one of the most popular

⁵ According to December 2011 data from the international research agency *Gemius*, there were 4 063 177 Internet users in Belarus.

⁶ See: <http://tvnews.by/tb/55-s-5-noyabrya-pervyy-bt-budet-nazyvatsya-belarus-1-a-lad-stanet-belarus-2-s-14-noyabrya.html>.

channels on Belarusian cable networks, and was in third place in the *Kosmos-TV* ratings. In 2011, the Russian channel *TNT* was discontinued all over Belarus. Table 2 shows audience figures for channels in Belarus, and might explain the logic behind the "expulsion" of "disloyal" channels.

**Table 2. What TV channels do you watch?⁷
(More than one response is possible)**

Response	%
Belarusian TV (<i>BT, ONT, STV</i> and others)	64.6
Russian TV (<i>ORT, RTR, NTV</i> and others)	59.4
Cable TV	41.7
Local TV	21.4
Satellite TV	17.8
<i>Euronews</i> Russian service	8.8
The new independent channel <i>Belsat</i>	1.6
Polish TV	0.9
<i>RTV's</i> special weekly programme for Belarus	0.3

On the media market, Belarusian content-producers also dominate as far as radio stations are concerned (see Table 3). The only exceptions are Russian radio stations in the entertainment bracket. The cross-border talk-news media transmitted from abroad are not very popular.⁸

Also of note is the fact that the Ministry of Information revoked the FM radio station *Avtoradio's* broadcasting licence on January 10, 2011 for spreading information containing what the ministry deemed "public calls for extremist activity". The ministry considered the phrase "a country's fate is not decided in the kitchen, but out on the Square" (part of an advert for presidential candidate Andrey Sannikov) to be a call for extremism. *Avtoradio's* attempts to appeal against the ministry's decision all led to nothing. The

⁷ Data from a national public opinion poll by IISEPS, June 2011.

⁸ For more detail on the reasons why the European Union's news channels have been unable to attract listeners/viewers in Belarus, see: A. Medvetkiy. Media: the state's pyrrhic victory // *Belarusian Yearbook 2010*. Minsk, 2011. P. 191–201.

closure of *Avtoradio* was therefore a plain signal from Belarus' highest media regulation body: private FM stations were clearly being told that they should not broadcast any content criticising the official authorities.

**Table 3. Which radio stations do you listen to?⁹
(More than one response is possible)**

Response	%
Belarusian FM stations (<i>BA, Stolitsa</i> and others)	48.1
Belarusian state radio	38.5
Russian radio stations	16.5
<i>Radio Racyja</i> (Bi aiystok)	1.6
<i>European Radio for Belarus</i> (Warsaw)	1.1
<i>Radio Liberty's</i> Belarusian service (Prague)	1.1
<i>Deutsche Welle</i> radio's "Belarusian Chronicles" (Bonn)	0.7
<i>Radio Liberty's</i> Russian service (Prague)	0.6
<i>Radio Polonia's</i> Belarusian programme (Warsaw)	0.5
<i>BBC</i> radio (London)	0.5
<i>Radio Baltic Waves</i> (Vilnius)	0.3
<i>Voice of America</i> (Washington)	0.3
<i>Radio Sweden</i> (Stockholm)	—

More good and varied newspapers

As in the previous year, 2011 saw a formal increase in the number of media in Belarus. According to data from January 1, 2012, the total number of print media registered in Belarus was 1403 (as opposed to 1347 the year before).¹⁰ The proportion of state newspapers, magazines, bulletins, catalogues and almanacs grew only slightly — 406, as opposed to 399 in 2010. The independent press expanded somewhat more — 997 titles, as opposed to 948 in 2010. The number of news agencies remained unchanged since 2010 — 9 (2 state and 7 independent). The quantitative growth of registered press titles was mainly due to

⁹ Data from a national public opinion poll by IISEPS, June 2011.

¹⁰ See: <http://www.mininform.gov.by/rus/smi>.

an increase in advertising, entertainment and specialised publications.

As far as the socio-political press was concerned, there were no serious changes on the market in 2011. The state press maintained its dominance in the news field. The combined print run of the *three leading national newspapers* was 525 000 copies. As an example, we have taken the print run of the presidential administration's newspaper *Sovetskaya Byelorussiya* (398 000 copies), the Belarusian Council of Ministers' newspaper *Respublika* (97 000 copies), and the Council of Ministers' and National Assembly House of Representatives' newspaper *Zviazda* (30 000 copies).¹¹ By way of comparison, the combined print run of the *three leading independent newspapers* was nine times lower, amounting to 57 000 copies (including *Narodnaya Volya* — 28 500, *Belgazeta* — 20 920, and *Nasha Niva* — 8000 copies).

This pronounced imbalance was caused by unequal economic conditions, as well as constant state subsidies favouring the official press. In 2011, EUR 54 million were allocated to support state media, including around EUR 4.5 million for publishing houses and periodical print media.¹²

In the near future, the Ministry of Information plans a return to the practice of setting up large publishing conglomerates. In particular, in early 2012, information minister Oleg Proleskovskiy voiced the idea of creating a *Zviazda* publishing house, which would include the newspaper *Zviazda* and the editorial/publishing institution *Litaratura i Mastactva* (including the newspaper *Litaratura i Mastactva* and the magazines *Polymia*, *Maladosc'*, *Nioman* and *Vozhyk*). In the regions, the idea of setting up "joint editorial staffs" is being lobbied. This would allow one editorial bureau to release several products simultaneously, thus reducing the number of individual regional staff.

Journalism, what a terrible profession!

As a profession, journalism is gradually losing its impact in society, as well as its prestige. By our reckoning, this trend first arose in the mid-noughties, but was at its most noticeable in 2011.

¹¹ In this case, as well as for the independent press, the print runs for February 2012 are given, i.e. when this article was being prepared.

¹² See: http://baj.by/sites/default/files/monitoring_pdf/massmedia_in_belarus_4%2824%29_by.pdf.

Firstly, this year saw an ongoing exodus of journalists from leading Belarusian media. In early 2012, foreign policy observer Igor Kolchenko left *Sovetskaya Byelorussiya* after about five years as part of the "presidential circle". Previously, political correspondent Irina Yuzvak and deputy editor-in-chief Anna Shadrina had also left the paper. Citing a desire to raise his professional standards, Artashes Antonyan quit *ONT* (the Belarusian television channel with the highest ratings) to move to Moscow, and another presenter, Tengiz Dumbadze, also left *ONT*. Following the closure of the programme *Vybor ("Choice")*, Sergey Dorofeyev left the channel too.

Moreover, according to the *Interfax* agency¹³, jobs with the state Belarusian TV and Radio Company were some of the lowest-paid in 2011. In October 2011, an assistant director at the BTVRC was earning BYR 700 000 (approx. USD 80), a server administrator — BYR 640 000, a designer — BYR 600 000, and a special correspondent — BYR 505 000. Belarusian journalists' low salaries are just one side of the coin, however. Public opinion about journalists is negative; they are seen as biased and guilty of presenting information one-sidedly (Tables 4, 5).

Table 4. How would you assess the media situation in Belarus?¹⁴

Response	%
The media are independent in Belarus	10.3
The media are dependent in Belarus	53.3
Some media are independent in Belarus, but others are dependent	31.2
Unable to respond / No response	5.2

For a fuller picture, one should definitely add that the journalism profession continues to be "high risk" in Belarus. Those who attempt to maintain professional standards regularly experience pressure and criminal persecution from the authorities. In early 2011, *seven* members of the Belarusian Association of Journalists were implicated in the December 19 case.¹⁵ Some of the journalists

¹³ See: <http://www.interfax.by/article/85564>.

¹⁴ Data from a national public opinion poll by ISEPS, June 2011.

¹⁵ They were *Dmitriy Bondarenko*, a Belarusian Association of Journalists member; *Sergey Voznyak*, editor of the newspaper *Tovarishch*; *Aleksandr*

were given conditional sentences (e. g. Sergey Voznyak) or suspended sentences (Irina Khalip). Others, like Aleksandr Otroshchenkov, the press-secretary of 2010 presidential candidate Andrey Sannikov, were given actual prison sentences.

Table 5. If you feel the Belarusian media are dependent, on whom or what do they depend? (More than one response is possible)

Response	%
The president	59.0
Other authorities	29.2
Audience demand	13.2
Journalists' own corporate interests	12.2
International organisations and foreign capital	9.6
Political parties and non-governmental organisations	7.1
Belarusian entrepreneurs	1.7
Unable to respond	3.6

Furthermore, 2011 was marked by a court case concerning Article 368 of the Belarusian Criminal Code ("Insulting the President of the Republic of Belarus"). The accused in this case was the Polish *Gazeta Wyborcza's* correspondent Andrzej Poczobut. On July 5, a Grodno court found the journalist guilty of slandering the president, and sentenced him to three years' confinement, suspended for two years (if he breaks the law, Andrzej Poczobut could be sent to a penal colony). The charges of insulting Lukashenko were later dropped.

In 2011, the tragic death of Oleg Bebenin remained uninvestigated. He was a founder of one of the leading opposition news

Otroshchenkov, press secretary of the former presidential candidate Andrey Sannikov; *Natalya Radina*, editor of the *Charter'97* website (who later left Belarus and currently lives in Lithuania); *Paval Severinieć*, a Belarusian Association of Journalists member; *Aleksandr Feduta*, a well-known journalist and member of former presidential candidate Vladimir Neklyayev's campaign staff; and *Irina Khalip*, Minsk correspondent for the Russian *Novaya Gazeta*. At the time of writing, Dmitriy Bondarenko was still serving his sentence in a labour colony. Paval Severinieć was sentenced to confinement in a penal colony.

websites *Charter'97*. On September 3, he was found dead at his *dacha* near Minsk. The official cause of death was given as suicide, but Oleg Bebenin's colleagues and close friends have serious doubts about that explanation.

By way of conclusion: freedom of the press and media ratings

To conclude, let us quote the freedom of the press and media ratings. Compared to last year, Belarus has shown downward trends in all indices.

Worldwide Press Freedom Index¹⁶ published by *Reporters Without Borders*. In 2011, Belarus was in 168th place out of 179 countries. In 2010, Belarus was in 154th place in the ranking. The report also notes that journalists' working conditions have become even more repressive in Belarus. In the ratings for 2011, Belarus is compared to Uganda.

Freedom of the Press¹⁷ published by *Freedom House*. Belarus showed a downward trend here too. In 2011, Belarus went down one position to occupy 190th place on a list of 196 countries. Its total score was 93, with a "not free" status. These indicators ranked Belarus lower than Iran and Cuba. Right behind Belarus were Myanmar (Burma) and Eritrea. In comparison, Belarus was in 189th place in 2010, scoring 92.

¹⁶ See: <http://en.rsf.org/press-freedom-index-2011-2012,1043.html>.

¹⁷ See: <http://freedomhouse.org/report-types/freedom-press>.

THE WWW AS A HABITAT

Marina Sokolova, Mikhail Doroshevich

Summary

The active development of infrastructure, along with cheaper Internet access following the devaluation of the national currency, were some of the main prerequisites for the increase in numbers of Belarusian Internet users. As of December 2011, the Internet audience was 51% of the population over 15 years of age. Now there are more opportunities for "online activity", the Internet is no longer just a platform for "online media" and is becoming a virtual habitat for society.

2011 was marked by the development of various types of online activism (crowd-sourcing, flash-mobs, Twitter, and other rapid means of distributing information and coordinating activity). Interaction between state bodies and citizens (e-government) is being included on the political agenda, as well as managing Internet use and development. Institutional and legislative initiatives in these fields are typified by: 1) a technocratic approach (focusing on infrastructure development); 2) ignoring the Internet's global nature and being convinced that not only physical infrastructure, but also websites can be fully "locked" inside the state borders of Belarus; 3) a desire on the part of the executive branch and law-enforcement bodies for total control over citizens' online activity and business; 4) a disregard for partnership opportunities with the business community and civil society.

Although taking certain steps to fight cyber crime, the Belarusian authorities are not paying sufficient attention to the protection of personal data and the inviolability of people's online privacy. Moreover, censorship and other restrictive measures controlling Belarusian citizens' use of Internet resources and services (including by violating users' rights) are still common aspects of government policy.

Trends:

- The number of Internet users is increasing thanks to the active development of infrastructure and cheaper Internet access following the currency devaluation;
- There is still a digital gap: unequal Internet access opportunities for people from Minsk and its surrounding region as opposed to other regions of the country; most users have a higher education; and only an insignificant number of users are over 55;
- Websites are becoming more important as information sources, while interest in dedicated news sites (various types of traditional media) is dropping, and the audience of social networks is increasing;
- There are more active cases of online political and civic activism;

- The field of regulatory activity is dominated by the development of national telecommunications infrastructure, the computerisation of state management bodies, censorship and other restrictive measures controlling the use of Internet resources and services.

Infrastructure development and audience growth

The leading role in the development of telecommunications infrastructure to provide Internet access is played by the state communications operator *Beltelecom*, which still has the monopoly on the outer channel, *i.e.* access to the Internet. In 2011, the bandwidth of the Internet's outer channel almost doubled, reaching 200 Gbit/s by early 2012: 50 Gbit/s (20 in early 2011) towards the West, and 150 Gbit/s (90 in early 2011) towards Russia.¹ Since February 16, 2012, *Beltelecom* has been a client of the *DE-CIX* commercial Internet exchange in Frankfurt am Main, one of the leading international providers.

These resources ensure the operations of *Beltelecom* and secondary providers (58 in total).² Furthermore, the state operator uses outer channels to offer international data transit services to Russia and Europe. An agreement on data transfer ("transit traffic") using infrastructure located inside Belarus has been signed with telecommunications companies from Russia (*Sinterra*, *Rostelecom* and *TransTeleCom*) and Poland (*Hawe Telekom*). In 2011, the amount of data streams transiting via Belarus rose from 37 to 105 Gbit/s (more than 2.5 times³), thus surpassing the total bandwidth for Belarusian citizens' Internet access towards the West.

Beltelecom controls 78% of the broadband access (xDSL) market, and is the major Belarusian hosting provider (seven data processing centres, or DPCs). The second hosting service provider, *DataKhata*, opened its only DPC in Minsk in June 2011.⁴ Due to the obligatory requirement that companies and organisations offering services must be hosted within Belarusian state borders, the national data processing centres were periodically unable to handle the load, which resulted in Internet outages around the country.⁵

¹ <http://beltelecom.by/news/company/beltelekom-velichil-internet-shlyuz-belarusi-do-200-gbits>.

² <http://providers.by/by-providers/>.

³ <http://providers.by/flag/tranzit/>.

⁴ <http://it.tut.by/232965>.

⁵ <http://it.tut.by/264291>.

The network of Wi-Fi hotspots belonging to *Beltelecom* (which has almost monopolised service provision) more than doubled over the year: from 500 in February to 1100 in December. However, the percentage of users of these services decreased threefold.⁶ Experts explain that this sharp drop in the Wi-Fi market (along with a reduction in the number of Internet caf  s) were "unpleasant consequences of Decree № 60", which requires data to be stored concerning users and services provided to them.⁷ The reduced number of Wi-Fi users is also an alarming trend because the under-use of free Wi-Fi access points is a serious barrier to solving the problem of digital inequality.

One of the most important trends of the previous year was the growth in the number of broadband (xDSL) and high-speed mobile 3G (UMTS) users. After December 1, 2011, the Russian company *Yota* started offering trial mobile Internet access using 4G (LTE) technology.

Table 1. Types of Internet access (% of users)⁸

Connection type	December 2010	January 2012
Broadband access	49.3	62.5
Modem connection (dial-up)	18.7	8.5
Mobile connection	5.6	11.36
Wi-Fi	3.1	1.2

In 2011, around 17 000 new .BY domains were registered (4000 more than in 2010). By the end of 2011, there were a total 44 000 of them. For the first time, physical entities started to register more domains than legal entities. This was mostly thanks to a fourfold decrease in the cost of domain names in the .BY zone – from USD 43 to 11 – as a result of the devaluation of the Belarusian rouble.⁹

⁶ Benko A. *Connecting Links* // [E-resource] February 2012. See: <http://www.respublica.by/5450/line/article52964/>.

⁷ Shchetko N. *Summary of the year with Yuriy Zisser* // [E-resource] December 2011. See: <http://it.tut.by/265142>.

⁸ See: *gemiusAudience* research, 01/2010–01/2012.

⁹ Bykovskiy P. *Roundup of registration in the BY-net in 2011: 45 000 domains* // [E-resource] December 2011. See: <http://reporter.by/world/Ito-gji-registracii-v-Bainete-v-2011-godu-45-tysjach-domenov/>.

The active development of infrastructure, along with cheaper Internet access following the devaluation of the national currency, were some of the main prerequisites for the increase in numbers of Belarusian Internet users. In 2011, the Internet audience grew by 20%, reaching 4.144 million people in December (51% of the population aged over 15). The country occupied third position (after Ukraine [44% growth] and the Russian Federation [30% growth]) in ratings for Internet audience growth in Central and Eastern European countries.

In terms of the number of Internet users, Belarus climbed to 12th place, overtaking not only Ukraine, like last year, but Russia too. Most people (76.4%) use the Internet on a daily basis, mostly from home (91.2%). However, there is still a digital gap: unequal access opportunities for people from Minsk and its surrounding region as opposed to other regions of the country; most users have a higher education; and only an insignificant number of users are over 55.¹⁰

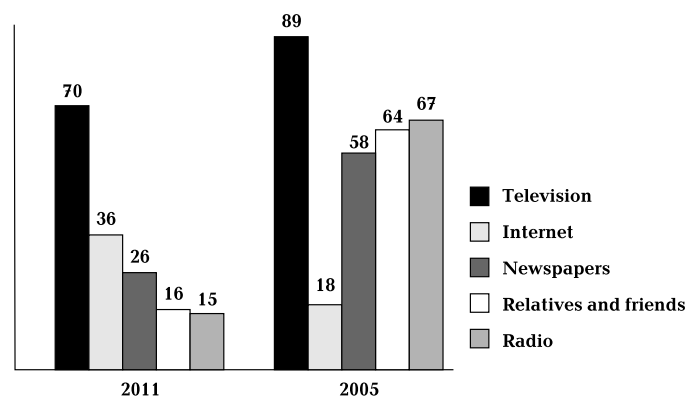
Use of Internet resources and services

As in previous years, 2011 was marked by websites becoming more important as information sources. This general trend is noticeable if compared to 2005 (see Fig. 1). Notably, this growth in popularity is comparable to the more than twofold increase in the Internet audience over those six years.¹¹ Television still has the largest audience, however. Print media have also maintained fairly stable positions, although there are hardly any periodical publications which do not have a "digital supplement" such as a website, social network presence, etc.

¹⁰ Klepka M. *Do you CEE? The Internet and online advertising market in Central and Eastern Europe*. Paper presented at Webit congress, Sofia // [E-resource] 2011. See: http://www.slideshare.net/Gemius_com/do-you-see-the-internet-and-online-advertising-market-in-central-and-eastern-europe; Doroshevich M. *Belarusian Internet audience: the results of the fusion panel*. Paper given at the seminar *Internet as the most effective media channel. New instruments for long-term growth and development*, Minsk // [E-resource] February 2012. See: http://www.slideshare.net/gemius_belarus/belarusian-internet-audience-the-results-of-the-fusion-panel-december-2011.

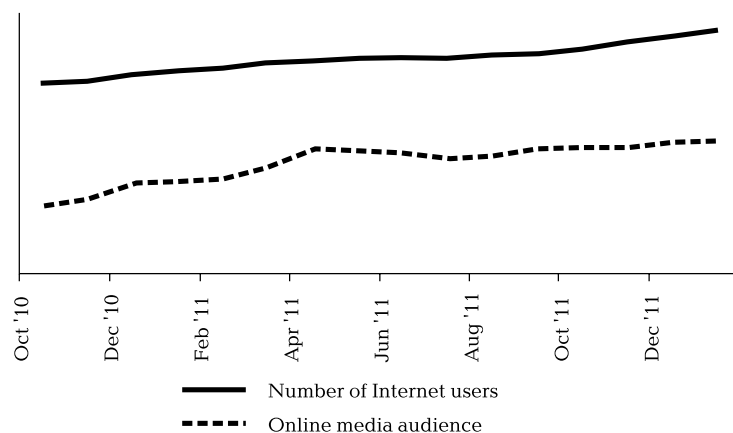
¹¹ Sokolova M. *Internet and online media // Belarusian Yearbook 2010*. Minsk, 2011. P. 204.

Fig. 1. Distribution of responses to the question: "To which media do you mostly refer?" in 2005 and 2011 (%)¹²



Another important trend was reduced interest in dedicated news sites (various modifications of traditional media), accompanied by a growth of social network audiences (see Figs. 2 & 3).

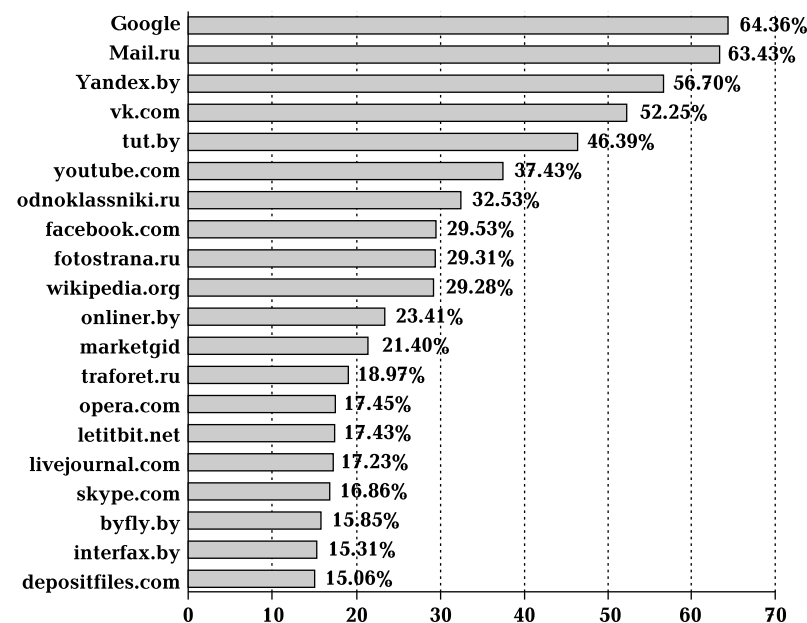
Fig. 2. Comparison of the growth of Internet users and the online media audience in Belarus¹³



¹² See: *The truth? On television and the Web* // [E-resource] September 2011. See: <http://zerkalo-info.com/investigations/121.html>; IRI-Gallup Baltic Surveys (2005) *Belarusian National Public Opinion Surveys*.

¹³ See: *gemiusAudience* research (01/2010–01/2012) // [E-resource] See: <http://www.audience.by>.

Fig. 3. Top 20 most popular websites among Belarusian Internet users (by reach)¹⁴



Approximately 2.8 million Belarusian Internet users (or 69.77%) log into social networks. *vk.com* still has the largest reach, as well as the largest number of registered users (2.1 million people, or 53.31%). In second place is *odnoklassniki.ru* (1.25 million, or 30.85%), and in third place is *facebook.com* (1.18 million, or 29%). Although not the largest, *LiveJournal* has the most active audience in Belarus (649 000 people, or 15.98%) – almost 96% of *LJ* users have also joined at least one other social network. Most social network users are young people (aged 15–24), of which there are more women than men in all age groups except 19–24 and over 55.¹⁵

¹⁴ See: *gemiusAudience* research (01/2010–01/2012) // [E-resource] See: <http://www.audience.by>.

¹⁵ Doroshevich M. *Social network audiences in Belarus* // [E-resource] January 2012. See: <http://www.infopolicy.biz/?p=1859>; Shchetko N. (2012.01) *Almost 70% of the Belarusian Internet audience use social networks* // [E-resource] January 2012. See: <http://it.tut.by/271286>.

Therefore, Belarusian users are also part of the process of the changing configuration of the online media landscape. The essence of this change is that new ways of "using information" and the convergence of media are leading to the previous division between "professional journalism" and "user-generated content" being replaced by network topology based on the specifics of individuals', communities' and organisations' online activity.¹⁶

Furthermore, with the increased audience and more opportunities for "online activity", the Internet is no longer just a platform for "online media" and is becoming a virtual habitat for society. Consequently, it is not surprising that 2011 was marked by the development of various types of online activism (crowd-sourcing, flash-mobs, Twitter, and other rapid means of distributing information and coordinating activity). This was particularly true of protest activity: the "*Social Networks Revolution*" and "*Stop-Petrol*" campaigns organised via social networks during the summer; using the "collective consciousness" (crowd-sourcing) to identify the people who smashed the windows of Government House on December 19, 2010; Internet petitions; a virtual postcard service for writing to Belarusian political prisoners; sites to help relatives and friends of those arrested to coordinate their activity, etc.¹⁷

Civic initiatives are also becoming more noticeable. The best example of this is the *BelYama* website, a social platform to gather information about road surface defects and apply "legal pressure on the relevant bodies in order to eliminate those defects" (<http://belyama.by>).

Institutional and legislative initiatives

The increased number of Internet service and website users, and the variety of opportunities for "online activity" are drawing more government attention to this field. Issues of interaction between state bodies and citizens (e-government), as well as managing Internet use and development, are being increasingly included on

¹⁶ Cavazza F. *Social media landscape 2011* // [E-resource] 2010. See: <http://www.fredcavazza.net/2010/12/14/social-media-landscape-2011/>.

¹⁷ Bykovskiy P. *Politics is still the centre of attention for the Belarusian blogosphere* // [E-resource] January 2011. See: <http://www.dw.de/dw/article/0,,14760711,00.html>.

the political agenda.¹⁸ In 2011, four important pieces of legislation were passed¹⁹:

- A national programme for the rapid development of services in the field of information and communications technologies from 2011 – 2015 (Belarusian Council of Ministers resolution № 384 of 28.03.2011).²⁰
- Presidential decree № 515 of 08.11.2011 "on several issues of developing the information society in the Republic of Belarus".²¹
- Belarusian law № 308-3 of 8.11.2011 "on introducing amendments and additions to the Belarusian law on mass events in the Republic of Belarus".²²
- Belarusian law № 317-3 of 25.11.2011 "on introducing additions to the Belarusian Code of Administrative Contraventions and the Belarusian Procedural Enforcement Code of Administrative Contraventions".²³

The national programme anticipates extremely generalised measures for the development of telecommunications infrastructure, national content, and further development of e-government projects. It is important to note that the term "private sector" is only mentioned in the "e-government" subprogramme in relation to the possibility of transferring functions to third-party organisations (outsourcing). At the same time, according to World Bank experts, for most countries "with strong ICT strategies... the state's function is seen as being to provide a platform by creating infrastructure and data sets which may then be used by the private sector to devise and introduce innovative solutions and applications".²⁴

¹⁸ Sokolova M. *Overcoming the inertia of computerisation* // [E-resource] November 2011. See: www.businessforecast.by/files/booklet-sokolova.pdf.

¹⁹ These documents are the result of the implementation of Belarusian presidential decree № 60 "on measures to improve use of the national segment of the Internet network" and *Strategies for developing the information society in the Republic of Belarus*, which were adopted in 2010.

²⁰ Official text: <http://www.mpt.gov.by/File/Natpr/Natpr.pdf>.

²¹ Official text: <http://oac.gov.by/doc/36.html>.

²² Official text: http://www.base.spininform.ru/show_doc.fwx?rgn=48093&page=1.

²³ Official text: <http://www.pravo.by/main.aspx?guid=71393>.

²⁴ World Bank Group. *Private sector engagement for good governance in Belarus: investment and growth in the ICT sector through public-private dialogue*. World Bank Institute, 2012. P. 21.

The "formation of national content" subprogramme places its main emphasis on representing the positions of state bodies. "Creating unified technological conditions for the operation of Internet-versions of Belarusian media by uniting them via an aggregator on an Internet portal, and creating a 'single entry point' for state media on the Internet, will guarantee the effective representation of the positions of state bodies in the national segment of the Internet, including rapid response to newsworthy events", the document reads.²⁵

Presidential decree of № 515 "on several issues of developing the information society in the Republic of Belarus" stipulates the creation of a National Electronic Services Centre (NESC) and a Belarusian presidential Council for the Development of Information Society, as well as giving the Belarusian presidential News and Analysis Centre the functions of an independent telecommunications regulator. The structure and hierarchy of these bodies to be created in accordance with decree № 515 are such that they are all closely linked to the president.

To a large extent, the powers of the operator (NESC) coincide with those of the regulator, and both bodies have the full right to supervise data transmissions, but offer no guarantees of privacy or service quality. Moreover, as national regulator, the NAC has the right to recommend, negotiate and publish binding regulatory laws and legislative acts governing ICT, which 1) does not conform to the statute concerning the division between the legislative and executive branches, 2) contradicts the very principles of appropriate practice in the independent ICT regulation field.²⁶

An article has been added to the Code of Administrative Conventions regarding legal responsibility "for violating the law while using the national segment of the Internet". There is also an amendment to Paragraph 2 of the law on mass events, which makes flash-mobs equal to picketing. A new article of the Administrative Code makes provisions for punishment for violations of Paragraph 2 of decree № 60. There is still no official interpretation of this paragraph, however. NAC representatives do not rule out broader inter-

²⁵ *National programme for the rapid development of services in the field of information and communications technologies from 2011–2015* (Council of Ministers resolution № 384 of 28.03.2011) // [E-resource] See: <http://www.mpt.gov.by/File/Natpr/Natpr.pdf>.

²⁶ Detailed analysis of the World Bank Group document above.

pretations, and advise people to enquire on a case-by-case basis.²⁷ The main inconsistency concerns how to define responsibility within the limited "national" segment of the Internet.

Although taking certain steps to fight cyber crime²⁸, the Belarusian authorities are not paying sufficient attention to the protection of personal data and the inviolability of people's online privacy. The law on information, computerisation and protection of information defines only general limits for this field. Meanwhile, the issue is becoming increasingly relevant as the implementation of projects progresses. After all, "as soon as a citizen has provided their data to an organisation, they are powerless to do anything with it. Legal responsibility for the security of the data is then borne by the organisation working with it, *i.e.* the personal data operator".²⁹ According to the results of a poll organised by *NPT Ltd.* (a company which integrates complex data security systems) and *Kompyuternye Vesti* in November 2011, only 28% of respondents replied yes to the question: "Does your organisation use systems to prevent information leaks?". However, 47% confidently replied that their organisation has no such system. Only 12% of those polled stated that their organisation has a special information security department.³⁰

The Belarusian legislature's position is also unclear regarding the defence of copyright online. One of the few public statements on this topic was made by Denis Sidorenko, deputy head of the Belarusian delegation to the OSCE, who criticised the draft ACTA and SOPA bills, and expressed his agreement with the OSCE's opinion about the need for serious discussion and thorough analysis of this topic "from the point of view of proper respect for human rights and basic freedoms".³¹

²⁷ Ponomarev A. *Shedding Light on Internet Regulation in Belarus* // [E-resource] 2012. See: <http://itlaw.by/>.

²⁸ Ministry of Internal Affairs' high-tech crime investigation department. *Statistical data for 2011* // [E-resource] See: <http://mvd.gov.by/ru/main.aspx?guid=70203>.

²⁹ Baranovskiy A. *Leaked data from MTBank: an expert's comments* // [E-resource] August 2011. See: <http://new.kv.by/content/utechka-dannykh-iz-mtbanka-komentarii-eksperta>.

³⁰ Stankevich V. *Personal data protection in Belarus* // [E-resource] November 2011. See: <http://new.kv.by/content/zashchita-personalnykh-dannykh-v-belarusi>.

³¹ Demidov V. *Is pirate content so harmful?* // [E-resource] February 2012. See: <http://new.kv.by/content/tak-li-vreden-piratskii-kontent>.

During the period under review, no significant attempts were made to formulate principles for legal responsibility for information content placed online. Above all, no division was made between media and personal communication resources. In 2010, during his term as information minister, Oleg Proleskovskiy stated in an on-line conference: "Currently, Internet media are not officially considered to be media, and bloggers are not considered journalists". He went on to say that this issue would be decided in a government resolution in 2011.³² However, the relevant regulatory acts have still not been passed. As a result, in summer 2011, a criminal suit was brought under Article 370 of the Criminal Code (desecration of state symbols) concerning Yevgeniy Lipkovich's inclusion of a picture ("of an offensive and blasphemous nature") of the Belarusian state flag on his blog *lipkovich.livejournal.com*.

Furthermore, the aforementioned amendment to Article 8 of the law on mass events in fact equates any Internet sites with media since it states that, until official permission to hold a mass event is received, the organisers "and other individuals do not have the right to announce in the media, Internet, or any other information networks the date, place and time it is to be held, or to prepare and distribute any flyers, posters, or other materials for that purpose". Based on this amendment, the general prosecutor's office issued a resolution on March 23, 2011 to limit access to the news sites *charter97.org* and *belaruspartisan.org* in all state institutions.³³

The fact that censorship and other restrictive measures controlling Belarusian citizens' use of Internet resources and services are still common aspects of government policy can be seen in statements made by prosecutor general Grigoriy Vasilevich and deputy presidential administration head Aleksandr Radkov in Autumn 2011.³⁴ However, the problem lies not in access restrictions as such (which are essentially unavoidable), but in the fact that they are linked to non-compliance with current legislation.

The "general-access list of limited-access sites" section on the BelGIE site is still empty, although several social networks, the

³² See: <http://www.electroneame.com/story/6434>.

³³ See: <http://www.charter97.org/ru/news/2011/4/11/37583/>.

³⁴ See: http://www.belta.by/ru/all_news/society/Vasilevich-schitaet-neobxodimym-prinjat-mezhdunarodnyj-dokument-po-uporjadocheniju-polzovaniya-Internetom_i_572402.html; http://www.belta.by/ru/all_news/society/Radkov-rasskazal-o-planax-ogranichenija-dostupa-v-internet_i_576346.html.

news sites *charter97.org*, *belaruspartisan.org*, *spring96.org/ru*, *procopovi.ch*, *procopovich.net*, and others are being blocked in state institutions (an unconfirmed report claims that the list contains about 60 sites). Means of restricting access which directly violate users' rights (blocking sites, trolling, phishing, and identity theft) were also used repeatedly.³⁵

A detailed analysis of Internet regulation and the implementation of e-government projects in 2011 has shown that institutional and legislative initiatives in these fields are typified by: 1) a technocratic approach (mainly focusing on infrastructure development); 2) ignoring the Internet's global nature and being convinced that not only physical infrastructure, but also websites can be "locked" inside the state borders of Belarus; 3) a desire on the part of the executive branch and law-enforcement bodies for total control over citizens' online activity and business; 4) a disregard for partnership opportunities with the business community and civil society.³⁶

Conclusion

The trends for active development of telecommunications infrastructure for Internet access will continue in the future, since this activity is one of the priorities set for national socio-economic development programmes. Consequently, the number of Internet users will also grow, even though the digital inequality (see above) will persist. Inappropriate regulation policy will lead to the country being left behind in terms of development and effective use of the Internet. There is a high probability that the desire to control citizens' online behaviour and restrict access to Internet resources and services will continue by means of increasingly harsh legislation and illegal violations of users' rights.

³⁵ See: *The Belarusian KGB's cyberweapons* // [E-resource] January 2012. See: <http://www.electroneame.com/story/9865>; Prudnikova O. *How much freedom will the BY-net be left with?* // [E-resource] November 2011. See: http://www.naviny.by/rubrics/computer/2011/11/13/ic_articles_128_175810/; Walker S. *My Twitter ID was cloned to spread lies in Belarus* // [E-resource] 2011. See: <http://www.independent.co.uk/news/world/europe/my-twitter-id-was-cloned-to-spread-lies-in-belarus-2308907.html>.

³⁶ See: Sokolova M. *Prospects for multilateral dialogue on issues of managing Internet development and use in the Republic of Belarus*; Sokolova M. *E-government in Belarus: overcoming the inertia of computerisation*.

EDUCATION: BETWEEN "EXPORT" AND SCLEROTIZATION

Sviatlana Matskevich

Summary

In 2011, Belarusian education entered the phase of economic and administrative crisis that directly affected household education expenditure. Official accomplishment of quantitative targets does not ensure proper quality of education at all its levels.

The governments' intention for Belarus to accede to the Bologna Process was the major event in the education sector last year that stirred up public discussion and provoked criticism of Belarus' education policy in the civic and academic communities.

Trends:

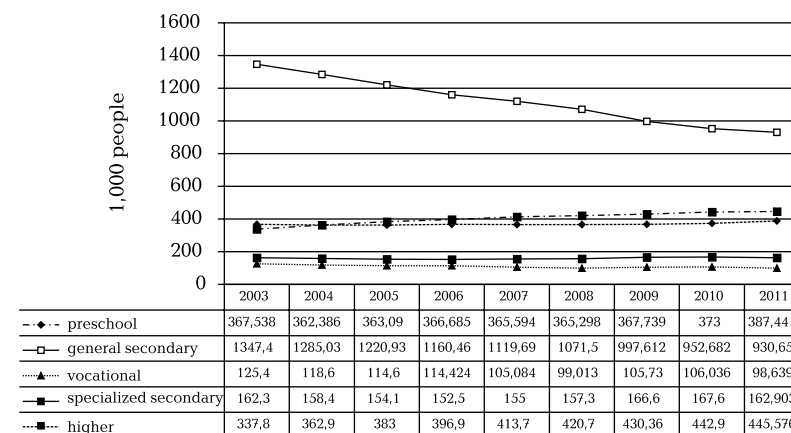
- The quantitative and qualitative indicators showed a decline: the number of students and teachers goes down; the old structure is conserved and the ideological component remains unchanged.
- The Education Code effective since September 1, 2011 reinforced the administrative and authoritarian forms of education management and almost completely denies an opportunity of reforming.
- Still being a monopolist in education, the country leadership does not even try to imitate communication with other entities of the education process while, in response to the Education Ministry's attempt to accede the Bologna Process, society demands real reforms rather than their imitation.

Economic crisis does not leave education unaffected

An outsider, who is basically unaware of education problems in Belarus, may conclude that the situation is not too bad, especially if the official statistics are looked at. The number of secondary schools is decreasing (Fig. 1), which is more likely caused by the demographic factor, rather than socio-cultural or administrative issues. It naturally leads to a partial teaching staff reduction, and, in general, this process seems to accelerate (Fig. 2).

The number of students of vocational and specialized secondary schools is also decreasing, yet insignificantly. The figures are smoothed to a certain extent by the higher education statistics as the number of university students is still increasing (Fig. 1). However, it will not last long given that most university applicants are secondary school graduates.

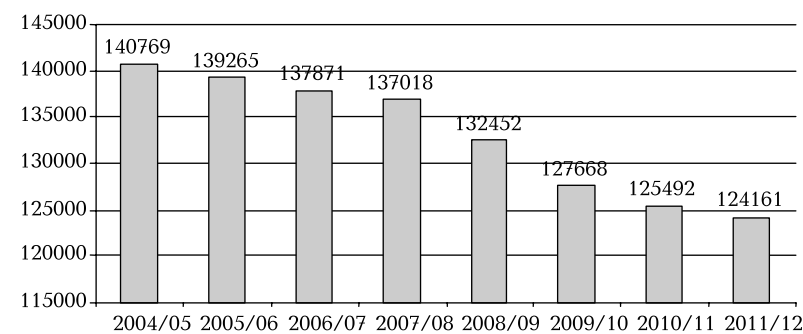
Fig. 1. Number of students in the education system of Belarus



Source: Main Information Analytical Center (MIAC), Ministry of Education of the Republic of Belarus, 2011

Government experts report that everything is going well and the system is being upgraded. The question is what exactly education functionaries mean. Is an increase in the number of students an advance? Does the upgrade have an effect on reforming of secondary and higher education? It is more likely about stability that the authorities strive for, rather than development. But what is the price of this stability?

Fig. 2 Number of day school teachers



Source: MIAC, Ministry of Education of the Republic of Belarus, 2011

In 2011, this issue topped the agenda, first of all in terms of finances. In October-November, practically all universities raised the price of education up to USD 1,000 to 1,500 a year on average. The Ministry of Education said the tuition fees for the second through the fifth years were raised by no more than 20%¹. The money was supposed to be used to pay teachers and improve the universities' infrastructure. It is notable that the cost of training was reconsidered after contracts with applicants had already been signed. It caused serious problems for many families, although there was no considerable outflow of students. As always, people were supposed to find a way out by themselves. Some students tried to switch to correspondence courses, which are cheaper than full-time attendance; many drew upon credits or looked for jobs.

As never before, the economic recession uncovered the inadequacy of the education funding model. The reform carried out in the 1990s did not remedy the core problem of the command-and-control management style: education managers are unready or reluctant to work out flexible funding models based on acquisition of incomes from multiple sources instead of getting the money from tuition fees and on-budget subsidies.

According to the national statistics, in 1998–2004, the education expenditure was between 6.1% and 6.6% of GDP. In 2005–2010, spending for education was down from 6.4% to 5.1%. It made up 8.9% in 2009 down from 20% in 2002 in general state expenditures². According to the Ministry of Education, the state spent nearly 7.2 million Belarusian rubles³ in 2011, an estimated 40–70% more than in secondary school.

The most part of the money goes for teaching staff salaries although they have always been lower than wages of industry workers accounting for 75% to 85% of the average level across the country. The government spends big money to pay vocational school and university students' scholarships but they still make up 43% to 70% of the subsistence minimum.

Households contribute generously to financing the education system, and they have been spending more and more in absolute terms since 2000. Education was responsible for 1.9% of final consumption expenditure in 2010 which represents a major increase

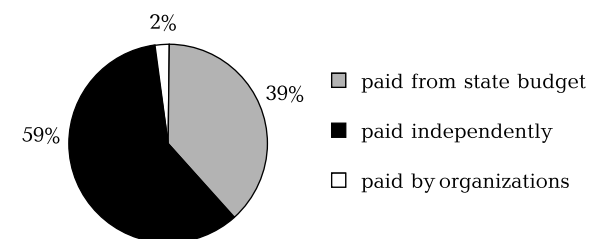
¹ See: <http://telegraf.by/2011/08/4682971495134728ae2317f9b8fa2184>.

² See: <http://data.worldbank.org/indicator/SE.XPD.TOTL.GB.ZS/countries>.

³ See: http://naviny.by/rubrics/society/2011/03/23/ic_news_116_363853/

from 0.66% in 2000. The figure amounted to 1.7% of total consumer spending in the 3rd quarter of 2011⁴. State universities generate most of their incomes from education fees (Fig. 3).

Fig. 3. Distribution of students by the types of tuition fees in state universities, 2010



Source: MIAC, Ministry of Education of the Republic of Belarus, 2010.

Due to their limited autonomy, education institutions are deprived of the opportunity to determine optimal funding models. Besides, the state expects returns and graduates who reject post-graduate job assignments are supposed to reimburse the cost of their education⁵.

The education expenditure trends show a decline in financing of this sector. It is however not critical for now and does not induce the government to carry out structural reforms or make comprehensive changes in education institutions' activities.

The education sector obviously experiences not so much an economic crisis as a thinking crisis. So far, education specialists cannot precisely distinguish education from training, i.e. comprehend the difference between higher education and higher vocational education which all other countries have defined. It is hard for them to understand what an education program is. All new terms are "adapted" to old ones.

For instance, the new Education Code interprets education program as "a body of documents which regulate the education process

⁴ See: <http://belstat.gov.by/homep/ru/indicators/house.php>.

⁵ Resolution №821 of the Council of Ministers of the Republic of Belarus on post-graduate assignment, reassignment, job placement, subsequent job placement of graduates, reimbursement of expenditures for their training, and target training of specialists, wage and salary earners. June 22, 2011: <http://edu.gov.by/ru/main.aspx?guid=1061>.

and conditions required for achievement of a certain level of basic education or a certain kind of extended education as expected by a recipient" (Paragraph 1 of the Code). But in fact, an educational program usually means an activity organized in a specific way aimed at providing education, training and eradication of illiteracy. Officials are going not to initiate new activities but to control documentation.

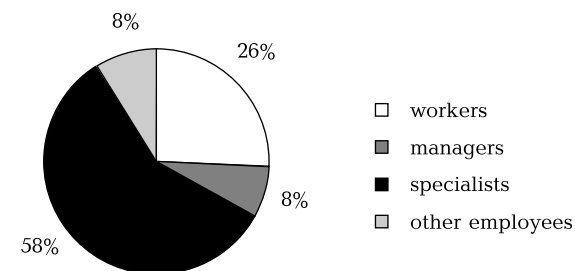
According to the Education Code, educational activities can be only carried out by organizations or entrepreneurs. It means that organizations, i.e. institutions, act as education actors rather than teachers, educators, methodologists and managers. But institutions cannot be actors by definition. The Code is full of such faulty interpretations. Can reforms really start with such fundamental law in this area which officials the present as a huge progress of the education legal framework?

Are there academicians in Belarus?

Here is one more, not less interesting question: is there an academic community in Belarus? There are educators and it can be proved statistically although the information about the number of education sector employees is sometimes inconsistent. As of late 2010, the number of employees stood at 443,500 or 9.5% of the total employed population. The data on the kinds of economic activities differ a little: education involves 458,300 people or 9.8% of the employed population. The NSC describes the qualitative composition of the education sector in a quite strange way. As a result, in late 2010, the total number of education workers amounted to 477,320 people. Which figures should we trust?

No matter how the figures differ, the question of the academic community still stands. Even if the Code does not specify such entity at all, an academic community is an inevitable product of culture and history of the education system, because it is a prerogative of the academic community to establish universities and ensure quality of education in the country, while education officials are supposed to have another area of expertise. They can initiate a reform of the Academy of Sciences, give universities academic freedoms, etc., but it will be unsuccessful for sure because academicians should do it. Such sophisticated liberal institutions as scientific and academic communities with their commitment to the truth and reasoning cannot occur overnight and through administrative efforts only.

Fig. 4. Number of education workers by categories, 2010



Source: National Statistics Committee: Labor and employment in Belarus, 2011.

An open discussion and public communication on national concerns, problems of society as a whole and education in particular, an attempt to find common interests in the reforming of universities is what can trigger the process of evolution of the education actors. In 2011, this start was made not by the system of official education institutions, but informally, through the Flying University program and a series of simulations⁶.

Bologna Process: lost in translation

The government regards the export of education services and searching for extra funding sources as a tool for solving economic problems. The domestic market of educational services has been exhausted and, according to population forecasts, there will be fewer secondary school graduates to apply for admission to universities. Belarus needs its diplomas to be recognized outside the country and updated marketing technologies to approach foreign markets, which means adoption of the Bologna system of standardization and recognition of education quality.

In 2011, after long hesitation, the Ministry of Education headed by new Minister Sergei Maskevich started preparation for accession to the Bologna Process. Experts of the Republican Institute for Higher Education and *TEMPUS*⁷ Program were in charge of the technical component of joining the Common European Higher

⁶ See: <http://distance.fly-uni.org/>

⁷ See: <http://tempus.unibel.by/main.aspx?guid=1211>

Education Area. Belarus officially applied to the Bologna Process Secretariat in November 2011⁸. Although all technicalities seemed to be worked on diligently, politics came to the front. Education Ministry officials turned out to be unable to enter into political relations. They were frightening with politics, taking offence at politics, and making believe that education should have stayed away from politics.

It will suffice to mention that rectors of Belarus' leading universities were banned from the European Union for expelling students after the events of December 19, 2010 for taking part in peaceful protest actions. There is also an unofficial employment ban for disloyal teachers. The problem of poor quality of education will simply pale into insignificance amid these scandalous repressions. Belarus' accession to the Bologna Process in 2011 – 2012 would mean legitimization of the current sociopolitical relations in the country and their recognition by an outside authority. Belarusian officials publicly declared that accession to the Bologna Process would not require any alteration of the higher education system, which was certainly not true.

As a counter to the official viewpoints, a number of independent scientists and experts led by Professor Vladimir Dounaev initiated preparation of an alternative report and a road map for Belarus' integration into the process. The Public Bologna Committee formed on the basis of the National Platform of the Eastern Partnership Civil Society Forum vocalized their position in December 2011: the education system of Belarus needs not only profound reforming of its structure, new management approaches and education quality, but also (first of all) depoliticization. Students must not be expelled and teachers must not be dismissed or threatened with dismissal on political grounds⁹.

In early 2012, a working group of the Common European Higher Education Area Secretariat heard two reports, the official and alternative ones, and recommended to postpone admittance of Belarus to the Bologna Process for noncompliance of the Belarusian education system with basic values of European education determined by academic freedoms, university autonomy and real students self-

⁸ See: http://edubelarus.info/index.php?do=static&page=ehea&news_page=6.

⁹ See: http://naviny.by/rubrics/society/2011/12/14/ic_articles_116_176169/

administration that does not deny technical aid to Belarus in the field of education and involvement in European programs like *TEMPUS*, *ERASMUS*, etc.

Conclusion

The economic (as well as the conceptual) crisis of education can be handled with the help of a long-term anti-crisis program. However, there are no signs that the government does anything to work out such program. As a matter of fact, problems are being glossed over instead of their objective recognition. It may be safely suggested that the crisis in education will get worse. Politics and economy will overshadow education issues for a while and backing out of reforms will result in lagging behind in humanitarian development even more and further alienation from European values and standards.

The situation with accession to the Bologna Process could be improved through dialogue between the academic community, civil society and authorities but, most likely, the government will keep playing out the scenario of evolutionary development imitation. Seeking reinforcement of its position, the government will look for loyal allies in the academic and expert communities, civil society and international institutions.

STATE INNOVATION IN SCIENCE: NEW FIVE-YEAR PLAN, SOME OLD PROBLEMS

Andrei Laurukhin

Summary

The 2011 financial crisis was accompanied by an unprecedented reduction in science budgets. The era of primarily state-financed scientific research is now drawing to a close, thus putting the issue of finding mechanisms to commercialise science onto the agenda. This is in line with recently-emerging trends in science-funding policy, and corresponds to the strategic benchmarks of the *State Innovation Development Program (SIDP) for 2011–2015*, which was adopted in May 2011.

The SIDP 2011–2015 sets practical goals for introducing innovation in legislative, institutional, financial, human resources, and infrastructural reform fields. The un rushed implementation of these reforms during the previous five-year period (SIDP 2007–2010) was replaced by convulsive and radical reform attitudes in late 2011 when, against the backdrop of the financial crisis, the critically low level of science funding began to become painfully obvious.

The initial year of SIDP 2011–2015 was quite productive in terms of legislative improvements in the fields of science, technology and innovation. But the results from implementing innovation projects were less impressive, due to a number of major infrastructural, staffing, and financial challenges.

Trends:

- Increased underfunding for science due to budget sequestrations not refundable from extra-budgetary sources;
- Marginalisation of fundamental research and institutional restructuring (closures and/or merging of departments, institutions, etc.);
- Social sciences and humanities are becoming political instruments;
- Ageing, downsizing and emigration of highly-qualified scientific personnel, while the teaching capacity to train Candidates and Doctors of Science is exhausted;
- Scientific and academic communities are degrading, administrative regulations are tightening, and bureaucracy is expanding;
- Infrastructural, organisational, staffing and financial challenges significantly obstruct productive collaboration between the scientific, technical and innovation sectors;
- Science funding remains at a poor level, while monotonous dependence on such factors as, for example, innovation intensity, is increasing.

Are staff responsible for everything?

The authorities seriously disagreed in their assessments of the implementation of SIDP 2011–2015 in 2011. The head of the State Committee for Science and Technology (SCST), Mr. Voytov, and the chairman of the Presidium of the National Academy of Sciences, Mr. Rusetskiy, were generally positive about last year's results¹, yet the country's president Aleksandr Lukashenko attacked the scientific community with harsh criticism, talked about reducing the National Academy of Sciences' budget by one third, and described a recipe for "survival under the new circumstances".² It is hard to ignore the challenge given to the scientific community, because the NAS employs 53% of all researchers, who write 51.3% of all the articles by Belarusian authors cited in the *Web of Science*.³

On the other hand, the head of state's radical attitude can be understood if one looks at the cumulative results of the previous five years of innovative reforms. The science funding level in Belarus' GDP (0.8% in 2011) continues to be lower than critical⁴ and has still not regained its 2007 level (0.97%). On average, the cost-effectiveness of science ranges between 10 and 12 kopecks per rouble. However, the question remains as to what extent this is the fault of scientists. *After all, scientists will start profiting from their*

¹ Mr. Voytov said that 24 large innovation projects had been implemented during the past year, 4 new regional centres of the National High Technology Park had been opened, 28 state scientific and technical programmes, and over 600 innovation projects in priority areas had been launched: <http://gknt.org.by/rus/news/news/20120202/>. Mr. Rusetskiy pointed to a 151% increase in the volume of work and services, a 154.3% increase in production growth at the cost of extra-budgetary sources, a 107.7% increase in research and development carried out, a 132.3% increase in goods and services exports, as well as grants and technical assistance received, as compared with identical indicators for January–November 2010. Source: <http://news.tut.by/society/267799.html>.

² The president's ultimatum suggests that the National Academy of Sciences either needs to be reformed to become a "scientific and production corporation", or it should be deprived of its leading status and benefits, giving way to new institutional forms of scientific activity which operate successfully in developed societies (science, research and technical parks, corporate universities/holdings, etc.). Source: http://www.belta.by/ru/all_news/president/Lukashenko-predlagaet-peresmotret-struktur-organizatsii-nauki-v-Belarusi_i_582374.html.

³ Source: <http://news.tut.by/it/248962.html>.

⁴ 2% by EU standards. Source: *Ekonomicheskaya Gazeta* // [E-resource] See: http://www.neg.by/publication/2011_01_28_14163.html?print=1.

ideas when effective coordination between science, technology and innovation segments has been arranged, ensuring the functioning of the entire science and innovation cycle: from idea to practical application. In turn, the successful implementation of this task will depend on favorable conditions in finance, human resources and infrastructure. Were all these conditions favorable in 2011?

A new budget policy approach: from budgetary to extra-budgetary funding, and vice versa

Looking at the outcomes of 2011, the primary striking discrepancy is between projected and real funding. The forecast for 2011 was to increase the science budget to 1.2–1.4% of GDP.⁵ However, the most optimistic official figures only quote 0.29% of GDP (or 0.67% of GDP — the “domestic expenditure on research and development” indicator).⁶ This figure does not take into account the almost threefold devaluation of the Belarusian rouble, which directly affected the purchasing of materials and equipment for experimental studies.⁷

The greatest impact on fundamental research was made by the sharp reduction in science funding: BYR 324.7 billion were supposed to be allocated in 2011, or 10% of the domestic expenditure on research and development. This was 6.5% less than in 2010, and half of what was allocated in 2005.⁸ The situation is even worse in the following sectors of infrastructure: the scientific and technical information system, international cooperation in science and technology, and training of highly-qualified staff, on which 4, 3, and 2.5% of the projected budgets were allocated accordingly.

The projected science budget for 2012 makes it clear that the financial crisis and budget sequestration of 2011 entailed the

⁵ Source: http://neg.by/publication/2011_01_28_14163.html.

⁶ Source: http://www.news.date.bs/economics_269965.html.

⁷ Less than 10% of the science budget is allocated for scientific materials and technical capacity. Source: *The state of national scientific and technical information systems in CIS countries which are members of the Interstate Coordination Board for Scientific and Technical Information (ICBSTI)*. Analytical overview. 2009.

⁸ Source: *Science and Innovation in Belarus*. Minsk, 2011. P. 60. The amount of design and applied research is 86%. Source: http://www.belta.by/ru/all_news/president/Lukashenko-potreboval-do-kontsa-goda-predstavitemu-kontseptualnye-podxody-k-dalnejsheму-razvitiyu-nauchnoj-sfery-v-Belarusi_i_582439.html.

introduction of new science funding policies. Thus, according to Mr. Voytov, in 2012, the science budget should only include up to 30% from state budgetary funds, and the remainder should be distributed as follows: 30% from extra-budgetary sources, and 35–40% in revenues from exports.⁹ This funding structure is usual practice for science spending in the developed world.¹⁰

However, the main issue is that there are no relevant extra-budgetary sources in Belarus, and no infrastructure which could make a breakthrough in the development of extra-budgetary funding.¹¹ On the contrary, over the past six years, funding trends have occurred which could not be reversed within a year, even under the most favorable circumstances. For instance, during 2005 and 2010, the amount of state budgetary funds for the distribution of internal spending on scientific research was 58.1–57.8%. At the same time, the amount of extra-budgetary funds decreased sixfold (from 5.1% to 0.9%), and the amount of other extra-budgetary sources was reduced from 30.5 to 27.7%. The only significant increase was in the amount of foreign investments (including loans) — from 6.3% to 13.6%.¹² However, even combined with export revenues¹³, this amount is not even half the projected figure for export revenues.

Therefore, the most realistic of all the projected indicators is a two-fold reduction in budgetary funds — from 58% in 2011 down to 30% in 2012. *These science budget cuts will not be compensated by increased contributions from extra-budgetary sources, however.* The only way that state funding of science in 2012 could reach the projected level for 2011 is if the budget volume is increased.¹⁴ This puts the efficiency of the restructured science funding policy into question, however.

⁹ Source: http://www.news.date.bs/economics_269965.html.

¹⁰ The amount of corporate expenses on research and development as part of the overall expenses on scientific and research activity in the Organisation for Economic Cooperation and Development countries is approximately 70%. Source: <http://www.raexpert.ru/researches/expert-inno/part1/>.

¹¹ Above all because there is no corporate sector and venture investment is underdeveloped, both of which [normally] play a key role in establishing an effective extra-budgetary funding system.

¹² *Science and Innovation*, op. cit., p. 61.

¹³ The preliminary assessment is that they accounted for less than 5% of overall science expenditures in 2011.

¹⁴ First deputy prime minister Semashko said that the Belarusian state science budget would increase by 1.8 times in 2012, as compared to 2011, in order to reach approximately BYR 1.4 trillion, or the projected amount for 2011. Source: <http://scienceportal.org.by/news/fca1d478bcd51.html>.

Infrastructural gaps in the research and production cycle

Specialists say that successful development of innovation potential depends on efficient collaboration between science, business and government. The cornerstone needed to give enterprises incentives to innovate is a competitive environment that would eliminate ineffective business-owners. The year 2011 was also not a turning point for the development of the corporate sector, or for improving the competitive environment.

Another factor interfering with the successful development of innovative capacity is enterprises' lack of their own funds.¹⁵ The currency devaluation washed out a substantial portion of enterprises' working capital, depriving them of even their vaguest hopes of implementing innovations. Such a lack of funding could have been recovered at the cost of venture capital investments, which play a key role in an effective extra-budgetary funding system, but this financial tool is still at a rudimentary stage in Belarus.¹⁶

The patent system, which is the most significant factor for the commercialisation of intellectual property, was faced with similar problems. While the number of patents issued in the past ten years has almost tripled (from 537 in 2000 to 1222 in 2010), the efficient use of intellectual property has changed very little. Indirectly, this fact was acknowledged by the adoption of a presidential decree on "enhancing intellectual property efficiency" (№ 216 of 26.05.2011).

Launched at the end of 2011, the "Intellectual Property Exchange" can be regarded as a desperate, but as yet unsuccessful attempt to revive this market sector. Due to infrastructural gaps in the scientific innovation cycle, a catastrophic shortage of funds, and the generally low demand for innovation in the Belarusian economy, the quantity of patents is not yet able to find enough

¹⁵ See: *Science and Innovation*, op. cit., p. 132.

¹⁶ The first Belarusian State Innovation Fund, founded in May 2010 according to Decree № 252 and authorised as a venture fund, announced its first four venture projects at the end of January 2011. Source: http://www.belta.by/ru/all_news/economics/Pervye-venchurnye-proekty-opredeleny-v-Belarusi_i_540280.html. The first non-state "community of business angels and venture investors" (BAVIN) began operating in 2011, uniting 14 Belarusian business angels, and had two success stories by the end of the year: the opening of a premium-quality chocolate boutique *Shocos*, and a home goods delivery project www.giper.by. Source: www.bavin.by.

good-quality applications. As a result, even the few rare solvent enterprises would rather borrow ready-made technology than make their own breakthroughs in innovation.

Perhaps the only truly positive outcome of the year was improved legislation concerning the most challenging issues in the research and production cycle. This brings hope that the situation on the venture capital investment, intellectual property, and innovation markets will change for the better.¹⁷

The staff behind all the decisions

The year 2011 failed to make up for the personnel losses of 2010, when the overall number of academic staff decreased by 729 persons (from 32 441 to 31 712 people).¹⁸ However, regardless of the financial crisis and declining living standards, the scientific community's losses due to emigration remained as negligible as in 2009–2010. Official statistics report that science lost about 0.1% of its total number of science and higher education faculty employees in 2011, which is about 7–12% of the overall losses. It should be mentioned, however, that the desire to emigrate changed substantially between 2002 to 2010, and the group of potential emigrants has grown considerably: out of the total number of scientists, 1–5% have a firm intention to emigrate, while 11–25% intend to emigrate temporarily.¹⁹ *Yet the lion's share of research personnel downsizing is due to domestic reasons, and originates in the scientific staff-training system.*

First of all, the "loss of scientists" is caused by a steady and systematic decrease in the number of researchers with advanced degrees and, what is worse, by the exhaustion of the capacity to train Candidates and Doctors of Science. The chairman of the Presidium of the National Academy of Sciences, Mr. Rusetskiy, said that for many years it had been impossible to select postgraduates on a competitive basis, since the number of vacancies matched the number of

¹⁷ For instance, on January 1, 2012, a law from December 30, 2011 on "amendments to the Tax Code of Belarus" came into force in Belarus, introducing tax benefits to stimulate innovation activity. Source: <http://www.scienceportal.org.by/news/cc0324759f2e218f.html>.

¹⁸ *Science and Innovation in Belarus* // Belarusian National Statistical Committee compilation. Minsk, 2011. P. 20.

¹⁹ Artyukhin M.I. Contemporary issues of intellectual migration in Belarus // *Philosophy in Belarus and the prospects for intellectual culture worldwide*. Minsk, 2011. P. 351.

applicants. The National Academy of Sciences' chief secretary for science, Mr. Chizhik, said that the Candidate/Doctor ratio was almost three times lower in the past two years (one Doctor per four Candidates), unlike in the "intrepid nineties", when there were nine to ten Candidates per Doctor).²⁰ Even official statistics reflect that the overall number of postgraduate research organisations and educational institutions decreased from 5042 in 2005 to 4725 in 2010.²¹

The situation is much worse regarding doctoral studies: in the past six years, the number of doctoral graduates decreased from 116 in 2005 to 45 in 2010. This trend continued in 2011, when Belarusian science gained 520 Candidates and 47 Doctors.²² The Certification Commission justified this by referring to a "need to maintain standards" and "a marked increase in the prestige of Belarusian diplomas at international level"²³, but it does not compensate for in-country personnel losses, however.

Due to the exhaustion of training capacity and reduced numbers of the most productive and qualified scientific personnel²⁴, their overall number is stable at a reproducibility threshold level only thanks to scientists aged 60 and over, which means that scientific personnel are becoming older on average. Thus, the average age of Academicians at the National Academy of Sciences is 73.5 years old, and Corresponding Members – 68.5 years old. At the Belarusian State University, 59% of Doctors are of retirement age, and 39% of Candidates.²⁵ In general, according to Ministry of Education data from 2011, one third of Candidates and almost a half of Doctors are of retirement age.²⁶

²⁰ *Certification. Electronic science, theory, information and methodology magazine*. Issue 3. 2011 // [E-resource] See: <http://journal.vak.org.by/index.php?go=Pages&in=view&id=1355>.

²¹ See: *Science and Innovation*, op. cit., p. 49.

²² Senkovich Y. A tough selection, but still a selection // *Minsk Kurier* [E-resource] See: <http://mk.by/2012/01/25/53584/>.

²³ The Certification Committee's chief secretary for science, Nina Gulko, said that, after making dissertation requirements tougher, the number of foreigners who successfully defended their theses in Belarus increased from 32 from 9 countries in 2010 to 47 from 13 countries in 2011. Source: <http://mk.by/2012/01/25/53584/>.

²⁴ See: Artyukhin M.I. Scientific elite: challenges of identification and typology // *Science and Innovation*. 2011. № 1. P. 50–53.

²⁵ *Certification*, op. cit.

²⁶ Listopadov V. Why young people do not become scientists // *Zautra tvajoj krajiny* [E-resource] See: http://zautra.by/art.php?sn_nid=8853&sn_cat=19.

The year 2011 saw no significant changes to the administration model in the scientific community – it is still based on an administrative command system, in violation of the principles of autonomy and self-management for scientific and academic communities. Requirements for tighter discipline have already become ritualised and contribute to increased inertia in the entire management system. Non-transparent and weak rotation of managerial personnel has generated clan-based, permanent, ageing managers, and led to an acute shortage of middle-aged managerial reserve staff (40–45 year olds). A disregard for the principles of autonomy and self-management in scientific and academic communities has created an atmosphere of conformism, opportunism and lack of initiative which damages the working environment for scientists. In turn, the degradation of scientific communities strengthens the positions of managers who mobilise passive scientists by applying disciplinary measures.

Conclusion

The development of innovation and the modernisation of science are inevitable. At the same time, it is clear that it will be impossible to change decades of routine in science and overcome the institutional inertia cultivated by institutional and individual habits overnight.

The unimpressive results of the first year of science reforms are due to overoptimistic expectations of huge effects from cosmetic changes against the backdrop of an extremely unfavourable environment, *i.e.* radically-reduced science budgets, underdeveloped innovation infrastructure, staff shortages, and the low efficiency of the administrative command management system. The authorities' efforts to "shift the blame" onto the scientific community, and use fear to encourage it to make money from ideas, are hopeless. Abuse of administrative resources without allocating funds that correspond to the scale and depth of reforms, major changes in infrastructure and management, and developing the country's innovative capacity (faced with newly-simplified rules for labour migration within the Common Economic Space) could result in an exodus of skilled staff, as well as a significant deterioration of the country's scientific and technological potential.

CHURCHES AFTER THE ELECTIONS AND BEFORE THE CHOICE

Natallia Vasilevich

Summary

The religious sphere in 2011 was influenced by the presidential elections of 19 December 2010 and repressions in civil and political spheres afterwards. On the one hand, both at the higher level of the senior hierarchy and among believers began a certain resuscitation. On the other hand, it was not systematic, flaring up and abating. Nevertheless, this resuscitation was observed both in in-church issues and social events. Besides the traditional agenda (church-state relations, religious education at school, demography, family, abortions, donations for religious buildings and social projects), new issues arose: current political events after the elections and the followed repressions, and the death penalty. The adoption of the new law on reproduction technologies made topical questions of bioethics. These dominated the religious discourse. The church communities gained a more important position. The economic crisis of spring-summer 2011 hit churches as well.

Trends:

- The religious sphere continues experiencing oppression, certain religious organizations and foreign citizens are being persecuted;
- Christian communities tend to show less loyalty to the Belarusian regime;
- Religious organizations speak more actively on social and political issues, voicing an alternative to the authorities' position and reacting to persecution;
- Inside the churches civil society is growing stronger;
- Relations between the state authority and the Catholic community "freeze".

General situation

According to information by the Commissioner for Religious and Ethnic Affairs¹ the number of religious organizations has not changed significantly: 3210 communities have been registered (48 more than in 2010). There is a significant difference across regions: the number of communities in the west is several times larger than that in the east (Brest – 739; Minsk – 667; Viciebsk – 533; Hrodna – 468; Homiel – 383; Mahiliou – 278). This imbalance is traditional and historically motivated. Until 1939 Western Belarus was a part of Poland and through

¹ http://www.belarus21.by/ru/main_menu/religion/sotr/relig_sit

that retained religious infrastructure and higher level of religiosity of the population. In Eastern Belarus they were significantly destroyed in times of severe persecution in the 1920–30s.

There have still been no definite criteria applied to establish the number of adherents of each denomination or associated with religious organizations. The calculations are based on social polls and the number of registered religious organizations. In 2011 the Institute for Sociology of the Academy of Sciences held an inquiry but its results were available only in the press: "true" believers make up 20% of the population, of which the Orthodox constitute 57.3%, Catholics – 34.5%, Protestants – 3.1%².

The confessional structure by the number of parishes is the following: the Belarusian Orthodox Church – 1567 (48.8%), Christians of Evangelical Faith – 512 (15.9%), the Roman Catholic Church – 479 (14.9%), Seventh-Day Adventists – 73 (2.3%), Judaism – 53 (1.7%), Old Believers – 33 (1%), Lutheranism – 27 (0.8%), Islam – 25 (0.8%). But neither source provides sufficient information on religious affiliation of Belarusians, the degree of their bond with denominations and the consequence of the latter in society.

Churches: elections, choice and crisis

The presidential elections of 2010 came as a shock for the whole society and affected the Church dislodging its relations with the state from the traditional paradigm of gestures of reverence and loyalty. Despite greetings to A. Lukashenko from the head of the Russian Orthodox Church³, from emigrant Protestant Mikhail Morgulis⁴, and unusual support from the American citizen rabbi Abraham Benenson⁵ on behalf of Jews, local representatives of religious organizations, except for some predictable figures, were quite reserved in their reaction or even outraged. The widely publicized picture of popular support came in contrast with letters of sympathy for protesters in the official newspaper of the Belarusian Exarchate *Carkounaje slova* (*Ecclesiastical word*)⁶, reserved greetings from religious leaders, letters to the Patriarch from the Orthodox

² <http://news.tut.by/society/279195.html>

³ <http://www.patriarchia.ru/db/text/1347158.html>.

⁴ http://www.youtube.com/watch?feature=player_embedded&v=9w9ayZFNwmQ.

⁵ <http://nn.by/?c=ar&i=59597>.

⁶ <http://churchby.info/bel/654/>

believers bewildered by his position⁷. Apart from this the article by a Roman Catholic priest *Zmrocnaje Rastvo (Gloomy Christmas)*⁸ deserves attention, an appeal of Catholic believers on the situation in the country⁹, and later the appeal of Metropolitan Kondrusevich on the social and political situation in the country which he called "complicated"¹⁰. The homily by Sergey Khomich, Bishop of the United Church of Christians of Evangelical Faith¹¹, and appeal of Seraphim, Bishop of Babrujsk to judges supporting opposition activists¹² are other examples.

The reasons for these changes might be twofold: interest for presidential candidates with open religious affiliations and growing general dissatisfaction in society. However, loyalty for the authorities did not reduce drastically, in a number of cases the Church dissociated itself from politics (e. g. the Red Church priest Uladzimir Zavalniuk called the parish not to organize any meetings in the church)¹³.

The elections swang the pendulum but by the summer its movement abated. The financial crisis made economic issues more pressing. The crisis was most felt in communities with construction or renovation work underway. Financial aid from the parish and business entities reduced. Only parishes with foreign financing or foreign-economic activities remained unscathed.

It is generally believed that social turmoils and economic crisis stimulate religious feelings in people. But neither the post-election situation nor the dramatic impoverishment created crowds in churches: lines to exchange offices and household appliances shops, to say nothing of lines of cars on the state borders showed where more likely places for worshipping.

Legislation and institutes

Freedom of religion. Pavel Sevyarynets (Orthodox) was denied visits several times despite the agreements with the BOC and *Internal*

⁷ <http://churchby.info/bel/652>.

⁸ <http://churchby.info/bel/656>.

⁹ <http://churchby.info/bel/672>.

¹⁰ <http://catholic.by/2/home/news/belarus/hierarchs/109046-kandrusiewicz.html>.

¹¹ http://www.youtube.com/watch?v=OWvZIE1k6V&feature=player_embedded.

¹² <http://churchby.info/bel/783/>

¹³ <http://churchby.info/bel/792/>

regulations. The journalist Andrey Pachobut (Roman Catholic) was also denied a visit of a priest for several months. Restrictions apply not only to political, but ordinary prisoners, too. The law stipulates "a visit of a priest" if the body executing the criminal procedure allows it¹⁴. In a bulk of cases these bodies deny the requests or creates obstacles.

After the explosion on 11 April a new round of obligatory fingerprinting was launched. A lot of believers, mostly Orthodox, refused to undergo the needed procedure. In July 2011 priest Igor Prilepsky was fined for refusal to give fingerprints¹⁵. This issue was raised at the eparchial assembly of Minsk Eparchy of the BOC¹⁶.

Amended laws changed the procedure of mass events and the churches felt it, especially during holidays or pilgrimages. On Palm Sunday and at Easter in Minsk and other places people were allowed into churchyards only after examination of personal belongings, sometimes using metal detectors. During the mass pilgrimage in Budslau the territory was surrounded with metal frames, pilgrims had to submit their belongings for inspection, even umbrellas were banned¹⁷. This stirred dissatisfaction and even protests among believers. The group led by Fr. Viachaslau Barok protested against the overdone security measures by staying outside the rails and praying¹⁸.

Fr. Barok became the target of a new type of persecution, namely, from the Department of Financial Investigation, as an organizer of pilgrimages. On the ground of an anonymous letter the department initiated an investigation of his "financial activities". Late 2011 new cases took place of visa denial for Catholic priests¹⁹, which is a sensitive spot for the Roman Catholic Church and which the Belarusian authorities manipulate.

One more tension point is Article 193-1 of the Criminal Code stipulating liability for acting on behalf of an unregistered

¹⁴ Internal regulations of the temporary detention centers of the interior, approved by the Decree of the Ministry of Internal Affairs of the Republic of Belarus 20.10.2003 № 234; Internal regulations of remand centers of the penitentiary system of the Ministry of Internal Affairs of the Republic of Belarus, approved by Decree of the Ministry of Internal Affairs of the Republic of Belarus 13.01.2004 № 3

¹⁵ <http://churchby.info/rus/720/>

¹⁶ <http://churchby.info/bel/837/>

¹⁷ <http://www.catholic.by/2/home/announcements/109185-budslau.html>.

¹⁸ <http://churchby.info/bel/news/2011/07/10-1/>

¹⁹ <http://churchby.info/bel/821/>

organization. Over 2011 the Prosecutor's Office issued several warnings for a number of protestant and other communities. For example, in April it affected the leader and four activists of the International Council of Churches of Evangelical Christians-Baptists (ICCECB)²⁰. Within the campaign *Prava na vieru (Right for Faith)* was launched a signature drive to abolish this article²¹. A similar campaign to amend the law *On freedom of conscience and religious organizations* in 2007 collected over 50 thousand signatures, but without any results.

Education. For the last several years the issue of participation in education has been very topical for religious organizations. Previous agreements between the BOC and the Ministry of Education contemplated wider cooperation in this sphere, though it was not that active. Nevertheless, a number of educational establishments provided some optional courses on the Orthodox culture and spiritual issues. Access to schools was for both the Orthodox and Catholic Churches one of the main targets of "lobbying". The Education Code adopted in 2011 and the subsequent *Regulations on the procedure, conditions, content and forms of cooperation of educational establishments with religious organizations in upbringing students*²² significantly reduced chances of their participation in education reducing the cooperation to the sphere of upbringing (talks, excursions, organization of holidays, etc). This normative act prohibits missionary work, distribution of literature, audio-, video- and other materials of religious content (except for approved in the syllabuses), services, religious rites, rituals and ceremonies, placing religious symbols and property and others. In the Italian "crucifix case" brought before the European Court of Human Rights about crucifixes displayed in classrooms of state schools many hierarchs, including the Belarusian ones, criticized the Court for its first decision. But when the Belarusian law threatened to introduce even stricter regulations on religious symbols, they kept silent or even commented favourably.

Human life and family values. The law *On reproduction technologies and guaranteed rights of citizens in their application*

²⁰ <http://svabodavery.org/2011/09/prokuratura-vynesla-oficialnoe-preduprezhdenie-rukovoditelyu-i-aktivistam-nezaregistrirovannoj-religioznoj-obshhiny-v-gomele/>; <http://svabodavery.org/2011/09/miliciya-grozit-baptistam-tyuremnyimi-srokami/>

²¹ <http://svabodavery.org>.

²² <http://churchby.info/rus/723/>

stirred even greater attention and criticism from the Churches. The main criticism was against the provisions of the law on IVF technology, donorship of gametes, surrogate motherhood, the possibility of experiments on embryos, and embryo reduction. Social frameworks of the RCC and the ROC pay a lot of attention to these issues. Both the Orthodox and the Catholics organize public events, concerts, and conferences to promote family values, premarital continence and sexual morality in general. The law was criticized not only for its content but also for the fact that it was devised without consulting religious organizations.

The Orthodox Church had the bill examined for morality and the press secretary of Minsk Eparchy meant, "the bill stands in sharp contradiction with the view of the Orthodox Church and its teachings"²³. A spontaneous movement among the Orthodox produced appeals to the state bodies with demands to review the bill provisions, a number of conferences was held. Unfortunately, this criticism did not transform into any official statement. Under the pressure from the Orthodox certain amendments were made regarding probable experiments with embryos. But these amendments were of rather skin-deep character. The BOC voiced certain suggestions only when the law was practically adopted²⁴.

As for the Catholic Church, in the name of Metropolitan Kondrusevich it publicized a statement "Regarding the law on reproductive technologies adopted by the House of Representatives of the National Assembly" in which the hierarch expressed his serious concern about the fact that the "bill was devised without consulting religious organizations"²⁵. Nevertheless, neither the Orthodox nor the Catholics managed to start discussions and influence the content of the law, despite all statements.

When the Orthodox fight for the right of embryos in the framework of "family values", the Catholic documents refer to this issue as "protecting human rights". The protection of life since the moment of conception is no less important than the issue of death penalty. When in 2011 Dmitry Konovalov and Vladislav Kovalyov charged with the explosion in Minsk metro on 11 April 2011 were sentenced to death, it raised issues of the young men's afterlife and death penalty in general. The Catholic senior hierarchs publicly

²³ <http://churchby.info/bel/news/2011/05/01-2/>

²⁴ <http://churchby.info/rus/756/>

²⁵ <http://catholic.by/2/libr/speeches/108809-kandrusiewicz.html>.

protested against the death penalty and called to pardon the convicts²⁶. The Belarusian Orthodox Church entrusted the comments to its press service. No calls for pardon and abolition of the death penalty were issued, moreover, it was stressed that the Church should not "demand the abolition of death penalty" or intervene with "the terms of reference of the judicial and executive branch". Nevertheless, the press service expressed doubts about the reasonability of this measure²⁷. The authorities paid no attention to the voice of the Church in this case, either.

Conclusion

Firstly, we should expect that churches become more active in social and political life, but not because of senior hierarchs' work but due to activities of religious communities.

Secondly, all churches will experience pressure as the authorities will try to win back loyalty and force to protect interests of the ruling elite both inside and outside the country. It is less likely that the pressure will come in the form of bargaining over the "stale goods", such as concordat in the case of the RCC.

Thirdly, the increased pressure might lead to more radical moods in society as well as to reduction of political activities. But the protest mood will develop independently.

Fourthly, the Belarusian Orthodox Church might face administrative changes caused by restructuring, which might also influence the social and political stance. But most likely that it will be an internal affair.

Fifthly, the upcoming parliamentary elections will stimulate religious communities as well.

²⁶ <http://catholic.by/2/libr/interview/110860-kandrusiewicz.html>.

²⁷ <http://www.church.by/resource/Dir0301/Dir0302/2011/Page3998.htmlboth>.

HEALTH CARE: BETWEEN POVERTY AND HI-TECH

Andrej Vitushka

Summary

In 2011 the main focus of health care was high technologies; on the other hand, the economic situation stimulated development of paid services and import substitution. The financial crisis resulted in a shortage of resources, administrative pressure, popular discontent; the medical system also felt aggravation of the lack of personnel and impoverishment of the employees. The financial crisis showed how sensitive the medical system is to external effects. If the actual financing and management methods remain this sensitivity is going to increase. The top administration of the sphere has not proposed any program of its systemic transformation except stating certain intentions in this direction.

Trends:

- Despite the announced increase in financing health care, hospitals have to strictly save resources, medicaments and expendables;
- The ratio of paid services in public health care is being increased mandatorily;
- Despite shortage of financing, high technologies are being implemented, in regions as well, and hospitals purchase new equipment;
- The devaluation of the national currency rocketed prices for medicines;
- The total import substitution became the ultimate goal;
- Salary cuts in health care increased the outflow of staff;
- Discussions on health care reforms have flared up.

Financing of health care

In late February, the Ministry of Health stated that despite all economic problems, the state programs in the sphere were financed completely. Each Belarusian citizen was allocated from the budget USD 205 in 2010 and USD 225 in 2011¹. Therefore, the 2009 scenario, when the expenditure for health care after the crisis was reduced by 15%² did not repeat.

¹ See: http://naviny.by/rubrics/society/2012/03/02/ic_articles_116_177043/

² Eismont M. Health care: high technologies vs. bad management // Belarusian Yearbook 2009: www.nmnb.eu/content/books/BY_2009_rus.pdf.

These figures cannot but surprise the people working in health care because they remember the year 2011 perfectly well for irregular supplies of medicaments and expendables. Even cardiac surgery, so "nurtured" by the authorities, had problems with irregular supplies of prosthetic valves, even domestically produced³, said the chief cardiac surgeon Yury Ostrovsky. The national centre Mother and Child officially allowed parents of sick children to buy medicaments and milk formulae, something unheard-of in the previous years. And such examples are numerous.

Unfortunately, the crisis affected the plans for reconstructing several national hospitals, including the "long-suffering" centre for neurology and neurosurgery. Its modernization began in 2007 and was to be completed in 2010.

The strict saving of finances is the principle known and observed by every "element" of the health care system. Because of it, the National Calendar of vaccination failed to be expanded in 2011. The chief epidemiologist of Belarus Inna Karaban commented on this situation: "All new vaccines are very expensive, so the economic effect of their introduction into the Calendar is low. If the price were lower the effect would be bigger". The expert mentioned that vaccination of girls of one age group against uterus cancer costs USD 15 mln, whereas the effect would be appreciable only in 10 years⁴. Just to compare: the "heritage" of the last year *Dazhynki* (End of Reaping feast) — the "ice palace" in Maladziecna — cost nearly USD 30 mln. The non-economic effect of the expanded vaccination calendar was calculated by Russian experts: the life expectancy increases by 3 to 4 years⁵.

So why did the sector experience financial difficulties if the level of financing remained the same? The answer lies in the mechanism of its distribution. The key beneficiaries of financing are hi-tech services, new equipment, prioritized reconstructions (for example, the "reincarnation" in the new building and full re-equipment of Minsk hospital № 2, which turned the oldest Minsk hospital into the most modern), the Ministry of Health's projects in pharmacy. Involuntarily, the health care system employees donated to the system with their salaries that reduced significantly because of the devaluation.

³ See: http://medvestnik.by/ru/issues/a_7965.html.

⁴ See: <http://news.21.by/health/2011/10/06/383418.html>.

⁵ See: <http://ria.ru/society/20110523/378569812.html>.

At the same time, last year proved that the European level of health care cannot be achieved if the financing is two times less than that in European countries (4.5% against 7 to 9% in the EU). It also became clear that the experts were right: if the actual model of financial distribution remains, the system of health care will be highly sensitive to external effects.

Hi-tech medicine as the focus of development

In the medical service in 2011 the hospitals had 70% of all financing. Among Central and East European countries Belarus hold first place in the number of hospital places per capita. And this bulk requires a lot of finances to be maintained. But, unfortunately, the growing number of hospitals in "free" medicine does not take the burden off the polyclinics.

The WHO experts had more than once drawn attention that this imbalance should be dealt with (in the EU countries up to 80% of financing goes to outpatient departments), but the only response was a promise to make it 50–50 in the nearest 5 years. In 2011 the number of hospital places has not been reduced significantly, the idea itself was called unacceptable because of development of high technologies there, despite that on average the hospital place is occupied only 300 days a year. The functionaries of the health care reserved some more time for consideration, but suggested redistributing specialists from hospitals to polyclinics to deal with specialists' shortage in polyclinics, among others using "the administrative tool"⁶.

Among inpatient services certain hi-tech kinds are established leaders. The number of cardiac surgeries grew by 16.3% over the year (up to 8,795) and the number of transplantations — up to 300 (by 7 times over the last 4 years). Besides, organ transplantation was launched in regional centers (the first one in Brest). Regional centers also saw an increase in cardiac surgeries (by 7.9%), including complicated ones with extracorporeal circulation (by 9.7%)⁷. These are very inspiring results. But we would point out that the bulk of

⁶ Resolution of the Board of the Ministry of Health of Belarus *On directions for optimizing medical and economic activities in the modern period*: <http://med.by/Normativ/rkmz%5C2011%5Crkmz10.5.pdf>. See: <http://www.pravo.by/webnpa/text.asp?RN=P31100136>.

⁷ See: http://medvestnik.by/ru/issues/a_7965.html.

people still have to go to overcrowded polyclinics. On average, each Belarusian pays 13 visits to the polyclinics annually, which is by 2–2.5 times more than in the neighboring countries.

No doubt that hi-tech medicine should be developed: by international standards it indicates the level of health care development. But in Belarus this development is growing more and more imbalanced, when one sphere is being developed at the cost of others. At the actual speed of development our transplantation will soon reach the level of Poland. But the “flagship” has left the main “fleet” far behind. Nevertheless, even the actual number of cardiac surgeries is twice smaller than that in Europe. In human terms, for Poles and Lithuanians cardiac surgery is twice more accessible than for Belarusians in Belarus. Moreover, the number of hi-tech surgeries in other spheres (e.g. orthopedics) has dropped. In the first half of 2011 only 1080 of the planned 3800 hip replacements were performed⁸.

Paid services in public medicine

In 2011 the idea of paid services in public medicine turned into one of the main goals of the sphere. In other words, Belarus said goodbye to free medicine in its conventional form. The *Program for social and economic development of Belarus* for the next 5-year period binds to increase medical services export by 3.5 times until 2015⁹. One of its targets for 2011 was widening the range of paid services and raising the volume of their export.

The economic difficulties of the spring tempted the branch top managers to “milk” the subordinate organizations – the annual plans for exporting services were adjusted towards bigger figures. For example, the National Center *Cardiology* was made incumbent to make almost USD 400 thousand instead of the previous USD 320 thousand. The National Center for Oncology and Medical Radiology was bound to export services for over USD 1 mln. Whereas the norms for expendables for these centers remained the same or were even reduced. As Belarusian blogging doctors put it, “every paid medical service is a free service that has not been provided”.

⁸ Resolution of the Board of the Ministry of Health of Belarus *On directions for optimizing...*: see above

⁹ See: <http://www.pravo.by/webnpa/text.asp?RN=P31100136>.

The June board of the Ministry of Health declared that «the Ministry's request to expand non-budget proceeds is of top priority for the present moment». The same board adopted a new procedure for offering paid services: if the patient pays for the expendables they will be attended in the first place, if for the whole service – without waiting at all. But several factors intervened with the smooth scenario “the Belarusians can die in peace – the Belarusian medicine is working for the Russians” (the title of an article at www.belaruspartizan.org)¹⁰. The export of medical services is not profitable for anyone but the functionaries: the medical establishments receive only 20% of profit that hardly cover the depreciation¹¹. The only exception is transplantation, where profitability sometimes reaches 300%¹². Moreover, treating “paid” patients does not add on to the doctors' salaries, which discourages them to do extra work. The administrative resource is the only “motivation” that the functionaries apply. For example, in Marjina Horka the hospital personnel have to “compensate” the missed “sales” targets from their own salaries¹³.

Moreover, the public medical institutions become commercialized and try to enter new markets without proper marketing. But even paid services are surprisingly inaccessible in public establishments. They are rendered in the same cabinets and in the same hours and free ones; sometimes it is very hard to find at least any information about services on notice boards and websites.

Private medicine

In 2011 the devaluation and the inflation lead to 30% increase of costs in private medical centers.¹⁴ It would have been logical to expect that their patients have moved to the free public medicine. True, on the wave of the crisis some medical centers registered a decline in visits by 15–40%¹⁵. At the same time, such major centers

¹⁰ See: <http://www.belaruspartizan.org/bp-forte/?page=100&backPage=13&news=124163&newsPage=0>.

¹¹ See: http://www.zautra.by/art.php?sn_nid=5883&sn_cat=20.

¹² See: <http://www.belarus-tv.by/rus/online.asp?pr=conf&id=38>.

¹³ See: <http://www.mgorka.by/21789-narodnaya-novost-v-marinogorskoj-crb-medpersonal-vynuzhdayut-proxodit-platnye-uslugi.html>.

¹⁴ See: <http://respublika.info/5425/health/article52217/>

¹⁵ See: http://www.health.ej.by/healthy-lifestyle/2011/09/12/tseny_na_uslugi_belorusskih_medtsentrov_vyrosl_i_na_15_-_60_protstentov.html.

as *Lode* and *Ecomedservice* announced an increase by 20–25%¹⁶. It means that even in hard times there are people ready to pay for their health.

The authorities could have liberalized the procedure of doing business in the medical sphere thus taking the burden of patients capable of paying for treatment off the public medicine. But no measures were taken. The Ministry of Health still imposes maximum tariffs for different types of services (including private centers), which complicates the procedure of adjusting the costs to the inflation and causes losses in the private sector. Even the simplest way of relieving the public polyclinics – to allow private centers write out sick leaves – was rejected by the management of the sector¹⁷.

In mid-2011 the state-owned media started promoting the "Family doctor" service; public polyclinics borrowed the idea from private centers. Their competitive advantage was to be the price: the annual program only for BYR 1.5–2 mln while in the private sector the price goes up to BYR 2.5–2.9 mln. The difference in figures cannot but cause inquiries about the pricing mechanism and the profitability of services because depreciation expenses are more or less equal and the salaries in the private sector are not much higher. The managers in the private sector have pointed out this inequality of business conditions more than once but have not been heard yet.

Staffing problem: the system of motivation

Little has changed in the issue of staffing over the last years. While in 2005 Belarus needed 3700 doctors and pharmacists, in 2010 the figure became 4500. The rate of job combining is very high – the average 1.4 across the country and 1.5 in Mahiliou region¹⁸. The situation with nurses is equally complicated. The Ministry of Health needs 4500 more specialists, and if we count in associated departments the figure would be 5400. Moreover, over 13, 300 (nearly 12% of the total) paramedics and nurses are of the retirement age.

The sector program "Personnel for 2011–2015" shows that annually 800 specialists leave the branch for natural reasons

¹⁶ See: http://www.health.ej.by/healthy-lifestyle/2011/09/12/tseny_na_uslugi_belorusskih_medtsentrov_vyrosli_na_15_-60_protsentov.html.

¹⁷ Vasily Zharko. *Health care of Belarus. Development trends*. On-line conference of BelTA: http://www.belta.by/ru/conference/i_170.html.

¹⁸ *Health care of Belarus. The official statistical book for 2010*: http://med.by/content/stat/stat2011/2010_1.pdf.

(retirement or death) and the total number of people abandoning the profession is over 3,500. Moreover, 20 to 32% of the so-called "young specialists" quit their placement jobs after working off the education cost and move to regional centers, the capital city or abandon the profession.

The economic disasters of 2011 made the issue of emigration topical and the theme of leaving (either temporarily or for good) nested in the doctors' professional discourse. The most popular destinations are Angola, Germany, Czech Republic, Poland, and, naturally, Russia, where the average salary is three times higher and where a lot of clinical centers are being built and modernized. Meanwhile, the top administrator of the sector sees no reason for worrying about doctors emigrating. Last year minister Vasily Zharko stated that only 60 to 70 specialists annually leave Belarus. The annual figures for the "leavers" are going to be higher, but the increase of emigration will not be officially recorded – very few people publicize their plans for leaving when resigning. And in the east there is no border at all.

As for financial motivation, medical workers suffered a significant drop in salaries: from USD 359 in 2010 to USD 256 in December 2011. And the average salary in the brunch is still by 25 to 30% lower than the average national and by 30 to 35% lower than that in industry.¹⁹ The country's leader had promised to increase salaries by 25% by the end of the year but this never happened. The only action to improve the financial situation of the staff was the decision to reduce the length of service for the first qualification class by 1 year, which means that the specialist starts receiving bonuses to the salary earlier.

The last year demonstrated that the top administration of the sector pays insufficient attention to motivation and further training of personnel as key elements of sustainable development. The leading method of dealing with the staff deficit is to increase the number of medical graduates (the admission to medical schools has been growing since 2006) and their placement. Doctors are still limited in their contacts with their foreign colleagues; there are administrative barriers for enrolling in courses abroad. The information about educational opportunities is often closed. The employee's enthusiasm for self-education and acquiring extra qualifications does not influence their salary and status in the system.

¹⁹ See: http://www.zautra.by/art.php?sn_nid=10154&sn_cat=6.

Provision of medicaments and import substitution

The retail market of pharmaceuticals in Belarus in 2011 reached USD 772 mln, 3% lower than in 2010. The inflation increased the sales in rubles; the number of sold packages grew by small 3%²⁰. Together with the exchange rates, the prices of medicaments increased by 2 to 3 times for both imported and domestic medicines (the ratio of imported components in them goes as high as 65%). Nonetheless, the market suffered no drastic fall due to two reasons: inflationary expectations (peoples bought medicines in advance) and restrictive administrative measures. Among the latter were a memorandum between the Ministry of Health and importing companies on restraining the prices and an agreement between the ministry and the pharmacies on restricting markups for pharmaceuticals. The actual prices were not reviewed, the mark-ups were restricted, the suppliers and pharmacies were losing money but all these allowed to "smooth" the price growth. The importers received a kind of compensation in the form of prioritized sale of foreign currency at a "preferential" rate for purchasing medicaments.

The ministry tried to limit the purchasing activity of the public by introducing a tighter control of prescriptions. This stirred scandals in polyclinics and drugstores and the functionaries were forced to postpone the ban for a year.

The ministry insistently recommended the holders of licenses for pharmaceutical activity (read – private pharmacies) to offer domestically produced medicines in the first place²¹. Another negative consequence of the financial instability was reduced range of and even disappearance of expensive original drugs. The annual figures did not reflect any reductions in the range, but it became possible due to a wider range of cheaper generics.

In 2011 the concern *Belbiopharm* was liquidated and its plants were transferred under the jurisdiction of the Ministry of Health, namely the newly established Department for Pharmaceutical Industry. The latter hurries to take up "additional commitments": to raise the ratio of the domestic generics up to 50% by 2015, which is far too ambitious. To implement this plan the country would

²⁰ Lazarevich Yu. *Belarusian started buying cheap medicaments*: http://zautra.by/art.php?sn_nid=10202&sn_cat=4.

²¹ See: *The Ministry of Health insistently recommended to offer domestically produced medicines in the first place*: <http://news.21.by/health/2011/11/29/417671.html>.

need extensive foreign investment, both financial and technological, which has always been a problem for Belarus. Over the last 2 years only the ambiguous Russian businessman Bryntsalov entered the Belarusian pharmaceutical market though many have tried.

To develop import substitutes, a number of production entities were established within the National Academy of Sciences: the plant *Academpharm* and the association *Chemical Synthesis and Biotechnologies* with the plant *KhimPharmSintez* (2011). The latter is to produce drug substances – bases for pharmaceutical production. We should mention that out of 5300 formulations and medicaments registered in Belarus 80% are imported and only 20% are domestic. There are only 59 domestic drug substances. By 2015 the government intends to synthesize 35 more, mostly from the list of the expensive and needed drugs for hospitals - antitumor, antiviral and others.

This idea cannot but arouse skepticism about their competitiveness with the large-capacity, resource-, power- and finance-intensive productions of the few world giants. Even if the scientists do manage to synthesize and purify the substances, will the production of small consignments be profitable? We should underline that pharmaceutical production in Belarus is profitable only if it is export-oriented. All this requires even bigger investments than have been already made. If we recollect Lukashenko's demand to reduce financing of the National Academy of Sciences by 30%, will there be enough finances for pharmaceutical industry? And foreign investors are not swarming into Belarus.

Reforms and modernization: public discussions

The year 2011 will stay in memory by more active public discussions of further development and reforms of the health care sphere. Functionaries of different levels and the civil community discussed this topic. The head of the Central department of the budgetary policy of the Ministry of Finance Mr. M. Ermolovich once again stated the necessity of finding reserves in the health care itself and of drawing external resources. He is also the author of the statement of the probable introduction of the insurance medicine and of more financial freedom for health care managers of all levels.

The medical functionaries also spoke about the necessity to further optimize financing. The head of the Department for planning and economy of the Ministry of Health Ms. A. Tkachyova underlined the necessity to change the principles of financing medical

institutions: from general maintaining to covering particular hospital and emergency help. Besides, it was stated that the financing of outpatient and polyclinic help has to be increased from 30 to 40% of the total branch budget. They also mentioned the necessity for a thorough analysis of the efficiency of the branch's expenses²².

For the first time in the history of the independent Belarus the Internet-project *Narodnaja prahrama* (*prahrama.by*) launched a public discussion on the future of health care that produced a lot of rational ideas about reforms of the health care both in the short- and long-term runs. The media also showed more interest in different aspects of medical help.

Conclusion

At the final board of the Ministry of Health in late February 2012 Deputy Prime Minister Anatoly Tozik criticized the branch for overly privacy, lack of critical appraisal of the results and bad financial management. He called to make the sphere more open, to invite the public and experts to discuss problems, to change motivation methods and abolish the egalitarianism in salary²³. It is nice that the top executives have a deep understanding of the problems in the sphere. But the functionary's speech also stayed in memory by the proposition to introduce a fee for visits to polyclinics — BYR 5,000 (USD 60c) per visit. The idea might seem great to fill the budget and reduce the work load, but it violates the Constitution, which gives little credit to the functionary of his status. This message can be interpreted in many ways. It might be the beginning of deep transformations. Time will show.

²² See: <http://bel.biz/news/38135.html>.

²³ See: <http://zvyazda.minsk.by/ru/archive/article.php?id=94056&idate=2012-03-01>.

CULTURAL TRANSFORMATION: NEW MODES OF STAGNATION

Maksim Zhbakov

Summary

The post-electoral splash of cultural protest activity turned out to be chaotic, short-lived, and failed to develop into a coherent ideological confrontation. Immediately after the elections, it became blatantly obvious that the Belarusian cultural field was in a stalemate situation: the regime had survived, servile culture was dead, but partisan culture was incapable of winning. With the authoritarian system focused mainly on self-preservation, creative culture has been reduced to a limited set of tactical manoeuvres, particularly cultural collaborationism and cultural emigration. Creative culture now exists on the margins of an inert mainstream which includes occasional alternative projects devoid of any growth stimuli.

In the absence of any real movement up on the "higher levels" of culture, it is only natural that more intensive cultural expansion is occurring among Belarus' more dynamic neighbours, and that lower-level trends are developing – amateur styles multiplying in the professional field.

Trends:

- The continued devaluation of "state" and "protest" cultural resources has preconditioned the appearance of a new mainstream – a series of products with emasculated ideological messages, mediocre style, and ambiguous cultural identity;
- Due to the cultural environment, which is still mostly inert, borderline cultural initiatives are becoming more active. These are marginal projects (from the standpoint of Belarusian pro-state culture's usual priorities) that have developed thanks to foreign stimuli;
- The lack of improvements in the cultural situation, as well as the country's unchanged status as a European outcast, are leading to an aggravation of the internal "culture war" – a struggle being waged between various segments of the "permitted" and alternative cultural elites in order to divide up spheres of influence, and win additional symbolic capital.

Mutual capitulation: the *status quo* as a style and position

For the culture war to be effective, it would require a distinct aesthetic/ideological conflict, embodied in influential cultural events by competing clans of cultural activists. In recent years, the noticeable

watering down of each conflicting side's ideological platforms has left the struggle with no "elevated" meaning, thus turning it into mere short-term practices aimed at winning votes. The fairytales have dried up, leaving nothing but mass-appeal techniques.

Characteristically, there was no heightened cultural tension at the peak of the political electoral confrontation. The lack of intrigue in the political show was patently obvious: it is ridiculous to fight if the end result is predictable. A couple of election campaign tracks by Lavon Volski & Co. — *Havary praudu!* ("Tell The Truth!") and *My proryomysya* ("We'll Break Through") — only emphasised this general apathy.

It was difficult not to notice the general collapse of 1990s-style *hysterical culture of struggle* (intractable berserkers like rock singer Mikhalok and playwright Khalezin preferred to spend their year outside of Belarus). However, the authorities' unrefined provincial lexicon also exhausted itself in exactly the same way. Immediately after the 2010 elections, it became blatantly obvious that the Belarusian cultural field was in a stalemate situation: the regime had survived, servile culture was dead, but partisan culture was incapable of winning.

In this respect, two events proved to be significant. The first was the premiere of *Belarusfilm's* only(!) feature of 2011, *Na pereputye* ("At The Crossroads"), directed by Vitaliy Dudin. It flashed on and off our screens without a trace — a lyrical ballad about mandatory work placements for university graduates, a tedious tale in the best traditions of Soviet *agitprop*. Clearly, the state system had shifted into distraction mode. The second event was a crucial interview with Artur Klinau, a former ideologist of the cultural resistance, in his own magazine *pARTisan*: "The main thing now is to change the partisan paradigm of Belarusian culture. Enough hiding underground. The time of the partisans is coming to an end... Today we need a formula for collective action".¹ The ex-radical Klinau attended the Venice Biennale as part of the official Belarusian delegation, and stood calmly beneath the regime's red-and-green flag during the opening of the Belarusian pavilion. In so doing, he demonstrated the essence of this course-change: enough fighting; the authorities will be here for a long time; it's time for negotiations.

A series of similar collaborations from 2011 all add up to a clear trend. The most sensational example was perhaps the *Vyshe neba*

¹ See: <http://artaktivist.org/belarusy-%D1%9E-venecyi-aktualnae-mastactva-ci-salamyanyya-pudzily/>.

("Higher Than The Sky") project. This "first Belarusian youth series"² was launched by playwright and producer Andrey Kureychik, with support from the United Nations Development Program in Belarus. This "radical" bilingual series about AIDS, young people, cops, and rock'n'roll was made with state television channels in mind and... was prepared in advance to be cut by the censors. According to Kureychik, the "real" film might be released on DVD, and will be exported for screening at festivals, while the edited version will be broadcast locally. "Officially permitted speeches" for state TV.

The contemporary artist Ruslan Vashkevich had an exhibition at the State Museum of Art, but ended up in a cramped little hall with his pictures hanging in three rows, and his *objets d'art* almost falling onto spectators. Vashkevich's attempts to initiate a game with the current cultural context were only partially successful. The overall orthodox content of the state museum's collection overpowered the solo adventurer, confidently squeezing him into a designated ghetto. Andrey Kudinenko and Artur Klinau's project *Shliakhtich Zavalnia* ("Zavalnia the Nobleman") also vanished from *Belarusfilm's* plans for the same reasons: such non-format pranks with historical material turned out to be incompatible with the interests of the state culture industry.

The National Music Prize — a pompous "Belarusian Grammy" established this year — demonstrated an absolutely non-transparent, illogical choice of prize-winners, as well as a penchant for the glamorous *beau monde*, albeit slightly diluted by "non-format" nominees like the group *Serebryanaya Svadba* ("Silver Wedding") and producer Aleksandr Bogdanov. Naturally, these latter won no prizes and were not let on stage for the state festivities. The folk trio *Troitsa* did win a prize, however, but were only allowed to stand on the stage with their awards.

The regime needs new blood, and the artists need symbolic legalisation. We could call this trend *new cultural pragmatics*. Every accomplice plays to win, which is why the final result is overtly compromised.

Cultural transit: life on the edge

The state culture industry, which specialises in reproducing "stability", has no internal stimuli for qualitative growth. It operates

² See: <http://news.tut.by/culture/253847.html>.

chiefly in "repressive distraction mode" by duplicating decorative mass culture for all the "tame" media channels. All innovation is stifled by the state's methods for introducing anything into the inert Belarusian environment. The new CDs by rock hooligans *The Toobes* and aesthetes *Petlya Pristrastiya* are openly self-referential. Even the most active names are fading into stale clichés and standard formats. On their latest CD, *Serdechnaya muskulatura* ("Heart Musculature"), the former freak-band *Serebryanaya Svadba* sound like Zhanna Aguzarova from the 1990s. And after successfully selling their immortal song *Sanya ostanetsya s nami* ("Sanya Will Stay With Us") to *ONT*, the radical minstrels *RockerJoker* finally redefined themselves as corporate clowns.

The stagnating mainstream is simply turning creative projects into outsiders suitable for presentation either in subcultural "reservations" (like *Ź Gallery*, the only contemporary art gallery in the country) or abroad. The "borderline" nature of cultural innovations, as a mix of traditions and styles, is acquiring a literal meaning in the current Belarusian context. Here, new culture functions underground (really or virtually) and is always ready to emigrate, fill catalogues, and feed off foreign ideas.

Journalist and writer Viktor Martinovich preferred not to publish his new novel *Sciudziony vyraj* ("Freezing Climes") and made it available online for free. If there are no printed copies, there is no distribution problem. An additional aspect of this "move into the shadows" is that Martinovich switched to writing in Belarusian, consciously exchanging his potentially large Russian-language readership for circles of advanced pariahs from the "conscious" Belarusian-speaking ghetto.

The rocker Lavon Volski, the best songwriter of the past two decades, also published a book of prose. His *Milarus* (which had been biding its time for years) also exists on the edge, however, just like its author, who is mostly prominent today as a musical satirist on *Radio Liberty*. It is less than literature, just a collection of tattered sketches. Deficient chronicles of redundant heroes of a cultural revolution that never happened.

In the generally inert context, it is a problem to speak out with one's own point of view. Artists have no development strategy in the cluttered cultural space, and instead engage in appropriating and regrouping other people's material. The best books of 2011 were experiments in patchwork: encyclopaedias, catalogues and collections. This is how Algerd Bakharevich's *Malaja medychnaja*

encykliapedyja Bakharevicha ("Bakharevich's Short Medical Encyclopaedia") was put together — a move away from direct speech by the author towards personal experience and irrelevant associations. It is how *Logvinov* publishers' *Kalekcyja pARTyzana* ("pARTisan Collection") was constructed — three monograph albums released back-to-back, featuring Vladimir Tsesler, Ruslan Vashkevich, and *Belarusian avant-garde of the 1980s*. It is how Pavel Kostyukevich's book *Zbornaja Belarusi pa niehalounykh vidakh sportu* ("The National Belarusian Minor Sports Team") was assembled — a patchwork quilt of mundane nonsense, snatches of TV programs, colourful dreams, and the author's sarcasm (he won the Jerzy Giedroyc literary prize). And it is also how Siarhiej Khareuski condemned life to the museum of his personally-compiled hit-list, *Sto tvorau XX stahoddzia* ("100 Works of the 20th Century").

Apart from trivia and museums, escaping abroad is also an option. Zmicier Vajciushkevich's new disc *Chara* ("Magic Spell") was based on verse by Swedish poets, and resulted in the artist's brightest and most original album of the last six years. The latest round of the music project *Budzma! Tuzin. Pierazahruzka* ("Budzma! Dozen. Reloaded") invited Ukrainian *Vopli Vidopliasova*, Russian *Mumiy Troll*, Moldovian *Zdob Si Zdub*, and pop artists from Europe's Belarusian diaspora (including Alyona Sviridova in Moscow and Aleksandr Rybak in Norway) to cover their own hits in Belarusian. In the case of *Reloaded*, however, it would be more precise to describe it as a series of promotional events and advertising discharges ("Lagutenko sings in Belarusian!") that did not bring new meaning, just brief public acclaim.

Due to the lack of any major musical events on the local scene, some attention was gained by "New Year, Belarusian style" — a Moscow attack tour by Belarusian rockers, in the brave genre of a "holiday for Belarusians and sympathisers". On December 31 in the neighbouring capital, *Lyapis Trubetskoy* and *Krambambulya* played a concert under banned white-red-white flags. Several dozen Belarusian visitors joined the audience in the hall, but exported protest is also life on the edge.

The most noticeable feature of 2011, however, was the *Polish transit* of Belarusian culture. The brilliant vocalist Nasta Niakrasava and her band *FolkRoll* released their debut album in Poland. The first Belarusian film festival *BulbaMovie* was held successfully in Warsaw. Polish cultural institutions commissioned an extensive *Rapart ab stane belaruskaj niezalezhnaj kultury i NDA* ("Report on

the state of Belarusian independent culture and NGOs). Finally, on the initiative of the Polish Embassy in Belarus, the Jerzy Giedroyc literary prize was established for the "best Belarusian-language book of prose published in 2011".³ The main aim of this prize was to promote the inclusion of Belarusian literature into the European context.

The general situation seems rather ambiguous. Alternative culture cannot be sustained "on a drip" forever just to keep it alive artificially. Outside support for Belarusian culture is not capable of changing the internal cultural situation. Moreover, considering the status quo, this kind of assistance is likely to stimulate cultural emigration — the departure of the most creative artists to more comfortable venues abroad.

Local wars, street style

Working inside the closed, authoritarian space of Belarusian culture, which has successfully blocked all attempts to reboot itself, means that those involved in cultural processes are forced not to engage in formal experimentation or building new floors of "high" culture, but instead to redistribute spheres of influence and play with low-level material. The main cultural events of 2011 were scandals and new experiments in "national" writing. The generally stressful post-electoral situation was intensified by the renaissance — after a brief period of "liberalisation" — of the repressive practice of blacklisting. Everything was repeated exactly as in identical experiments from 2005–2007: lists of undesirable cultural figures were distributed secretly among state media, state bodies completely denied the existence of such lists, the Ministry of Culture kept total silence, and measures were taken to ban concerts by *NRM*, Zmicier Vajciushkevich, *Krambambulya*, *Lyapis Trubetskoy* and *Neuro Dubel*. The regime is striving to maintain its leading role in culture by using the only method it has available — prohibitive manoeuvring by state-controlled bodies.

Independent cultural circles were also touched by internal conflicts inside closed communities. There was an intense public response to the splitting up of *NRM*, a band which had been so symbolic of national romanticism in the 1990s. Its frontman and

³ See: http://n-europe.eu/announcement/premiya_gedroitsa_zanailpshuyu_knigu_prozy.

creative force Lavon Volski left the group and, as a result, the remaining trio of musicians are still playing under the old name. Volski is now devoting himself entirely to his side project *Krambambulya*, but this has not stopped him singing his old band's hits during solo concerts. For many people, *NRM*'s crisis symbolised the end of the heroic era of national protest rock.

Another local war broke out inside the alternative Belarusian Writers' Union. A short essay by Algerd Bakharevich, giving a non-traditional appraisal of the creative evolution of the national poet Janka Kupala, led to an outburst of disgruntled remarks from dogmatic defenders of national culture's "*crume de la crume*". The literary community was instantly split into "progressivists" and "conformists". A wave of passionate criticism also erupted during the Union's congress (and with the tacit agreement of its leaders) against this author who had dared to touch one of the "sacred cows" of the national canon. As a consequence, Bakharevich — one of the most talented authors of the new generation — handed in his resignation.

In these conditions, the fighter image has come back into relevance, albeit in an oversimplified, caricatured form. ***Struggle is becoming a pop-attraction***, while the real war of cultures is turning into an ostentatious fight between paper dragons. This trend was extremely evident in the work of Sergey Mikhalok, leader of the band *Lyapis Trubetskoy*. Having evolved from a naive street romantic into a stadium rock star, Mikhalok has finally transformed into a tattooed "iron-pumper" who condemns the "bourgeoisie", quotes Mayakovsky, and boldly sings "Belarus Freedom! Byelorussia Liberta!". His latest battle songs (and no less militant videos), such as *Nie byc' skotam!* ("*Don't Be A Swine!*") and *Puti Naroda* ("*The Ways of the Nation*" or "*PutiNation*"), are propaganda resources for a non-existent revolution. Showy noise for sale.

Another ornamental warrior, the political activist Franak Viachorka, went further when he received financial support from Poland to make a full-length film based on... his own biography. Judging by the working version of the script, the film will assemble a striking collection of "alternative" clichés: heroic underground rock concerts, army hazing (involving a courageous fight for the right to keep one's mobile phone), the brave years of youth, the vile secret services, not to mention the fearless, valiant knight Miron Zakharka — rocker, blogger, people's deputy, and Hero of The Square — who will play *My vyjdziam shchyl'nymi radami* ("*In close*

ranks, we shall march onwards") for the peasants... on an electric guitar... from the back seat of an open top VIP limousine.

In the absence of a consistently-educated, advanced audience, all that remains is to flirt with "simpletons". In his novel *Shalom*, Artur Klinau attempted to combine the incompatible: a popular adventure novel genre and a Bohemian non-conformist hero. To quote the author himself, the text of this "first Belarusian bestseller" was unnecessarily pretentious for the average reader, and too shallow for the art community.

In 2011, the alternative cultural elite's shift into amateurish dialects was not only cemented by *Lyapis Trubetskoy's* agit-pop, but also by Volski's satirical songs (the *Sauka dy Hryshka* ["*Sauka and Hryshka*"] project), and the new album *Ne nalivay* ("Don't Pour Me A Drink") by pidgin-Belarusian art band *Razbitaje sertsya patsana* ("A Lad's Broken Heart"). Other eminent artefacts from 2011 also fit easily into this series: the fantasy-political-adventure comic *Andrej Trasianok i Zahadka ploshchy Kalinouskaha* ("Andrej Trasianok and the Riddle of Kalinouski Square") by Liolik Ushkin and Co.; the *Budzma!* campaign's *Belarus For Dummies*-style animated advert; and the local stage debut of a mysterious figure named Dima Skoo — a hyperactive, dilettante designer performing rough, DIY-style "puffing yells".

The boundary between conceptual primitiveness and rambling amateurishness is becoming less and less distinct. Perhaps this is because the collapse of any cultural system inevitably leads to the development of a "new wild bunch".

Conclusion

The dynamics of the cultural situation in 2011 allow one to speak of a consolidation and intensification of trends mentioned in previous reviews. The simultaneous deterioration of both the pro-state cultural canon and the protest culture of struggle is causing the political dimension of the cultural process to devalue even further. However, the contradiction is becoming more acute between the administrative/bureaucratic cultural management model, and independent cultural initiatives (which are forced all the more frequently into internal emigration) with no right to designate their presence in the public space. The issue of relations with neighbouring cultures (Europe and Russia) has moved into the background, making local recognition more important.

This latter factor has lowered the bar for quality in the cultural process, reducing the fight for European quality to the level of provincial inter-area punch-ups. True creativity is mutating into a collection of tactical manoeuvres, with state-tolerated games replacing creative risk. In future, we can expect a further escalation of internal tensions, new conflicts between various clans of the official and alternative cultural elites, and the final maturing of "culture for export" — a group of convertible Belarusian artists who are unable to find their place in today's cultural order.

SPORTS: WAR ON HUTS, MONEY FOR PALACES

Barys Tasman

Summary

All socioeconomic hardships Belarus is suffering now had not affected national-level sports until recently. In 2011, the economic crisis hit them as well, which however did not result in fewer medals. On the contrary, Belarusian athletes won more of them than in 2010 as concerns world championships only. Elite athletes were safeguarded from adversities but the sports reserve suffered heavily and training of newcomers is still flawed. The use of doping in youth sports is as huge a problem as before. The lack of a quality reserve is often remedied by naturalization of foreigners.

Football players of the national youth team won European medals for the first time and will play in the Olympics, while the national adult team did not make it through the UEFA European Championship 2012 qualifying round.

The new presidential decree on support for physical training and sports organizations does not look revolutionary, although it is meant to raise sports management up from zero.

Much effort has been made to prepare for the Ice Hockey World Championship which Minsk is going to host in 2014. The focus is on construction of new ice arenas. At the same time, the performance of the national teams of all ages in world championships is rather depressing.

Trends:

- Large scale construction of ice palaces;
- Intense preparation for the 2014 Ice Hockey World Championship;
- Priority funding of the sports elite;
- Troublesome situation with training of the reserve;
- Progressing naturalization of foreigners;
- Declarative struggle against doping.

Commerce motivators

The crisis that has overwhelmed the national economy entailed poorer sponsorship of the sports branch. The inflation has eaten up a number of regular training events and pruned sports delegations a little. Such saving sometimes helped to optimize expenses, though. Medium level athletes and trainees of Olympic reserve schools, whose "ration" was cut down considerably, suffered the most. By

the year-end, the situation was rectified, and potential Olympians were not affected at all.

Team sports were prioritized in terms of funding. Football, basketball, volleyball and handball teams were provided for by presidential decrees on state support which attached clubs to enterprises and territories. In 2008, state funding reached USD 74 million as compared with USD 66 million in 2010. More than a half the money was consumed by ice hockey alone.

A wage ceiling was established for the hockey teams playing in the Belarusian Extraleague (aka Belarusian Open Championship): no more than USD 75,000 a month per team, which means nearly a 30% reduction. The restriction however only concerns budgetary funds and sponsor money is allowed. Interestingly, the wage reduction concurred with creation of new Hockey Club Lida with a budget of several millions of dollars that approximately equals the saved funds.

Twice (in May and September 2011), Lukashenko demanded to do away with addiction to budget money injections, learn how to earn independently and work out a financing program which would suit the government in the new economic situation. Borisov-based Football Club BATE is the only self-sustaining sport club in Belarus. It made EUR 1.7 million during the 2010-2011 season in the European Football League. In 2011, the Borisov club fought its way to the Champions League, made a handsome profit by selling its players Nekhaichik and Shytov, and its incomes were up to EUR 13 million. According to *Pressball* newspaper, the budget of the entire football league stands at USD 40 million¹.

On November 3, 2011, the president issued decree No.497 on support for physical training and sports organizations which will remain in force till 2012². This decree abolishes the list of enterprises "sentenced" to compulsory sponsorship. Sport clubs will have to engage in management to ensure self-financing at the rate of 50% by 2014. So far, most of them have been able to cover just few percent of expenses. According to the decree, the local authorities are to pay the clubs up to 40% of the minimum of subsistence, and clubs' children and youth sports schools will be sponsored by the state.

¹ See <http://www.pressball.by/news.php?t=0102&id=70645>.

² Decree of the President of the Republic of Belarus № 497 of November 3, 2011 // [Electronic resource] Mode of access: http://www.belta.by/ru/articles/officially?cat_id=1484.

In order to stimulate economic activity, *sports institutions established as non-governmental organizations, associations and unions are entitled to do business without formation of profit-making entities and/or participations in them.* The year 2012 will show whether the new decree is working better than the previous ones.

Minsk Championship-2014 in question

The situation is complex with the most fondled sport – ice hockey. Huge money is channeled into preparation for the world championship of 2014 in Minsk. There is a possibility though that Belarus will be stripped of the right to host the event. The European Parliament, Bundestag, U.S. Congress, human rights and public organizations in Europe and North America want another place for the championship due to numerous violations of human rights in the country.

The preparation is going on, no matter what they say. Minsk builders construct and reconstruct hotels, erect eight two-level traffic intersections, broaden motorways inside the city and those connecting the capital with Mogilev and Bobruisk. One more air strip is being arranged at the national airport Minsk-2. Suburban railway transportation system is being upgraded. The second ice hockey complex Chizhovka-Arena, which can handle 8,500 viewers, is on the way. One more 2,000-seat arena, the sixth one in Minsk, will be constructed in Dzerzhinsky Avenue.

It is not likely that the Belarusian leadership expects huge revenues from the hockey championship. Right after Minsk was awarded the right to host the event, they were talking about 50,000 visitors, then the number was corrected downward to 35,000 and now it is about 20,000.

It would be natural to expect the national hockey team to try to make Belarusian sport fans and Alexander Lukashenko personally proud when playing at home. In the World Championship-2011 in Slovakia, the Belarusians only managed to gain a foothold in the elite by taking the last safe 14th place. It would be naive to hope that talented hockey players will grow up in the next three years, given that the junior and youth teams of Belarus failed to qualify for the top divisions in the 2011 championships. Tragically, 37-year-old Ruslan Salei, Team Belarus Captain, and 21-year-old forward Sergei Ostapchuk died in the plane crash on September 7 near Yaroslavl together with the local Locomotive team.

Three Canadians playing for Dinamo Minsk in the Kontinental Hockey League (KHL) – Jeoff Platt, Kevin Lalonde and Charles Linglet – were given Belarusian passports. Finn Kari Heikkila, who earlier trained Finnish and Russian teams, was appointed head coach of the national team of Belarus.

HC Dinamo Minsk enjoys great popularity in Belarus. Fifteen-thousand-seat Minsk-Arena, the largest one in the post-Soviet space, is often overcrowded. It does not upset Belarusian hockey fans that the team performance leaves much to be desired. A dozen Canadians, Czechs, Slovaks, and Finns, and a duet of coaches from the Czech Republic are its driving force. Belarus' strongest players play in North America and Russia.

Dinamo's budget is kept secret and is rumored to reach USD 20 to 25 million. The Belarusian Potash Company is said to be the chief sponsor. In the 2010/2011 KHL season, Dinamo was the 15th among 22 teams and lost 2–4 to Locomotive Yaroslavl in the first playoff round. In the 2011/2012 season, the team climbed a bit higher and finished 12th but was beaten 0–4 right away in the playoffs by Dynamo Moscow and Marek Sikora announced his retirement after the failure.

Palace boom

Three new ice palaces opened in 2011, which makes a total of 29 now. Molodechno, with a population of 100,000, has a 2,200-seat arena; Luninets and Ivatsevichi (district centers of the Brest region) were given 800 seats each while their populations are four times smaller. Official sources say the Luninets Arena cost 24 billion rubles and the actual cost could be higher. The palace in Molodechno was opened in grand style as a gift timed to Dozhinki-2011 Festival and most likely cost much more.

Many expected that price hikes and popular discontent would dent enthusiasm of the chief hockey player of the country, Alexander Lukashenko, as concerns the erection of energy devouring monsters. But it didn't. According to *tut.by* portal, 23 more ice arenas are scheduled for construction in 2012–2014! It looks like the Belarusian leadership is eager to impress the world with a half a hundred palaces in 2014 regardless of economic and social hardships.

Ice arenas are coming even to small district centers like Glubokoye and Shklov (18,000 residents each), Lepel and Kostyukovich (17,000), Drogichin and Novolukoml (14,000). Relevancy of

ice arenas in such small towns as Chausy (11,000), Glusk and Klichev (7,000 each) can be probably explained by the fact that they are located in the Mogilev region which gave Belarus the first and the only (for now) president.

Of course, the palaces produce a certain social effect. In 2011, 23 children's sports schools totaled over four thousand young hockey players and probably hundreds of thousands used to come just for skating. However, electric energy is so expensive that makes this pleasure an unaffordable luxury. For instance, after the electricity tariff went up in October 2011, Minsk-Arena had to pay electricity bills to the amount of two billion rubles (nearly USD 228,000)³! Small and medium size palaces pay 200 to 300 million rubles a month.

In order to minimize the enormous budgetary expenditure, the palaces host fitness centers, billiard and computer rooms, saunas, and offer skate rental. But even the most qualified management only helps to recover less than a half of the money spent. Those in charge came to the idea to change the form of ownership. The Baranovich palace hosts a state hockey and figure skating school, which earns some money because the city is paying salaries, procures, equipment, and uniforms now, but it certainly does not resolve the core problem.

Successes of national youth football team

Many things in Belarus take place not owing to something but in spite of it. The bronze medals of the Belarusian U-23 football team in the European Championship in Denmark are an example of that. Impressive is the bare fact that the Belarusians are among the top eight teams in Europe. In the final tournaments of 2004 and 2009, they failed to make it through the semifinals, and now it happened. Circumstances favored the team largely.

The Belarusians only won one out of three games. They beat Iceland 2:0 and lost twice from Denmark (1:2) and Switzerland (0:3). Surprisingly enough, it sufficed to finish second in the group and to go to the semifinals. Belarus led for more than half of the game against the definitive favorite, Spain, but let in a goal two minutes before the end and lost 1–3 in the stoppage time.

In the 3rd place game, Belarus and the Czech Republic fought for a ticket to the Olympics in London and the Belarusians snatched

³ See <http://www.pressball.by/news/other/94516?page=78>.

a 1-0 victory which, together with the European bronze medals, can be regarded as the greatest football accomplishment of Belarus as a sovereign state.

Successes of the youth team in many respects result from early high-grade game practice in the national championship which however is not very strong. The team-work helps to stay in good shape and contributes to team spirit. Foreign players usually make their way to professional clubs few years later than Belarusians.

A great job done by the truly professional head coach, Georgy Kondratyev, who has created a team out of promising individuals and set high goals is another factor. One can hardly tell that the team's performance was sparkling, but its integrity was obvious. The leaders of the bronze team, Alexander Gutor, Oleg Veretilo, Stanislav Dragun and Dmitry Baga, have a good chance to prove themselves more than worthy in adult teams. Goaltender Gutor was acclaimed as the best football player of Belarus in 2011.

The national team led by Bernd Stange looked weak as compared with the youngsters. Being second in the 2012 European Championship qualification, the Belarusians lost 0:1 to Albania and twice to Bosnia and Herzegovina (0:2 and 0:1 respectively) and finished fourth out of six. The German coach, basically remembered for his populism, ended his four-year career in Minsk and went home after surrendering two qualifying tournaments.

Results of world championships

In 2010, Belarusian athletes won 16 awards in world championships and three medals in the Winter Olympics in Vancouver (19 in total). The year 2011 brought the same number of medals. However, it would be more proper to compare the recent achievements with those of the odd years when world championships in the same sports are held.

	Gold	Silver	Bronze	Total
2003	3	9	14	28
2005	5	5	9	19
2007	5	6	4	16
2009	6	4	4	12
2011	4	7	8	19

Since 2003 till 2009, the total number of medals went down from 28 to 12, and the 19 medals in 13 sports must have instilled some hope. The age of most leading athletes arouses concern, as potential sports stars coming up from the reserve are few. Probably this explains the considerable medal decline from 31 down to 21 in European championships.

Dominating in world events were biathletes (one silver and one bronze); freestyle wrestlers (one gold and two bronzes); Greco-Roman style wrestlers (one gold and one silver); track and field athletes (one silver and one bronze), and rowers (two bronzes). Free-style swimmer Alexander Gerasimenya (100 m distance), weight-lifter Anastasia Novikova (U58 kg weight category), and wrestlers Alim Selimov and Alexei Shemarov achieved the most significant victories. Tennis player Victoria Azarenka was ranked third and then first in early 2012.

Igor Zaichkov, First Vice Chairman of the National Olympic Committee of Belarus says the government is going to spend 40 to 50 billion rubles to prepare for the Olympics. He believes 30 to 40 Belarusian athletes are able to bring home medals from London. Before the games in Beijing, 65 to 70 candidates for Olympic heroes were expected to go up the winners' podium. Belarusians could really win 14 to 16 Olympic medals as against 19 in Beijing in 2008 which was the best result in the history of independent Belarus. NOC President Alexander Lukashenko demands 25 medals, though.

Conclusion

Belarus' sport sector, as well as Belarus' economy is developing in an incoherent way. While the country's debt burden in 2011 is up nearly 20%, loans are used not for creation of high-profit production facilities but for construction of high-cost, but profitless sports complexes. Nothing stops the Belarusian leadership in its aspiration to set a world record in speedy erection of ice palaces.

The enormous amount of money channeled into development of the hockey industry has proved inefficient: the national team only gets weaker and young talented players are barely available.

In most sports, training of the reserve is actually a total failure. Youth sports are "poisoned" with doping and no one is held liable for that⁴. Belarusian passports are given to Russians, Ukrainians,

and currently also to Canadians in order to seal off the breaches. Only one out of five medal-winning wrestlers, Vasilisa Marzalyuk, was born and raised in Belarus.

Nonetheless, the multidivisional structure of the sports branch is still functioning, yet spontaneously, and pushes up super-talented individuals who, together with old-timers, are supposed to achieve the targets set by Belarusian sports bosses in the forthcoming Olympics in London.

⁴ See <http://www.pressball.by/news.php?t=1016&id=75977>.

PUBLIC OPINION: HISTORIC COLLAPSE

Sergey Nikolyyuk

Summary

The three-digit consumer inflation and almost three-fold devaluation of the national currency came as a shock to Belarusians. All social indicators went down to an all-time low. The public blamed the government for their falling incomes, but also Alexander Lukashenko personally, due to which his electoral rating dropped from 55% in December 2010 to 21% in September 2011. At the same time, it did not have any effect on the popularity of the opposition, nor did it ignite mass protests.

Trends:

- Alexander Lukashenko became a president of “minority” for the first time since late 2003.
- The social indexes’ insensitivity to official propaganda stunts, such as looking for external and internal enemies to shift the blame to, actually displays irreversible desacralization of Belarusian leadership.
- Stabilization on the currency market in October broke the negative trend; the fall of the social indexes was followed by an insignificant rise, although society is still far away from the pre-crisis status.

The financial and economic crisis which overwhelmed the Belarusians completely in 2011 resulted in a massive panic attack. The state was no longer thought of as a provider for the people whose prosperity used to be mostly dependent on the generous national budget, and such people — pension holders, public sector employees, workers of state-run enterprises and organizations, etc. — constitute a substantial majority. Table 1 presents changes in social indexes¹ reported by sociologists of the Independent Institute of Socio-Economic and Political Studies (IISEPS) within a year following the third and fourth presidential elections.

¹ Social indexes represent a difference between the positive and negative answers to the following questions: “How has your personal material standing changed over the past three months?” (Financial Status Index); “In your opinion, how is the socioeconomic situation in Belarus going to change in the next twelve months?” (Expectations Index); “In your opinion, is the situation in our country changing in the right or wrong way?” (Policy Correctness Index, PCI).

Table 1. Changes in the indexes of financial status (FSI), expectations (EI) and policy correctness (PCI)

Social indexes	04' 06	11' 06	01' 07	05' 07	12' 10	03' 11	05' 11	06' 11	09' 11	12' 11
FSI	12	8	5	-3	9	-4	-45	-72	-69	-53
EI	29	32	-5	-4	13	6	-37	-44	-40	-28
PCI	32	25	27	28	22	5	-33	-36	-52	-30

The difference between the social indexes obtained directly after the presidential elections (the first and the fifth columns) is insignificant, while all subsequent indexes of the year 2011 (except for March) are two digits with a minus. Nothing like that has been observed since the third presidential election. As concerns March 2011, the month stands out just for a technical reason: the opinion poll was conducted in the first half of the month, i.e. before the shopping turmoil.

Social tension peaked in June-September. This period saw the all-time low of all the three social indexes. The records of the early 1990s were beaten. Let's have a look at one of the indexes-champions, the IMP, for better understanding: only 2% of respondents marked a certain improvement in their material standing in September, whereas 74% complained about a decline (index: -72).

On October 20, after months-long attempts to stabilize the currency market using administrative methods, the Belarusian Currency-Stock Exchange held a unified trading session during which both the official and market exchange rates of the U.S. dollar and euro were made even. Traditionally, many Belarusians use U.S. dollars to calculate and compare prices. Therefore they took the equaling as a sign that the bottom of the crisis was finally reached. After that, the negative trend in what concerns social moods started turning upward, taking the December poll as a point of reference.

Who is to blame?

According to classified research carried out in May, which Lukashenko publicized later on in a press conference for Russian regional media outlets held on October 7, most respondents (around 25%) quite surprisingly blamed themselves for the decline; 24% said it was a consequence of the financial recession; nearly 20%

cast the blame upon the government and local authorities, and only 10% said the president was at fault.

In September, ISEPS sociologists outlined a totally different rating of entities said to be responsible for the crisis. The top three answers to the question "Who is guilty of the current crisis in Belarus?" were "the president" (61%), "the government" (41%) and "the United States" (16%). As to the people allegedly inclined to self-flagellation, they were only the sixth on the list with 10%.

It is worthy of note that in the 2000s, the government always was in the top of the list of those to blame for price hikes and other negative developments and President Lukashenko was the second. All the others – the United States, the European Union, the Belarusian opposition and so on – lagged far behind the country leadership. This configuration of responsibility is likely to be a direct consequence of the authoritarian governance in the top-down command structure. On the other hand, this differentiation results from a divergence between the pragmatic and symbolic functions, the first being attributed to the government and the second to the president. Therefore troubles seem to come from the ministers while the hopes for improvements are usually put on the head of state. However, the entire system, which functioned fairly well when household incomes were going up, failed when it came to the rampant three-digit inflation that naturally affected Lukashenko's electoral rating² (see Table 2 below).

Table 2. Changes in President Lukashenko's electoral rating (%)

03'10	06'10	09'10	10'10	12'10	03'11	06'11	09'11	12'11
43	46	39	44	53	43	29	21	25

We note once again that the March poll was taken before the panic buying started. The poll indicated a usual decrease in the president's rating after the pre-election resource leveraging. Then came the fall which brought Lukashenko's electoral rating to the unprecedented low in September (the previous "record" of 26% was reported in March 2003).

² The electoral rating should be distinguished from the trust rating. The first one is determined by the answers to the open-end question "If an election is scheduled for this Sunday, who would you vote for?" and the second one is based on the answers to the close-end question "Do you trust the president?"

Budget as a political differentiation factor

Now we get from the president's electoral rating to his confidence rating (Table 3). The maximum level of confidence in the president was marked right after the presidential elections in April 2006 and December 2010 that resulted from the electoral mobilization by means of generous social payments and propaganda efforts of the governmental mass media. The election of 2006 was arranged when Russian loans were the most plentiful. As to the 2010 election, the Belarusian leadership managed to fulfill the basic promise to raise the average salary up to USD 500 in the very nick of time. Therefore the ratio of those who trusted the president and those who did not stood at 1.9 in 2006 and 1.6 in 2010.

Table 3. Answers to the question "Do you trust the president of Belarus?" (%)

	04'06	06'08	06'09	06'10	12'10	03'11	06'11	09'11	12'11
Trust	60	47	51	54	55	48	34	25	31
Do not trust	31	40	35	34	34	42	54	62	55

The number of those who opposed Lukashenko exceeded the number of his supporters in the second half of 2011. The traditional pro-presidential "majority" and the opposition "minority" changed places on the chart and Lukashenko became a president of minority. In September, the number of Belarusians who did not trust the president, who was re-elected for the fourth time, increased to a record-breaking 62%.

Some independent analysts seized the moment to reanimate once more the idea of the opposition's coming out of what they called the "electoral ghetto." Opinion polls however did not fortify this possibility. The split in Belarusian society posed an obstacle to the expansion of electoral support for the opposition by attraction of Lukashenko's former supporters. The "majority" unites the people whose financial status directly depends on the budget's capacity and the "minority" is mostly composed of the so-called "creative class" (this term is gaining popularity after the December protest rallies in Moscow).

Disappointment in President Lukashenko does not necessarily mean that a person belongs to the "creative class." The degree of

people's dependence on the budget does not reduce. Therefore, Belarusian society which consists of the "majority" and "minority" cannot be pictured as communicating vessels like those showed in physics classes at school. It does not mean that the split is irreparable, though. But the experience of the early 1990s suggests that a drop in the living standards is not enough. In all likelihood, the economic crisis will entail a political crisis.

Conclusion

In the second half of 2011, all three social indicators calculated by the ISEPS went down to an all-time low. Nevertheless, in the medium term (a year or a year and a half), the December 2011 tendency of public sentiment on the rise will most likely continue and the government surely cannot take the credit for that. One more dose of Russian money made it possible to stabilize the exchange rate of the Belarusian ruble and push down inflation considerably. At the same time, the public opinion is not anywhere near the pre-crisis degree of approval. The declared amount of loans will not suffice for the second coming of 500-dollar wages. The rules of play established for the Common Economic Space will limit Lukashenko's opportunity to redistribute resources for the benefit of the so-called "majority."

ECONOMY

MACROECONOMIC SITUATION: UNCONTROLLABLE CORRECTION

Dzmitry Kruk

Summary

The year 2011 saw Belarus start cleansing itself of the accumulated macroeconomic imbalances, which proved to be a painful procedure. The overheating of the Belarusian economy in late 2010 and early 2011 and current disproportions overlapped with structural problems thus necessitating macroeconomic adjustments. Because the authorities were not ready to impose economic restrictions, the correction became automatic, and equilibrium was attained mostly through inflationary processes and ruble devaluation. This created new stimuli in the economy for all agents, the result being that external demand grew stronger than that internal, while the sector-wise production pattern was marked by changes in favor of export-oriented enterprises. Household incomes became one of the chief macroeconomic “compensational” variables – they were slashed in a bid to rid the economy of imbalances. The automatic correction turned into a “purging” procedure, which provided a chance for a more balanced development. However, it does not guarantee future sustainability, because sustainable growth is secured by fundamental factors rather than short-term price-based factors of competitiveness.

Trends:

- The currency crisis was caused primarily by structural problems in the Belarusian economy;
- The disregard for accumulated imbalances and expansionary policy stood behind the automatic (uncontrollable) nature of macroeconomic adjustments;
- Because of the automatic correction, the economy went through a sort of a purge, ridding itself of the most acute imbalances;
- Some structural disproportions still remain, impeding sustainable development in the future;
- Belarus achieved macroeconomic stabilization by way of cutting the incomes of Belarusian households, which suffered the most during the crisis.

Introduction

Belarus moved into the year 2011 with a full package of structural imbalances. Some obvious predicaments of the national economy included its chronic external deficit, shortage of savings to finance investments, excessive risks in the banking sector and growing debt burden. But all of these disproportions became outward manifes-

tations of even more crucial problems, such as the low return on investments and low efficiency of the allocation of resources, which curb the economy's growth potential. We believe that the reduction in potential growth rates should be attributed to the specific structural policy measures that are typical of the "Belarusian model", namely, the administrative distribution and redistribution of resources; direct regulation of prices, interest rates and compensations; and promotion of productivity through the stimulation of internal demand.

The said problems did not emerge out of the blue, but had been accumulated during a long period of time; however, their adverse effects were successfully mitigated with the use of various instruments. The situation had changed by 2011, though. Efficiency losses and low return on investments became more conspicuous, as their scope depends on how long the distorting structural policy instruments are used. The positive impact of the privileged status in the country's relations with Russia dwindled compared with 2003–2008. Access to external borrowing on favorable terms markedly narrowed, as most of the obvious cheap borrowing possibilities had already been exhausted.

Finally, it turned out that short-term instruments were not good enough anymore to keep the economy "afloat". *First*, the stimulating policy resulted in an aggravation of structural imbalances in 2010 (especially in the second half of the year)¹, including the expansion of external deficit, shortage of sources to finance investments and deterioration of the quality of bank assets. *Second*, this policy brought about new problems – the accumulation of inflationary potential and deterioration of companies' price competitiveness resulting from the growing labor unit costs. Therefore, if this stimulating policy had continued, its effects would inevitably have been neutralized by inflationary and devaluation processes, which take the real indicators back to the long-term equilibrium level. *Third*, when pursuing their stimulating policy in 2009–2010, the economic authorities made use of nearly all of the available resources. As a result, the country's gold and foreign exchange reserves markedly

¹ This is due to the fact that early in 2011, the economy reached its potential, i.e. overcame the recession and recovery phases. Whereas stimulating policy is well justified during the recession phase, when its negative consequences are relatively insignificant, then justifying this policy during the expansion cycle is quite difficult. In the latter case, this policy will inevitably lead to a faster increase in consumer prices and additional demand for imports.

dwindled, whereas the "room for maneuver" in the fiscal sector narrowed.

Therefore, in early 2011, the short-term disproportions overlapped with more serious long-term problems that emerged in previous years, thus causing the latter to manifest themselves. Moreover, the situation being what it was, the authorities had few levers to resist the shocks, because a substantial part of the potential of economic policy instruments had been exhausted during the previous two years.

Macroeconomic dynamics

The economic authorities not only ignored the need to establish a restrictive policy, but also tried to continue stimulating the economy despite the obviously exhausted potential of expansion policy instruments. Because they could not gain access to sufficient volumes of new external borrowing, the economic authorities started encouraging domestic demand using chiefly monetary instruments, i.e. by way of money issue, which unfailingly spurs inflation and puts additional pressure on the currency market. The authorities more or less succeeded in anchoring prices at the start of the year, including through the use of administrative levers; however, in the money market, administrative measures resulted in multiple exchange rates.

Eventually, it was the exchange rate that became the chief balancing parameter for the economy once the government failed to apply restrictive measures to consumption and investments. In other words, the macroeconomic correction, necessitated by long- and short-term imbalances was mostly through changes in the exchange rate, automatic and uncontrollable.

Under this macroeconomic correction scenario, external equilibrium is rapidly restored in the first place, and then the real volume of the domestic demand components is gradually adjusted through inflationary processes. It is because of the automatic unregulated achievement of external equilibrium and the fact that the exchange rate was used to perform the balancing functions, thus substituting for other economic instruments, that the ruble depreciated against the basket so much in 2011 (the nominal effective exchange rate dropped 65%, and the real exchange rate fell 28.3% last year, and those were not bottom values recorded throughout 2011).

Despite its painful effects, including the high inflation rate, reduction in real household incomes, growing poverty level, etc.,

the currency crisis purged the country of short-term disproportions. The large-scale devaluation of the ruble sent out new price signals to exporters and importers; therefore, there were improvements in net export dynamics starting the second quarter, and as early as the third quarter of 2011, net exports were out of the negative zone (in nominal terms), turning into the GDP growth locomotive. One of the most pressing problems of the national economy – the external deficit – was thus resolved through ruble devaluation.

It must be emphasized again that the main reasons for the chronic external deficit were structural imbalances; therefore, the devaluation move only helped resolve the problem temporarily, giving the country a short-term break. In order to secure net exports close to or just above zero, a structural reform is necessary; otherwise Belarus will have to keep devaluating its currency on a regular basis.

The chief components of domestic demand – household consumption and gross fixed capital formation – were also markedly modified. Both components showed an impressive growth in the first quarter amid the ongoing stimulating policy, whereas in the second quarter, this growth slowed down as a result of money market shocks. In the second half of the year, the slump was already caused by inflationary and devaluation processes and measures to restrict the financing of capital investments that the government eventually chose to take. Therefore, the GDP structure underwent significant demand-related changes (deemed positive from the point of view of long-term prospects), as external demand substituted for a part of internal demand.

Overall, GDP grew 5.3% year-on-year in 2011; however, the growth was not uniform. The economy expanded 11.2% year-on-year in the first half of 2011, while in the third quarter, GDP only grew 1.9% from the same period in 2010, and in the fourth quarter, there was no change from October-December 2010.

The automatic correction mitigated another structural imbalance – the shortage of savings to finance investments. This process was taking place in the second half of the year, mostly through reducing the share of investments in GDP. However, the problem was never completely resolved, because most of the funds saved as a result of investment cuts were accumulated in the state budget, which was implemented with a surplus in real terms due to expenditure restraints.

Overall, the year 2011, especially its second half, can be characterized as a period of painful cleansing of accumulated macro-

economic disproportions, which reduces the susceptibility of the economy to some external shocks and gives it a chance to grow at a higher rate and show sustainability in the future on the condition that relevant institutional obstacles are removed by way of structural reforms.

Real sector

The new stimuli that appeared as a result of the large-scale consumer inflation and ruble devaluation affected nearly all groups of economic agents. The main trend observed in the real sector of the economy was the change in the sectoral makeup of production in favor of export-oriented industries. This trend was most conspicuous in the processing industry, which showed a 10.1% growth year-on-year (while GDP expanded 5.3%). These impressive results were largely due to the excellent performance of the following sectors: the production of vehicles and equipment and the production of machines and equipment.

The high growth rates in these sectors should be attributed primarily to the recovery of demand in foreign markets amid the new price edge. Oil refining contributed the most to the growth of the processing industry – the increase in oil product output was caused for the most part by improving terms of trade in oil and refined oil compared with 2010 rather than the devaluation of the national currency.

The country's agribusiness showed an impressive growth, while in construction, growth slowed to 4.9% year-on-year from 15.3%. The trends in the construction sector, as in all the other sectors working primarily for the domestic market, were driven by changes in consumer prices and ruble devaluation, which affected the spending capacity of households acquiring construction services. The tightening of preferential home construction mechanisms, a desperate measure that the government had to take in a bid to improve the economic situation, became another important factor that produced a negative impact on the construction sector.

In the service sector, financial business and the article "indirectly calculated financial intermediation services" grew faster than other segments, mostly because commercial banks were able to respond to changes in the economic situation fast and effectively by way of changing interest rates and generated high profits from currency exchange operations and related transactions. Other segments of

the service sector showing a relatively high growth rate were retail and repairs, transport and telecoms — these are traditionally connected with foreign trade, meaning that they benefited from the devaluation of the ruble. Other service industries catering mostly for the domestic market either grew very modestly or reduced output.

When it comes to the financial standing of Belarusian enterprises, the same sector-wise trends were observed — the financial performance of export-oriented enterprises improved, and the same holds for the businesses that managed to make use of inflationary and devaluation processes domestically. The growth leaders in terms of their profitability were financial, real estate and manufacturing companies.

Inflationary and devaluation processes had an overall positive effect on profitability figures through reductions in labor unit costs (prices were growing faster than wages). Furthermore, during the periods when the Belarusian ruble was losing most of its value (late summer and early autumn), most Belarusian industries saw reductions in inventories, which also had a positive effect on companies' financials. As a result, the average sales margin in the economy amounted to 13.2% in 2011, up from 7.3% in 2010, and return on sales reached 10.3%, an increase from 6%.

Households

Average household incomes figures for 2011 look quite attractive despite the economic environment: last year, incomes went down only 0.7% year-on-year (real disposable incomes decreased 1.6%). However, if we take a look at the dynamics of household incomes at the start and the end of the year, the slump in real incomes will be obvious. In January 2011, real monetary incomes went up 25.4% year-on-year, whereas in December 2011, they fell 17.7% from previous December. If we break down annual incomes by months starting January 2011, then November 2011 became the bottom, with incomes falling 14% from January 2011 in real terms.

The makeup of monetary incomes was also markedly modified — the share of compensations rose 2.3 percentage points to 65.4% of all incomes, while the shares of incomes from business and transfers went down 1.4 percentage points and 0.9 of a percentage point, respectively. The reduction in the share of transfers to the population in the structure of incomes resulted from conservative budgetary policy in the social sector, as social expenditures were adjusted

much slower than prices grew in nominal terms. Therefore, the least protected population groups (pensioners, large families, etc.), for whom social transfers remain the main source of incomes, were affected the most by the reduction in welfare payments.

Administrative price caps that the economic authorities imposed many times throughout the year helped support the population — price regulations enabled the authorities to slow down inflationary processes and mitigate the effects of the slump in real purchasing power.

External sector

External commodity trade deficit has remained the country's chronic problem for many years and became an important factor contributing to the currency crisis. Up until the acute phase of the currency crisis at the end of the first quarter, foreign trade trends repeated the pattern established in previous years: imports were growing much faster than exports. Merchandise imports increased for all commodity groups — investment, intermediate and consumer goods) — encouraged by the rapidly growing internal demand, which provoked hikes in the demand for imported commodities, and overvalued national currency. Besides macroeconomic factors, imports were also promoted by the willingness of many Belarusian households to acquire imported automobiles prior to July 1, 2011, when new customs duties on vehicle imports were to be set. The overvalued real ruble exchange rate and discouragement of exports resulting from the artificial promotion of internal demand affected export growth rate. In the first quarter of 2011, Belarus also faced problems with foreign supplies of oil products, as the country had failed to come to a compromise with Russia over the amount of premium paid to crude oil suppliers following changes in the terms of oil trade in 2011.

External trade problems were further aggravated in the first quarter by the accelerating trend towards outflows of foreign exchange as incomes on previous investments — this was caused by peculiar methods to attract investments in previous years. By April 1, 2011, Belarus' current account deficit had reached a new all-time record of 24.2% of GDP (USD 3.4 billion in absolute terms). This deficit was only partially financed by surpluses of the capital and financial accounts. The most significant inflows included the receipts from floating USD 800 million Eurobonds in January 2011,

new loans totaling USD 837 million and reinvested earnings amounting to USD 586 million. The shortage of sources of financing brought about the exhaustion of the liquid part of international reserve assets, triggering ruble devaluation processes (which initially took the form of multiple exchange rates).

After the NBB stopped containing the market exchange rate of the national currency, foreign trade trends reversed. In the second quarter, exports were already growing much faster than imports.

The main contributors to the growth in Belarusian exports were meat products, ferrous metals, road and construction machines, metal-working machines, tractors, trucks and tractor units. Also in the second quarter, exports of refined oil products produced a favorable impact on Belarus' foreign trade balance – despite the USD 45-per-tonne premium that Russian oil majors imposed on deliveries to Belarus, the conditions of oil procurement, processing and re-export were more favorable than in 2010.

The slower import growth during that timeframe should be attributed to the limited supplies of intermediary non-energy and investment products, as well as foods. The relatively small current account deficit recorded in the second quarter, at USD 1.1 billion, was fully financed from new loans (especially the first installment of the EurAsEC loan, amounting to USD 800 million) and some other minor financial account inflows.

In the third quarter, the real exchange rate of the Belarusian ruble reached its all-time low (in August) which spurred the second-quarter trends: exports kept growing, while imports slowed and even went down for some commodity groups. Consumer imports decreased the most compared with the second quarter because vehicle imports dropped as soon as the new duties were introduced. As for other consumer goods, their imports went down following a reduction in households' purchasing power (this is especially true for imported goods). The result was a current account surplus, at USD 51.7 million, recorded in the third quarter of 2011 for the first time in years.

The fourth quarter was marked by a landmark event in the national economy, when Belarus finally tightened its monetary policy and introduced the single ruble exchange rate. Furthermore, Belarus managed to secure sufficient investment inflows, including USD 2.5 billion in receipts from the sale of the remaining 50% in OAO *Beltransgaz* and a USD 1 billion loan from *Sberbank* of Russia, extended to OAO *Belaruskali* against the security of OAO Naftan

refinery shares. The panic demand for foreign exchange subsided once the unified exchange rate was introduced, and increase in deposit rates at the end of the year (both in nominal and real terms) boosted the demand for Belarusian rubles.

Overall, the above factors preconditioned the stabilization of the nominal exchange rate of the Belarusian ruble and even led to the strengthening of the national currency in the fourth quarter (compared to July-September) in real terms amid the continuing price increase, which gained momentum during previous periods. Nevertheless, given the debt problems in the Eurozone, which created a negative background in the global economy, Belarus saw the terms of trade for some of its commodity groups deteriorate, therefore, exports grew slower in the fourth quarter compared with the previous three months, and a USD 1.3 billion commodity trade deficit was registered.

All in all, commodity trade deficit amounted to USD 5.5 billion in 2011, down 43.2% year-on-year. This welcome reduction was caused by the 59.4% rise in exports, which was almost twice the increase in imports (31.1%). To have a better picture of the effect of the ruble devaluation on the country's foreign trade we should eliminate some intermediate materials from the trade statistics – exports rose 16.9% year-on-year in real terms (minus oil products and potash fertilizers), and imports went down 7.4% (net of oil, oil products and natural gas). These foreign trade tendencies stood behind the USD 5.7 billion current account deficit financed from foreign sources and privatization revenues. The latter also enabled the economic authorities to increase international reserve assets.

CURRENCY MARKET AND THE BANKING SYSTEM: BACK TO 1998

Alexandr Mukha

Summary

Last year, the Belarusian economy suffered from severe economic shocks caused primarily by the sharp depreciation of the national currency, unchecked inflationary processes, rise in prices for imported energy, and increase in the debt burden on Belarusian residents. The drop in real incomes of Belarusian households amid tighter monetary and fiscal policies helped stabilize the situation in the money market. Households will be able to restore their spending capacity to the pre-crisis level in 2.5–3 years, at the earliest. However, during this period, Belarus will be faced with growing risks of labor outflows, mainly to Russia. The downward pressure on the ruble and the country's gold and foreign exchange reserves will continue on the back of the substantial repayments under previous loan arrangements.

Trends:

- Growth in wages and government expenditure put pressure on the stability of the national currency.
- The monetary authorities gave up plans to target the exchange rate in favor of free float based on currency demand and supply.
- In the medium term, serious depreciation risks will remain, caused by the need to repay external debts.

Devaluation shock

The year 2011 saw the most serious challenges to the Belarusian financial system over the last decade. The alarming manifestations of the economic crisis resulted in a panic demand for foreign exchange, which was caused by inflation and depreciation expectations, and shift in savings preferences towards foreign exchange. A serious imbalance brought about by the gap between the foreign exchange demand and supply emerged in the domestic market, putting a tremendous downward pressure on the Belarusian ruble and the country's gold and foreign exchange reserves.

The monetary authorities eventually opted for free float in the currency market, giving up their original plans of a targeted

exchange rate vis-a-vis the basket of foreign currencies. As a result of this, the exchange rate of the ruble was formed with minimal interventions of the National Bank based on demand and supply and under the influence of fundamental macroeconomic factors.

The result was the depreciation of the Belarusian ruble against the U.S. dollar by 2.8 times (64%), and against the euro and the Russian ruble, 2.7 times (63%). Such violent fluctuations of the national currency were last marked more than 13 years ago, in 1998 (following the August crisis in Russia). Back in 1998, the official exchange rate of the ruble against the U.S. dollar fell even more, by 4.5 times (78%).

The depreciation of the national currency understandably resulted in additional inflationary pressures. In 2011, consumer prices increased 110%, construction prices rose 110%, producer prices hiked 150%, freight tariffs went up 150%, and farm prices soared 170%.

It should be noted that the ruble depreciation in 2011 was largely due to the ungrounded increase in wages in 2010 (wages were pushed then for Alyaksandr Lukashenka to meet his election promises). Over a relatively short period of time, the average wage went up more than 50% to an equivalent of USD 521.2 in December 2010 from USD 344.4 in January 2010.

Moreover, in December 2010, the average wage reached a new record high of USD 1,253 on a purchasing power parity (PPP) basis (See Table 1). Belarus made it into the top-five neighboring and CIS member-states by wages. That period's leaders were Poland with USD 1,813.9, Estonia with USD 1,423.9, Russia with USD 1,317.8, and Lithuania with USD 1,303.6. Belarus was followed by Latvia with USD 1,181, Kazakhstan with USD 880, Ukraine with USD 734.2, Azerbaijan with USD 730.4, Georgia with USD 723, Armenia with USD 675.4, Moldova with USD 554.7, Kyrgyzstan with USD 554.4, Turkmenistan with USD 482.3 and Tajikistan with USD 285.1.

At the same time, as a result of last year's devaluation moves, the level of Belarusian wages in U.S. dollars equivalent markedly decreased. The average nominal wage had fallen to USD 337.8 by December 2011, compared to the April 2009 level; however, given the seasonal nature of wage increases (late-year bonuses and additional benefits) the average wage in December 2011 was the country's lowest since December 2006.

Table 1. Average wage in Belarus and selected countries, in current value and on a PPP basis, USD¹

Country	Average price level, % of average price level in the USA in 2010	Average price level in Belarus, % of average price level in the country in 2010	Average wage in December 2010 ²	
			in current value, USD	on a PPP basis, USD
Poland	64.9	64.1	1,177.6	1,813.9
Estonia	77.8	53.5	1,107.1	1,423.9
Russia	66.3	62.7	874.1	1,317.8
Lithuania	64.1	64.9	835.5	1,303.6
Belarus	41.6	100.0	521.2	1,253.0
Latvia	73.6	56.5	869.6	1,181.0
Kazakhstan	75.0	55.5	659.8	880.0
Ukraine	45.0	92.4	330.3	734.2
Azerbaijan	59.7	69.7	436.1	730.4
Georgia	51.8	80.3	374.7	723.0
Armenia	55.7	74.7	376.2	675.4
Moldova	52.7	78.9	292.5	554.7
Kyrgyzstan	38.3	108.6	212.3	554.4
Turkmenistan	54.0	77.0	260.6	482.3
Tajikistan	38.2	108.9	108.8	285.1

1. The countries are sorted in descending order by the average wage in December 2010 on a PPP basis (the average price level in the USA is 100%)
2. Data on the average wage in Poland, Estonia, Lithuania and Georgia are presented as of the fourth quarter 2010, and in Turkmenistan, the average wage in the year 2010 is given.

Source: the author's calculations based on statistics of the IMF, national statistical services and central banks.

Money market

By reducing real wages and tightening monetary and fiscal policies, the authorities managed to stabilize the situation in the domestic market. According to the National Bank, in February 2012 alone, sales of foreign exchange by households, including cashless

transactions, were USD 177.1 million above purchases. Over the last six months (September 2011 to February 2012), sales of foreign currency by households were USD 1.026 billion in excess of purchases (including cashless transactions).

Households thus have turned into net sellers of foreign exchange, thus supporting the exchange rate of the Belarusian ruble against the basket of foreign currencies.

For their part, Belarusian companies also sold more currency than they bought from banks in February 2012: sales were USD 131 million above purchases. In the period December 2011 through February 2012, sales were USD 574 million above purchases.

In January 2012, banks reported a substantial increase in households' currency deposits, which was mostly due to high interest rates. Retail foreign exchange deposits rose by USD 259.9 million in January 2012, or 6.2%, to reach USD 4.472 billion (on February 1, 2012), which is a new record high since April 1, 2011.

Incidentally, households increased their foreign exchange deposits by USD 985.8 million in the second half of 2011 and the first month of 2012, or 28.3%. Households have become the main suppliers of foreign exchange to the country's banking sector. As for corporate entities, their foreign exchange deposits with banks rose 2% in January 2012 to a new record high of USD 3.492 billion as of February 1, 2012, which can be attributed to new currency receipts and shrinking external receivables.

According to the central bank, in January 2012, foreign exchange proceeds from exports of commodities and services, incomes and transfers of Belarusian business entities (including individuals) rose by USD 1.547 billion year-on-year (71.1%) to USD 3.723 billion. In January 2012, export proceeds were USD 467.6 million above payments for imports of commodities, services, incomes and transfers, building on the USD 363.7 million surplus recorded in December 2011, while in January 2011, payments for imports exceeded export receipts by USD 931.9 million. During the nine months from May 2011 through January 2012, the surplus of export-import operations of Belarusian businesses (including entrepreneurs) amounted to USD 3.608 billion.

We have to remember, though, that Belarus paid USD 3.07 billion worth of oil product export duties to the Russian budget in 2011. The country's foreign trade statistics will look less impressive if we factor in this payment. In January 2012, Belarus transferred USD 336.6 million in refined oil export duties to Russia. As a result

of this, in January 2012, Belarusian export-import operations came to a surplus of USD 131 million (USD 467.6 million net of the mentioned transfers).

Nevertheless, it should be noted that the increase in foreign exchange proceeds should be attributed primarily to the depreciation of the national currency. The positive effects of the mentioned depreciation factor are short-term and may be exhausted within the next few months.

External debt risks

In our opinion, the downward pressure on the exchange rate of the Belarusian ruble and the country's gold and foreign exchange reserves in 2012 will depend on its repayment of external liabilities. Based on our estimates, this year's payments by all Belarusian residents to service their foreign debts will total USD 17 billion, which is an unprecedented figure for Belarus. The country will enter a turbulence zone in 2012–2013, as it will have to repay substantial external debts.

Belarus does not seem to have sufficient gold and foreign exchange reserves to effectively meet its debt repayment schedule, despite recent borrowing and privatization proceeds. Based on the IMF methodology, Belarusian foreign exchange reserves had reached a new record high of USD 7.981 billion by February 1, 2012; however, one has to keep in mind that more than half of the total reserves (56.6%) has been formed by foreign exchange borrowing from commercial banks. As of February 1, 2012, the banking sector's claims on the central bank stood at USD 4.516 billion. Reserve assets proper (foreign exchange) in the structure of gold and foreign exchange were only at USD 3.774 billion on February 1, 2012.

According to the Finance Ministry, Belarus will have to spend more than USD 7.6 billion to service its public external debt – the country will have to repay the IMF loan under a Stand-By Arrangement, government loans from Russia, Venezuela and China, as well as bonds floated in the Russian market in late 2010. In 2015, Belarus will have to repay its USD 1 billion debut Eurobonds issue.

Belarus' public external debt had grown to USD 13.428 billion by February 1, 2012, according to the Finance Ministry. Unfortunately, other Belarusian residents' external liabilities (those of the National Bank, commercial banks, and companies) are also substantial. As of February 16, 2012, the National Bank's external

liabilities were at USD 1.476 billion, and the overall debt of the banking system stood at USD 5.786 billion (as of February 1, 2012).

Belarus' total external liabilities had reached a new record high of USD 34.028 billion by January 1, 2012, about 92% of GDP. According to our estimates, in 2011, Belarus' GDP shrank to USD 37.002 billion from USD 54.94 billion in 2010 (the author used his own calculations of the average weighted exchange rate of the Belarusian ruble to the U.S. dollar, at BYR 2,993.74 in 2010 and BYR 6,075.94 in 2011, which allows for black market exchange rates). The external debt to GDP ratio has therefore exceeded the adopted security threshold of 60%. To compare: in 1999, Belarus' overall external liabilities were at mere USD 2.37 billion, and their share of GDP was 15.6%.

On a per capita basis, the country's external liabilities amounted to USD 3,595 as of January 1, 2012, or BYR 30.019 million per capita (on a ruble basis), or BYR 61.342 million per employed worker, which makes up 21.3 average monthly wages. In order to repay the country's external liabilities (principal and interests), Belarusians would have to work for about two years without being paid any compensations, which is quite alarming.

Belarusian residents have almost exhausted possibilities for taking external loans on a market basis. As a result, both the banking system and the corporate sector will see major capital outflows on a net basis. Repayments of external debts will affect economic growth, including GDP growth rates, industrial output, capital investments, real incomes of Belarusian households, etc.

Conclusion

In our opinion, the authorities will hardly risk financial and economic stability again in 2012 and will prefer increasing wages gradually, keeping an eye on the situation in the currency, credit and deposit, and consumer markets. If they don't proceed in this way, the financial system and the national economy will be unable to "digest" another fast and ungrounded rise in wages without painful consequences. The country will then hardly be able to restore the spending power of Belarusian households to the pre-crisis level sooner than in 30-36 months (given the expected reduction in the purchasing power of the U.S. dollar).

In the next few years, Belarus should expect labor outflows to foreign countries, especially to Russia. On the one hand, the

Belarusian government is somewhat interested in promoting labor migration, which will help deal with unemployment and increase foreign exchange receipts from individuals.

According to our estimates, the Belarusian ruble will depreciate to BYR 10,200 to the U.S. dollar in 2012. At the same time, in the medium term, Belarus will be faced with serious depreciation risks generated by the need to repay earlier foreign loans and credits.

The author has made use of proprietary analytical reports by Prime-Tass Business News Agency, reports by the National Bank and Belarusian Statistical Committee (BelStat).

LABOR MARKET AND SOCIAL POLICY: REASONABLE COMPENSATION FOR LOSS OF INCOME FOLLOWING THE CURRENCY CRISIS

Kiryl Haiduk

Summary

In 2011, indexing the population's income payments, including wages and social benefits, was a real challenge for the economic authorities. Faced with the risk of a price/wage spiral, the authorities permitted a drop in real incomes in order to focus on averting significant increases in poverty among vulnerable social groups.

Trends:

- Deterioration of the demographic situation;
- Danger of labor outflow to Russia;
- Indexation of social benefits;
- Public sector salary increases.

Demography

On January 1, 2012, the Belarusian population was 9 465 400 people, which is 15 800 inhabitants less than on January 1, 2011. Only Minsk saw a population increase — from 1 864 100 to 1 885 100 people, while the number of residents in all other regions had declined. Infant mortality decreased from 4.0 to 3.9 per thousand. Birth and death rates were 11.5 and 14.3 per thousand, respectively (11.4 and 14.4 in 2010, respectively). Compared with 2010, the population declined by 3300 people. In 2011, 32 400 working-age people died (one quarter of all deaths).

In terms of age structure, a decrease in the working-age population is anticipated. In particular, by 2030, the demographic burden on the working population could increase by 30%. This is due to the fact that generations born in the post-war years (the baby boom) will reach retirement, while generations born in the early 1990s (dropping birth rates) will reach working age. The 2009 census revealed that there were 5.8 million inhabitants of working age (61.2% of the overall population). In 2011, the age dependency ratio between the older and working-

age population was 634 inhabitants per thousand of working age population.

Other unfavorable demographic factors include a decrease in the number of females of reproductive age, anticipated to start from 2013. In 2011, the Ministry of Labor and Social Protection published a forecast that the number of women (aged 15 to 40) will decrease by more than 168 000¹ by 2015. Therefore, the main fertility potential is in families willing to have more than one child. In 2011, 65.8% of families restricted themselves to one child, while 28.9% of families had two children, and only about 5% had three or more children.

During the past year, the Belarusian presidential News and Analysis Centre carried out a study² to find out what factors affected the decision to put off childbearing. Almost half the respondents referred to the family's low income, and its further reduction following the appearance of a child, while more than 26% referred to the lack of state support for families with children. Partly as a reaction to the problems voiced — which, however, had already existed for a long time — the law on social services was amended in 2011. The amendments envisage bringing the amount of monthly allowances for children up to three years old into line with the country's average salary, starting from 2012. Monthly child allowance for a first child amounts to 35% of the average monthly salary, and 40% for second and subsequent children.

Apart from encouraging childbirth, the state also provides support to migrants. In 2011, Belarus adopted the *National Demographic Security Program*³ for 2011–2015, which envisages cash payments for adaptation and residence for those who agree to move to Belarus (a lump sum payment of up to USD 1000). In general, this program envisages a stabilisation of the population at 9 450 000 inhabitants by 2015. The projected average life expectancy is 72–73 years old (it is currently 70.4 years old). Moreover, the program calls for the introduction of "maternity capital", similar to that offered in the Russian Federation.

In 2011, the positive migratory balance was 9900, which is 400 less than in 2010. About 95% of migrants are CIS citizens, of which about 15% are old-age pensioners. Data on officially-registered

¹ Source: <http://www.respublika.info/5317/society/article49211/>.

² Source: http://www.zautra.by/art.php?sn_nid=9898&sn_cat=23.

³ Source: <http://news.tut.by/society/245993.html>.

migrants from Belarus shows that the majority leave to Russia (4500 of the total). A study published in 2011⁴ assessed temporary labor migration in 2010 at 150 000 people (mainly to Russia), and the net volume of cash transfers from abroad at about USD 850 million, or approximately 1.7% of GDP.

Unregistered migration may grow in 2012, against a backdrop of diminishing incomes and cancelled benefits for housing construction. The government has acknowledged the migration problem, however, and in early 2012, for instance, it announced plans to increase exports of construction services.⁵

Employment and unemployment

In 2011, the employment level in the economy was 4 632 000 workers, which is 0.7% less than in 2010. During the past year, more people were laid off than were hired: 901 100 against 836 600 workers. The main reasons behind the layoffs were mutual agreements (including for future employment) and contract expiry (which is not reflected in the official data).

Despite the 2011 currency crisis, the amount of part-time employment (a traditional way of adapting to deteriorating economic conditions) has not increased. All in all, part-time employment decreased by 36.9% in 2011 (from 154 500 to 97 500 workers, or from 4.5 to 2.8% of employees on the payroll). However, the situation was changing quite dramatically during the course of the year.

In late April, due to problems in the financial and foreign exchange markets, about 600 000 real economy workers suspended their activity.⁶ Minsk Entrepreneurs' and Employers' Union assessed that 1.5 million Belarusians suffered a loss of basic income in the first half of the year in the aftermath of the currency crisis.⁷

The officially-registered unemployment rate remained low. On January 1, 2012, it was 0.6% of the economically-active population (on January 1, 2011 — 0.7%). There were 28 200 officially-registered unemployed, which is 14.8% fewer than at the end of December

⁴ Source: http://bppf.eu/sites/default/files/bppf22011ru_pp.pdf.

⁵ Source: <http://news.tut.by/economics/267800.html>.

⁶ Source: http://www.naviny.by/rubrics/economic/2011/05/04/ic_articles_113_173494/

⁷ Source: http://www.naviny.by/rubrics/economic/2011/05/04/ic_articles_113_173494/

2010. Almost half of those registered unemployed have received basic and secondary education, while 10% possess no professional or specialised qualifications. The proportion of women among the overall registered unemployed is over 58%, which is a 10% increase as compared to 2010. Young people between 20 and 29 years old make up one third of all unemployed.

As before, the number of vacancies available is almost double the amount of registered unemployed (up to six times in Minsk). Traditionally, the labor market is focused on blue-collar positions (77.6% of all jobs). The number of vacancies has increased by 5.9% (up to 51 700). Simultaneously, there are territorial imbalances: one in three vacancies (21 600) is announced in Minsk.

A more realistic unemployment assessment was carried out in November 2011 according to ILO standards: 13 cities, including Minsk, and six village councils were screened as part of a pilot initiative. From 2012, such surveys will be carried out every three months. The 2009 census recorded unemployment at 6.1% (the official rate is 1%). Some experts assess the 2011 unemployment rate at approximately 10%.

In the private sector, consultancy companies⁸ assessed that labor turnover was not very high. Companies which survived the crisis preferred to keep their staff, and the latter, in turn, refused to seek other employment opportunities, regardless of reduced income payments in dollar terms at the vast majority of enterprises.

Wages

In 2011, wage dynamics were affected by the currency devaluation and subsequent economic policy aimed to partially recover pre-crisis levels of purchasing power. At the end of 2010, gross wages were as high as USD 530 (USD 470 in the public sector). In 2010, the 40% increase in real wages was a factor that contributed to the currency crisis. Therefore wages accounted for up to 44.3% of GDP in the last three months of 2010, but had decreased to 37.5% in the last three months of 2011.⁹

The Belarusian rouble devalued by 189%, which resulted in the average wage decreasing to USD 280 in November 2011. In fact,

⁸ Source: http://www.zautra.by/art.php?sn_nid=8931&sn_cat=4.

⁹ Calculation made by the IPM Research Centre // [E-resource] See: <http://research.by>.

core inflation in 2011 was 108.7% (118.1% in January-October). In 2011, nominal wages increased by 55.2% (with a projected maximum growth of 21.4%), amounting to an average of BYR 1 925 300. Salary growth in the public sector was 62.1%, reaching BYR 1 594 500. In December 2011, the average salary reached BYR 2 877.7 million (about USD 340). Thus, it could be concluded that nominal wage growth was lagging behind price rises. Nevertheless, the Belarusian National Statistical Committee reported a 1.3% increase in real wages in January-December 2011, as compared to January-December 2010.

Means of increasing nominal wages include raising the minimum wage and the tariff rate for category I workers. At the beginning of 2011, the minimum wage was equal to the minimum consumer budget (MCB) of BYR 460 000, but at the end of the year it had reached BYR 925 500, and on January 1, 2012, it exceeded the MCB by 13%, reaching BYR 1 million. On October 1, 2011, the tariff rate for category I workers (used to calculate salaries of public sector employees) was set at BYR 151 000, and monthly differential additional salary payments were introduced on November 1, 2011.

Inter-sectoral differentiation decreased by 3%, i.e. up to 3.2 times as compared to 2010. One of the highest-paid sectors was oil refining, while agriculture was one of the lowest. Moreover, the difference in pay between regions was 1.5 times (between Minsk city and the Brest region). In 2011, a number of laws regulating wage payments were revised in order to reduce administrative interference in wage calculation for employees of commercial organisations.

The pension system

In 2011, the number of pensioners increased by 18 000, reaching 2 486 900, 2 424 400 of which receive state pensions. 548 100 pensioners continue to work (22%) and 65.2% of working pensioners are women. The number of working pensioners among the total number of employed is 13% (excluding pensioners who formerly worked for law-enforcement bodies and ministries). About 20% of the state pension budget is spent on working pensioners.

In 2011, 134 200 people received pensions, of which nearly 17 800 people – almost one in eight – had retired early on favourable terms.

During the year, pensions were recalculated three times based on average wage growth (in June, August and November). Minimum and social pensions were increased four times (in February, May,

August and November), which was related to the increase of the minimum subsistence budget (MSB). In nominal terms, the average monthly old-age pension (including one-time financial support) increased by 46% (the projected increase was 16.9-19.4%) and reached BYR 770 100 (including BYR 973 700 in December). The minimum old-age pension went up by 63.8% (to BYR 465.5 million). In December 2011, the Belarusian National Statistical Committee recorded a downsizing of real pensions by 22.9%, as compared to December 2010.

Senior citizens are one of the most vulnerable social groups, so in 2011 the authorities sought to prevent increased poverty among pensioners, caused by rising prices. In particular, in June, the amount of additional payments to a minimum labor pension increased from 15% to 20% of the average worker's wage. Moreover, non-working pensioners, whose pensions were lower than two MSBs (BYR 686 500), received a lump sum of financial assistance equal to the difference between this amount and the size of their pension. This upgrade affected 870 000 people in Belarus, including recipients of social benefits.

In August 2011, social pensions were increased to correspond to the MSB increase (the main beneficiaries were disabled children and people disabled from childhood). Finally, all non-working pensioners received a one-time payment (of BYR 500 000) to purchase agricultural produce – the state has spent BYR 1.7 trillion on this kind of assistance.

Poverty and the social protection system

In 2011, the number of citizens earning below the MSB per capita increased from 4.7% during the first three months to 10.1% during the last three months of the year. In general, during the period under review, the poverty level increased from 5.2% in 2010 to 7.3% in 2011.¹⁰ The reasons behind the increased poverty were price rises on goods and services included in the MSB.

In 2011, social benefits were indexed. For instance, the average monthly allowance for children under three years old increased by 46.1% to BYR 390 000, rising to BYR 574 800 in December. Moreover, the average monthly payment for children over three years old also increased by 46.1% to BYR 117 000, rising to BYR 172 400 in

December. Finally, on October 1, 2011, the lump sum payment for childbirth doubled: payment for a first child increased from 5 to 10 MSB (on December 1, this allowance amounted to BYR 5 747 900), and increased from 7 to 14 MSB for second and subsequent children (BYR 8 047 600).

Additional benefits were introduced for schoolchildren. Primary and secondary school pupils were granted free use of public transport to travel from their place of residence to their place of study and back between September 1 and June 30. From November 1, 2011, additional monthly payments to student grants (65% of the grant) were introduced for certain categories of students. For graduates and postdoctoral students, this additional monthly payment was set at 30% of their grants.

Moreover, students from other towns and full-time students receiving grants from the national and/or local budget could qualify for a monthly reimbursement for accommodation (from September 1 to June 30) if no state hostel rooms were available. In Minsk, such monthly compensation was equal to three basic units (BYR 105 000), in other regions – two basic units (BYR 70 000). In order to receive such compensation, students had to prove that the average family income per capita was lower than 200% of the maximum value of the average minimal subsistence budget per capita, as approved by the government during the past six months.

In 2011, the number of offices operating at Social Service Centres (SSC) increased by one third, from 603 on January 1, 2011 to 919 on January 1, 2012. The number of people approaching those centres for various kinds of assistance also increased. In 2011, the number of senior citizens and disabled (categories I and II) receiving home services from social service centres went up by 3300. The number of disabled citizens receiving social and domestic services at home was also on the increase (87 800 people were receiving home services by January 1, 2012).

In total, 1.6 million residents were registered with social service centres in 2011 (in every administrative region), including about 129 900 senior citizens (without families) and 564 800 senior citizens (with families, but living alone); 9500 orphans and children without parental care; 60 400 large families, more than 130 700 single-parent families, 22 500 families with disabled children, and over 8900 citizens released from prison.

In 2011, the number of disabled people increased by 4000, or 0.8%. The proportion of citizens with disabilities in the country's

¹⁰ Source: <http://news.tut.by/economics/277871.html>.

overall population increased from 5.3% in 2010 to 5.4% in 2011. The absolute number of disabled people reached 508 400. Old-age pensioners were largely responsible for the increase in the number of disabled people. Among citizens with disabilities, 73 500 were category I disabled, more than 271 200 – category II, almost 138 000 – category III, and 25 700 are disabled children under the age of 18 (their number decreased by 1.6%).

In 2011, the authorities announced plans to revise the principles for granting disability status. It is anticipated that not only the loss of ability to work in a given profession, but also the overall ability to work will be assessed and taken into account. Moreover, readiness to join the UN Convention on the Rights of Persons with Disabilities was declared. If the new system is implemented, the number of citizens complying with criteria for “disability” will increase. However, this does not imply that the number of social pension recipients will be extended.

Conclusion

In 2011, one of the government's priorities was to support pensioners and other vulnerable social groups. Nevertheless, the poverty rate has increased. The economic authorities opted only for a moderate compensation for people's loss of real income, which resulted in real income (including wages) being reduced. To all appearances, full compensation would have resulted in an inflationary spiral and macroeconomic instability.

A moderate increase in revenues has been projected for 2012 and, at the same time, the government will focus its efforts on increasing the salaries of state employees (by approximately 70% on average).

ENERGY SECTOR: ON THE WAY TO SELLING ALL ASSETS

Alyona Rybkina

Summary

The year 2011 started off with a series of spats over oil supplies, and ended controversially. On the one hand, at the end of the year, Belarus succeeded in signing oil and gas agreements on quite favorable terms, securing itself considerable discounts and guaranteed supplies of both crude oil and natural gas for a few years to come. On the other hand, the country will have to pay a very high price for the discounted rates – from reductions in the overall competitiveness of its economy, resulting from the terms of the accession to the Common Economic Area (CEA), which most Belarusian industries found unfavorable, to a complete loss of assets in the fuel and energy sector.

Trends:

- Growing dependence on Russia for fuel and energy supplies and energy prices;
- Increasing dependence of commodity exports on foreign supplies of refined oil;
- Complete loss of control over natural gas transit;
- Increase in cross subsidies and offsets in the energy sector.

Oil sector

In January 2011, Russian crude oil was not supplied to Belarus, and the local refineries had to use the inventories accumulated during previous months. The stocks had been exhausted by the end of the first month, and the dispute was resolved. Belarus had to comply with Russian terms – despite the abolition of the Russian oil duty, Belarus had to pay an additional USD 45-per-tonne premium to Russian crude suppliers and pledged to buy 20 million tonnes of oil in 2011 (the price of supplies was pegged to the volume of deliveries). The new terms of supplies reduced the profitability of oil processing at the Belarusian refineries and limited this country's capacity to import crude from Venezuela and Azerbaijan (the domestic refineries are capable of processing up to 22 million tonnes of crude annually).

Because Russian oil turned out to be the cheapest option in 2011, Belarus only imported slightly more than 1 million tonnes of *azeri light* oil via Ukraine, although under the original oil transport

deal with Ukraine, this country is supposed to pay the Odessa-Brody pipeline a fee based on the fixed volume of annual supplies of 4 million tonnes of crude, irrespective of the actual volume of pumped oil. Belarus therefore overpaid about USD 30 million. Belarus also imported about 900,000 tonnes of Venezuelan oil (eleven 80,000-tonne tankers) through the Estonian seaport of Muuga.

Belarusian oil imports thus totaled 20.4 million tonnes in volume terms, an increase of 38.5% compared to 2010, which was mostly owing to the more favorable supplies of Russian oil. Because the domestic consumption of oil products has remained unchanged over the last few years, at around 8 million tonnes, Belarus managed to increase refined oil exports (by 39.2% year-on-year). Belarus exported a total of 15.6 million tonnes of oil products, of them 3.3 million tonnes to the CIS, up 38.1%, and 12.3 million tonnes to foreign consumers outside the CIS, up 39.6%.

The Netherlands accounted for most of the increase – that country imported 7.2 million tonnes of Belarusian oil products in 2011, which compares to 5 million tonnes in 2010. Export to Latvia rose to 1.9 million tonnes from 853,000 tonnes, while export to Italy went up to 653,600 tonnes from 182,000 tonnes. Belarus' export proceeds rose because of the increase in both volumes of foreign deliveries and refined oil prices in foreign markets (by 35%).

The growing refined oil supplies to non-CIS foreign consumers, both in volume and value terms, secured a considerable surplus in Belarus' trade with the West. Furthermore, having sufficient crude imports from Russia, Belarus was able to export domestically-produced crude (about 1.7 million tonnes in 2011). Almost all of last year's supplies were to Germany, which bought USD 1.29 billion worth of Belarusian oil, resulting in quadrupled exports to that European market.

Overall, Belarusian oil exports (crude oil and refined oil) to the European Union amounted to about USD 10.4 billion. European oil supplies accounted for two-thirds of the country's exports to the EU (see Table 1).

Amid the currency crisis and following the two devaluation moves, which cut the value of the ruble almost three times vis-a-vis the basket of foreign currencies, gasoline prices were raised many times in 2011, but they never reached the pre-crisis level in the U.S. dollar equivalent. Moreover, gasoline prices remain the lowest in the region. In December 2011, Belarusian motorists paid USD 0.73 per liter of AI-95 gasoline (a 90% increase in nominal terms).

Furthermore, the authorities imposed a ban on exporting gasoline by private vehicles in containers other than the fuel tank, whereas the ban on foreign travels in private vehicles more than once in ten days will eventually result in an export duty on gasoline.

Table 1. Refined oil exports change

	2005	2006	2007	2008	2009	2010	2011
Share of oil products in total commodity exports, %	30.4	34.1	31.6	33.0	28.2	26.5	30.5

Source: BelStat, author's calculations

In 2011, the intrigue around the privatization of the Belarusian oil refineries continued, although the prospects for selling the refining assets remained vague. However, at the very end of 2011, Belaruskali potash producer took out a USD 1 billion syndicated loan from Sberbank of Russia (the loaned money was channeled to the country's gold and foreign exchange reserves) against the security of a controlling shareholding in Novopolotsk-based Naftan oil refinery, subject to a substantial discount (the government controls 100% in Naftan and only a majority stake in Mozyr NPZ refinery). If Belarus should fail to repay the loan by the end of 2012, Sberbank will gain control of a controlling interest in Naftan.

Gas sector

Belarus imported 20 billion cubic meters of natural gas in 2011: down 7.3% year-on-year. Because the oil basket value to which gas prices are pegged changes on a quarterly basis, Belarus also saw its natural gas fees change every quarter. The average annual price amounted to USD 265 per 1,000 cubic meters, and the fourth quarter price reached USD 310 (to compare: in 2010, Belarus was paying an average USD 185 per 1,000 cubic meters of gas, which means a 42% rise in prices). Although Belarus was paying less in 2011 than its neighbors Ukraine, Poland, or Lithuania, its gas fees were moving close to the average regional price, which affected both the currency market of the country and its trade balance. In late 2011, Russia and Belarus signed a package intergovernmental agreement in the

gas sector. The results of the deal for Russian gas giant *Gazprom* are as follows:

- *Gazprom* paid USD 2.5 billion for the remaining 50% in OAO *Beltransgaz*¹. Belarus thus became the first country in the region to completely lose all of its transit advantages².
- *Gazprom* now controls all of Belarus' gas pipelines and enjoys the exclusive right to acquire natural gas, which effectively puts an end to the speculations about the possible import of liquefied gas in Belarus.
- All exports of electricity generated using Russian natural gas by January 1, 2015 will be exclusively via *Gazprom's* structures.
- *Gazprom* stipulated the political conditions of the transaction – if Belarus violates them, the Russian natural gas monopoly will be entitled to seek cancellation of the deal and return of USD 5 billion together with the payment of all related losses³.

In addition to the USD 5 billion that Belarus received for the 100% stake in the gas pipeline operator, the country also managed to agree to a substantial gas price discount for 2012–2014 (for instance, in 2012, Belarus is paying only USD 165 per 1,000 cubic meters of gas) and have *Gazprom* promise to use the transit gas pipelines to their full capacity. The package gas deal therefore has short-term fiscal benefits for the Belarusian side, whereas *Gazprom* had to make a substantial payment to build yet another link in its long-planned long-term development strategy.

Importantly, the proceeds from the sale of *Beltransgaz* became a crucial contribution to the country's depleted gold and foreign exchange reserves and enabled the monetary authorities to introduce a single exchange rate and stabilize the situation in the currency market in the autumn of 2011. Russia also benefits from the stabi-

¹ When the deal was closed, *Gazprom* announced that it would rename the company *Gazprom Transgaz Belarus*.

² Formally *Beltransgaz* remains the operator of the Yamal-Europe pipeline and will have to meet its commitments to build and develop gas pipelines and auxiliary facilities, including underground gas storage facilities.

³ Specifically, Belarus promised not to impose the "golden share" right or take any other administrative measures that could infringe on the rights of the new *Beltransgaz* owner, to prevent siphoning off of the natural gas transported through Belarus and ensure unimpeded and uninterrupted transit of Russian natural gas, including a waiver to amend the terms of use of the land plots under the Yamal-Europe gas-main. Also, the Belarusian authorities agreed not to sell Russian natural gas to third parties.

lization (albeit relative) of the macroeconomic situation in Belarus, therefore, the assets-for-real-money deal benefitted both parties.

In 2011, natural gas transport through Belarus (both by *Beltransgaz* pipelines and Yamal-Europe gas-main) reached 44.3 billion cubic meters (up 2.5% on 2010).

Despite the currency crisis and the devaluation of the national currency, gas prices for Belarusian consumers remained unchanged throughout the year, falling in the U.S. dollar equivalent for households (gas fees for industrial consumers are fixed in U.S. dollars). At the end of the year, households were paying about USD 58 per 1,000 cubic meters of natural gas, while industrial consumers were paying USD 274. The gas payment pattern effective in 2011 inflicted losses on gas suppliers, and cross subsidies markedly increased (a few years ago, households paid more than USD 100 per 1,000 cubic meters).

Electricity

The Belarusian power grid includes six independent regional republican unitary enterprises, or RUPs⁴, also called "oblenergos", and HV power lines connecting them to power grids of neighboring countries (Russia, Ukraine, Lithuania and Poland). This system is governed by the Belenergo concern, which is accountable to the Energy Ministry of Belarus. The Belarusian power grid is a vertically integrated company, in which generation, transfer and distribution are not separated.

Electrical power generation in Belarus totaled 31.9 billion kilowatt-hours (kWh) in 2011, a decrease by 7.8% compared to 2010. Unlike the year 2010, when almost all of the electricity imports were from Ukraine, in 2011, Belarus imported electricity both from Ukraine and Russia. Imports from Ukraine totaled 2.5 billion kWh, down 12.9% year-on-year. Imports from Russia amounted to 3 billion kWh, up almost 30 times from 2010. Supplies from Russia were limited a few times and were once suspended, because Belarus (Belenergo) failed to meet its contractual obligations (because of the currency crisis, Belenergo was unable to acquire foreign exchange at the Belarusian Currency and Stock Exchange (BCSE) and ran up a USD 50 million debt). However, after electricity supplies were

⁴ RUP stands for Republican Unitary Enterprise. All "oblenergos" are state controlled; there are no plans to turn them into joint stock companies.

suspended in June 2011, the BCSE found enough currency for Belenergo to repay the debt. Yet, Belarus' reputation was seriously damaged, as the non-payment dispute was broadly covered in Russian and foreign media.

The Belarusian power grid provides transit of Russian electricity to Bryansk, Pskov and Kaliningrad regions of Russia, as well as to Latvia and Lithuania. In 2011, electrical power transit amounted to 2.8 billion kWh.

Electricity fees for households remained unchanged throughout 2011, despite the devaluation of the national currency. As a result, the already low fees fell from USD 0.05 to 0.02 per kWh, while payments for imports ranged from USD 0.0615 to 0.062 per kWh. Domestic-generated electricity is even more expensive, at USD 0.069–0.07 per kWh.

Electricity fees for industrial consumers are fixed in U.S. dollars, at around USD 0.1–0.12 per kWh. Natural gas prices (gas accounts for most of the costs that the energy system incurs) were rising much faster than electricity fees, which aggravated the financial situation in the energy sector – it used to make profits, but in 2011, it made losses.

In 2011, Belarus signed a contract with Russian nuclear corporation Rosatom for the construction of its first nuclear power plant. Under the agreement, Russia will provide a 25-year loan for Belarus to finance 90% of the cost of the future plant. Belarus will enjoy a 10-year respite to start repaying the principal, and is supposed to pay up within 15 years.

Despite delays, Belarus is resolved to start building its own nuclear power plant, although it will not be able to complete the construction within the originally announced timeframe (by 2017). However, the economic motives of the state remain unclear: Belarus is taking out a tied (commodity) loan and will not see real money. The power generated by the nuclear power plant will be expensive and uncompetitive. The chance of exporting it to the Baltic States is purely theoretical, whereas the available facilities suffice to meet the domestic requirement. The country's external debt will markedly grow, but Belarus will not find a way to reduce its energy dependence on Russia.

Conclusion

The year 2011 saw two major trends in the Belarusian energy sector: the country's dependence on Russia increased quite substantially,

and the energy sector turned into a loss-maker from a well-off industry that used to provide considerable currency and budget revenues. Belarus kept receiving energy subsidies from Russia – quite substantial by international standards, although Russia kept its domestic energy prices below those of Belarus. The transactions closed at the end of the year helped improve the financial standing of both *Beltransgaz* and Belenergo (the latter is the chief buyer of natural gas), stabilize the situation in the currency market and more or less balance the demand and supply of foreign exchange in 2012 (owing to cheaper energy imports and growth in export supplies). This reduced the necessity for an urgent IMF stabilization loan and enabled the authorities to resume their rhetoric about ways to overcome the crisis and get back to the old economic management methods.

The main negative results of the year are as follows:

- There is a growing dependence of the economy on the situation in the oil sector (more than 30% of all exports).
- Weaker competitiveness of the national economy in the long run – any increase in oil and gas prices or change in the terms of supplies – will result in growing domestic prices and shocks in the manufacturing sector.
- Poor motivation for pursuing structural reforms, restructuring and modernizing the economy; in the long term, the country may be faced with de-industrialization.

Short-term benefits yet again outweighed long-term advantages. Belarus may eventually lose all its assets in the energy sector, one of the most liquid sectors of the economy.

FOREIGN INVESTMENTS: *BELTRANSGAZ* AND SOMETHING ELSE

Maria Akulova

Summary

The foreign investment pattern observed in 2011 remained almost unchanged from previous years. Most of the foreign direct investment (FDI) inflow last year was formed by a single large property sale. The government continues to perceive privatization only from the fiscal point of view, which curbs the growth in the inflow of foreign capital into the economy.

The financial downturn complicated the search for investors. The situation stabilized as late as mid-autumn through efforts of the National Bank of the Republic of Belarus. Amendments were introduced to the taxation system with a view to encouraging investment processes.

Trends:

- Foreign capital procurement rates remain low;
- Privatization focuses on the sale of medium-sized and small enterprises; only sporadic large transactions are allowed;
- Commercial and state banks start floating bonds to raise funds;
- Amendments are introduced to the tax code in order to encourage investors.

In 2011, the government planned to attract about USD 6.5 billion in FDI, and the privatization of state property was supposed to account for almost half of the total. The privatization plan for 2011 – 2013 includes 178 state-owned enterprises. The state managed to attract some USD 4.1 billion in 2011, which is 37% short of the target¹. Compared with the year 2010, when FDI receipts totaled USD 1.35 billion, Belarus showed an impressive growth, as FDI inflows trebled. However, this increase was caused exclusively by the sale of OAO *Beltransgaz*. When it comes to state property sale, state shareholdings were sold in only 38 enterprises, almost 20% of the original plan.

Overall, foreign investment inflow in Belarus in 2011 amounted to around USD 10 billion (based on preliminary estimates), up from USD 8.1 billion in 2010. At the same time, the country's gross external debt expanded 20%, or by USD 5.6 billion in 2011 (again, based on

¹ See: http://nrb.by/statistics/BalPay/Comment/2011_3.pdf.

preliminary estimates), to reach USD 33.96 billion, or 69.5% of GDP as of January 1, 2012. This considerable external debt growth was mostly caused by substantial foreign borrowing in 2011 – the country had to take new loans to stabilize the economic situation. Another important factor contributing to the increase in external debt was the devaluation of the national currency in October 2011, which resulted in a slump in GDP in the U.S. dollar equivalent. Of major concern is also the increase in external public debt, which went up an estimated 21.7% in 2011. External public sector debt thus expanded to about USD 12.3 billion as of January 1, 2012, or 25.2% of GDP (the critical threshold having been set at 20%) from USD 10.1 billion on January 1, 2011, or 18.1% of GDP. Importantly, starting 2012, Belarus will have to increase its spending to service its external public debt. In 2012 alone, public debt servicing expenses will have to reach USD 1.6 billion, and the figure will markedly increase in 2013 – 2014. Therefore, the rapidly growing external debt has moved the search for sources to service it higher on the agenda for Belarus.

Some serious changes were registered in the structure of borrowed funds. The share of FDI rose to 41% from 17% of the total, while portfolio investments accounted for only 9%, down from 15% in 2010. Finally, other external liabilities, i.e. borrowing by the general government and banks, as well as commercial loans, accounted for 50% of the total amount, going down from 68% in 2010. We have to keep in mind, though, that the modifications in the structure of external debt were mostly caused by the sale of the remaining 50% in OAO *Beltransgaz*, resulting in the increase in the share of FDI in total borrowed funds to 41%.

One conclusion that we can draw here is that Belarus still regards privatization as a purely fiscal instrument instead of treating it as a mechanism to renew fixed assets and enhance the competitiveness of the national economy.

FDI and privatization

The economic crisis of 2011 proved serious enough to discourage foreign investors. The multiple exchange rates observed throughout the year, soaring consumer inflation and macroeconomic instability prompted investors to adopt a cautious attitude to the Belarusian market. The situation seriously complicated business planning and efforts to map out a coherent business development strategy, which naturally increased investment risks and disillusioned investors.

Other factors obstructing inflows of foreign investments in the county include the lack of motivation in the administration of enterprises, absence of a concerted position on the value of assets and methods to evaluate them, and expensiveness of foreign consultants and mediators capable of boosting the efficiency of raising foreign capital and the privatization process. Finally, the state continues treating privatization only as an instrument to replenish state budget funds, which also impedes negotiations with potential investors.

There were a few features common to all transactions to sell state property in 2011:

- the process took a lot of time;
- most of the property was sold to local investors, meaning that there were no large foreign buyers in the market;
- the majority of the deals had a single bidder, which did not allow the state to hold proper auctions and raise the initial price of the assets;
- the state was unwilling to sell controlling stakes and instead passed off sales of minority shareholdings as active privatization;
- finally, most of the enterprises put up for sale were either inefficient or loss-making, which naturally discouraged investors.

Nevertheless, the government managed to interest foreign capital in some of its assets. Topping the list of M&A deals with foreign investors is *Beltransgaz*, in which the Belarusian government sold the remaining 50% to Russian natural gas giant Gazprom in November 2011. Belarus not only received USD 2.5 billion in proceeds, but also inked contracts with the Russian monopoly for natural gas supplies in years to come – at USD 165.5 per 1,000 cubic meters in 2012, and in 2013–2014, at the price that Russia's Yamalo-Nenets Autonomous District will be paying plus transport costs. Given the current price for European gas consumers, at USD 400 per 1,000 cubic meters, one can be certain that Belarus managed to make the most of its *Beltransgaz* sale.

In August, Russian GMS holding acquired 100% of the additional issue of shares in Bobruisk Engineering Plant (BMSZ), thus securing a controlling stake of 57%. The transaction cost USD 9.6 million. Also in 2011, *Carlsberg Group* increased its shareholding in Pivzavod *Olivaria* brewery to 67.8% as a result of a series of transactions, including a public repurchase offer. Finally, in December, the EBRD

bought 35% in Alternative Digital Network via management company *Zubr Capital*.

When it comes to *Greenfield* investments, the following should be mentioned: the 2014 World Ice Hockey Championship, scheduled to take place in Minsk, brought about a series of contracts for the construction of hotel facilities in 2011. Qatari Armed Forces contracted the construction of a hotel and sports complex in Minsk worth USD 90 million. Latvian *Akva NMP* signed a contract for the construction of a smaller hotel in the town of Braslav, worth an estimated EUR1.5 million. Furthermore, Minsk city administration signed an agreement with *Blue Eagle Private Equity B. V.*, the Netherlands, to have three hotel complexes worth a total of USD 60 million built in Belarus. Also, Iran's *Semega* holding will invest USD 150 million in the construction of a five-star hotel in Minsk. Agorabel developer signed an agreement for the construction of a USD 12 million hotel in the vicinity of Minsk airport. Czech Republic's PDW-group plans to invest EUR 50 million in the creation of a transport and logistical complex, an air carrier and a center to service aircraft in Vitebsk. Estonian *BelGreenline* plans to contribute EUR 11.5 million in a production of wet wipes for displays in Grodno, and joint Belarusian-Polish venture *OOO Trade-logistical center Zhdanovich* has concluded a contract with Minsk region administration for the construction of an agricultural and food-processing center near Minsk with investment requirement estimated at EUR40 million.

In August, the National Investment and Privatization Agency (NIPA) in association with the World Bank (WB) will carry out the privatization of *eight* business entities. The list includes Baranovich concrete components plant, *Belsantekhontazh-2*, *Avtomagistral*, *Construction and assembly trust № 8*, *Belgazstroy*, *Medplast*, *Confa* and *Minsk Margarine Plant*.

The World Bank in collaboration with the Belarusian government has decided to allocate USD 5 million for the pilot privatization project. The preliminary phase was completed in the period September to December 2011, and during the same timeframe, financial consultants made their bids to take part in the project. In March or April 2012, the consultants will be assigned specific entities to support the privatization process and assist in making transactions. The project, if successful, is expected to produce a positive impact on Belarus' investment profile.

Portfolio investments

The unfavorable economic climate of 2011 prevented Belarus from placing bonds internationally, while in 2010 it used to be a handy instrument to raise foreign capital. In January 2011, the country issued USD 800 million worth of seven-year Eurobonds and placed them at a rate of 8.95%². This was the only chance for Belarus to float its bonds in 2011, because the ongoing crisis made this instrument inefficient, causing the government to look for alternative possibilities to borrow abroad. The multiplicity of exchange rates and absence of a clear program to stabilize the macroeconomic situation resulted in a plunge in Belarus' dollar bonds from mid-March to early October. The price of Belarus' Eurobonds maturing in 2015 fell to USD 69.47 from USD 96.39, pushing the yield up to 20.6% from 9.78%, and seven-year 2018 dollar bonds behaved in a similar fashion, with prices falling to USD 69.21 in early October from USD 92.43 in mid-March and yields soaring to 17.1% from 10.53%.

The reports that the central bank would introduce a uniform exchange rate for the ruble starting mid-October and pursue a stringent monetary policy helped reverse the process at international trading platforms – by late December, the price of the sovereign Eurobonds maturing in 2015 had risen to USD 86.89, and yields had dropped to 13.48%, and the figures for the 2018 Eurobonds were at USD 86.56 and 12.15%, respectively. As for the two-year Russian ruble-bonds floated in Russia, they had dropped to RUR 85.98 by mid-October, but settled at RUR 93.01 at the end of the year, whereas yields had gone down to 17.51% by late December from their peak of 25.42% in mid-October.

On the other hand, the hard search for financing caused Belarusian commercial banks to issue debt securities to raise capital. In May, *Sombelbank* placed PLN30 million worth of two-year bonds at a rate of 11%. December 2011 was marked by a substantial growth in the market for corporate and government bonds, as many commercial banks, including state-controlled *Belarusbank*, *Belinvestbank*, *Belagroprombank* and *Development Bank of the Republic of Belarus*, and private banks *BPS-Sberbank*, *BTA Bank*, *Bank Moscow-Minsk*, *Belvnesheconombank* and *Belgazprombank*, floated their bonds. Also at the end of 2011, the government issued

² See: <http://www.cbonds.info/by/rus/emissions/emission.phtml/params/id/14035>.

BYR 4.7 trillion worth of zero-coupon bonds, which must have been distributed among the portfolios of commercial banks.

Other external liabilities

In 2011, the share of other external liabilities in overall borrowed funds went down to 50% from 68% in 2010. Most of borrowed capital was formed by the government's external liabilities and commercial loans. In June 2011, an agreement was signed for Belarus to take out a USD 3 billion loan from the EurAsEC Anti-Crisis Fund. The country agreed to receive the loan in *three* installments – USD 1.24 billion in 2011, USD 800 million in 2012 and USD 1 billion in 2013. To receive all the three tranches, Belarus has to comply with a set of terms – to tighten its monetary and credit policy and privatize at least USD 2.5 billion worth of state property every year. Furthermore, in November 2011, *Sberbank* of Russia and the *Eurasian Development Bank* signed an agreement to extend a USD 1 billion loan to OAO *Belaruskali* for 12 months. The former bank is to provide 90% of the total, and the latter will commit the remaining 10%. The loan is provided against a security of the Belarusian government and a 51% stake in *Naftan* oil refinery.

Belaruskali was granted a loan, because it remains the country's most liquid and profitable asset making regular foreign exchange injections in the state budget, while the country itself saw its borrowing capacity affected by the downgraded sovereign credit ratings. Once a company takes out a loan, its value goes down if the state should want to sell it as a state asset, and the terms of borrowing via a commercial entity are less favorable than lending terms offered to the Belarusian government.

Also last year, *Belvnesheconombank* took a RUR 3.5 billion syndicated loan from Russia's *AKB Svyaz-Bank*, *VTB* and *Globexbank* – that deal became the largest external borrowing by a commercial bank ever.

Arrangements to attract external financing and better the investment climate

In 2011, just as in previous years, there were no landmark reforms that could have enhanced Belarus' investment image. Nevertheless, several legislative initiatives were passed with a view to improving the situation.

(1) Decree № 4 "On creating additional conditions for investment activity in the Republic of Belarus". Decree No.4, adopted by the Belarusian president on June 6, 2011, introduces amendments to Decree № 10 "On creating additional conditions for investment activity in the Republic of Belarus" dated August 6, 2009³ and enables domestic developers to make use of project documentation designed abroad without adapting or adjusting it provided that it meets international and domestic construction standards. Also, the document offers full VAT offset options for the acquisition of merchandize, patents and proprietary rights. The decree exempts investors from transfers to innovation funds and land lease fees for the period of design and construction.

(2) On December 19, 2011, the House of Representatives of the National Assembly passed the bill "On amendments to the Tax Code of the Republic of Belarus"⁴, which envisages a reduction in the property tax rate to 18% from 24%. Amendments will also affect profits from sale of proprietary innovation products and capital in excess of par gained as a result of the initial offer of securities not subject to taxation.

Conclusion

The 2012 privatization plan targets USD 2.5 billion privatization proceeds, which will suffice for the country to receive another installment of the EurAsEC loan; however, because privatization is still considered a purely fiscal instrument, no critical changes from previous years should be expected in this domain. There may be some sporadic large transactions to sell state property with a sole purpose of meeting the requirements of the EurAsEC bailout fund. The state will continue emphasizing the sale of small and medium-sized state assets.

Belarus managed to increase its gold and foreign exchange reserves to a new all-time high of USD 7.9 billion in 2011, the only problem being that most of the increase was from new loans, except for the *Beltransgaz* deal. This means the existing debt was simply refinanced. In 2012 alone, the country will have to make substantial payments to service its external debt (USD 1.63 billion, which

includes USD 705.9 million to pay interests and USD 924.1 million to pay off the principal).

In 2013, Belarus will have to pay more than USD 3 billion. Both figures differ a lot from what the country had to pay earlier (USD 628.9 million in 2011, USD 757.3 million in 2010 and USD 273.5 million in 2009). In order to get out of the debt pit, Belarus needs to revise its approach to privatization as soon as possible to make use of it as an instrument to renew fixed assets and introduce innovative solutions, capable of enhancing the competitive power of the national economy.

However, the current economic policy suggests that efforts to attract foreign capital into the national economy will remain feeble, showing no change from the previous years, while the need to revise the approach to the foreign investor has become desperate. Therefore, the country needs to embark on economic reform and work out a strategy for a more flexible asset sale in order to increase its investment appeal, attract foreign capital and stabilize the economic situation. Otherwise, Belarus will have to focus on the debt option, which could have grave consequences very soon.

³ See: <http://pravo.by/main.aspx?guid=3871&p0=pd0900010&p2={NRPA}>.

⁴ See: <http://house.gov.by/index.php/6888,31442,,,,,0.html>.

AGRIBUSINESS: THE NOTORIOUS DEBTOR

Konstantin Skuratovich

Summary

Belarusian agriculture and its agribusiness as a whole succeeded in increasing exports and improving their foreign trade figures in 2011. However, the country's main foreign trade partner, the Russian Federation, accused Belarus of unfair competition. Russia adopted the national food security concept and imposed quotas on deliveries from Belarus, thus restraining this country's efforts to develop its agriculture.

The problem is further aggravated by the fact that the Belarusian administration fails to pay sufficient attention to alternative large consumers of its produce. The capacity of the domestic retail market is limited by low household incomes. The financial status of many agricultural organizations is also poor.

Trends:

- Further increase in food exports is limited by the capacity of the traditional consumers;
- Agribusiness remains the largest nonpayer in the national economy; there are no prerequisites for improvement;
- The state keeps subsidizing agriculture and provides concessional loans with a view to further increasing production and exports.

Export: smaller share amid growing output

Food exports mostly increased as a result of the growth in supplies of poultry (by USD 81.3 million), pork (by USD 64.9 million), milk whey (by USD 36.3 million), cheese and curd cheese (by USD 35.3 million), beef (by USD 35.1 million), milk and cream (by USD 34.9 million), and frozen fruit and berries (by USD 34.6 million)¹. At the same time, imports of pork went up by USD 102.6 million, of apples by USD 26.8 million, of vegetable oil by USD 17.7 million, of potatoes by USD 16.6 million, and of frozen fish by USD 15.9 million.

¹ The author makes use of the data available on the website of the National Statistical Committee (BelStat): <http://belstat.gov.by/>.

The year 2011 therefore saw positive changes in the food trade pattern; however, if it is a trend, then how stable is it? Unfortunately, the answer cannot be positive.

Last year, amid the impressive increase in export supplies in absolute terms, the Belarusian food industry recorded only a 7.5% increase in production year-on-year, whereas in 2010, gross food production went up 10.7% compared to the previous year. Experts attribute the reduction to the lower return on investments in agribusiness.

As far as the choice of foreign trade partners is concerned, Belarus is having colossal disproportions: in 2011, Russia accounted for 73% of all Belarusian food exports, other CIS countries for 13%, and foreign countries beyond the CIS for 14%. Some 92% of Belarusian dairy exports and 99.7% of its meat exports went to Russia.

Belarusian food-processing companies and farms appear to be unable to access the European market and "the rest of the world". Very few Belarusian companies enjoy access to those markets, as they are involved in international projects. This lopsided nature of trade and self-isolation (which is already a matter of principle) from other partners and markets stand behind the peculiar choice of foreign food trade priorities by official Minsk.

The Belarusian government knows well what the problem is. Prime Minister Mikhail Myasnikovich called the food export structure "poor" at a meeting of the Council of Ministers, which addressed the performance of the "sustainable village development program" for 2011 (86% of export supplies were sold in Russia, 6% were delivered to other CIS states, and only 5% were sold outside the CIS). The premier instructed the government to diversify foreign sales outlets. It is a classic example when it is quite easy to demand, but is it quite hard to execute, although it is high time both to demand and execute. During the same meeting, the premier reminded the participants that Russia had passed a food security doctrine and planned to meet its domestic poultry and pork requirement independently in the near future. This is what the chief of government recommended: "You have to take this into account, integrate with Russian producers and also with Kazakhstan colleagues." This is odd advice, because the first premise makes it clear that Russian producers would like to fill the niche with domestically-produced goods, meaning that Belarus will have to be looking for markets outside the

Common Economic Area in order to increase food exports to USD 7.2 billion annually by 2015 and to reach a USD 4 billion foreign trade surplus.

Subsidies are inefficient, but will remain in place

Early in 2011, Prime Minister Mikhail Myasnikovich ordered the government to deal with the debts of agricultural organizations, which had to repay BYR 18.1 trillion in loans as of December 1, 2010 and had accumulated BYR 2.2 trillion in overdue accounts payable. Agribusiness accounted for 35.9% of the country's overdue accounts payable, 32.3% of the total tax and social payments arrears and 66% of all loan debts in 2010. The performance of the agricultural sector was not impressive: with revenues at BYR 16.6 trillion (up 17.5% from 2009) and production costs of BYR 13.4 trillion (up 12%), agricultural organizations reported net profits totaling only BYR 1.9 trillion (an increase by 54.8% from the previous year).

This means farms were short of money to pay their debts, and there was no way for them to earn this money in 2011. There were rumors as early as February that a devaluation of the ruble was inevitable and that prices might increase uncontrollably. However, no one could imagine what effects the "financial turnaround" policy would have. It appeared that the degree of numbers changed, while the structure of debts remained the same.

In January-November 2011, revenues of agricultural organizations increased 67% on the year to BYR 23.7 trillion from BYR 13.6 trillion, production costs went up 60% to BYR 18.2 trillion from BYR 11.4 trillion, and net profits rose 87.8% to BYR 3.1 trillion. Payables reached BYR 16.6 trillion, up 35.7% year-on-year, overdue accounts payable amounted to BYR 2.9 trillion, and loan debts went up to BYR 20.2 trillion. Revenues are still well above overall costs, and agricultural organizations are short of their own funds to repay loans (fresh ones, taken out to finance current operations).

Based on *Belstat* statistics, agricultural organizations account for 24.3% of the total overdue accounts payable in the country and 39.6% of the overall loan debts. Belarusian farms have overdue

payables six times the size of overdue receivables; therefore, agriculture remains the weakest link in the system of mutual payments. It is the most unreliable partner and it threatens the stability of the entire economic system.

Despite this poor performance of the agricultural sector, the Belarusian government announced that state support for agribusiness would remain. In July, at a conference in the town of Smolevichi, Prime Minister Mikhail Myasnikovich said that the state would continue to support dairy stock farming in order to increase annual milk output to 10.5 million tonnes². At the same time, the premier noted that there were segments in farming capable of developing independently. Also, farms should make use of preferential loans and subsidies more efficiently. According to Myasnikovich, the share of agriculture in GDP went down from 12.6% to 7.5% during the last five years, meaning that the sectors not receiving as much financial support as agribusiness managed to grow more than farms.

Households: resource base shrank

Food imports accounted for 4.3% of all import supplies in 2011, down from 5.4% in 2010, and the share of foods in consumer imports decreased to 28.1% from 33.4%. This said, one should keep in mind that in 2011 disposable household incomes rose 50.8% year-on-year, while prices for consumer commodities and services went up 53.2% in the same period. In other words, the resource base of household shrank. Understandably, the share of spending on foods in the total consumption expenditures increased to 41.3% in 2011 from 39% in 2010. This means food exports went up due to the narrowing of the internal market, which became a planned consequence of two devaluation moves in 2011.

The reductions in solvent demand in the internal retail food market caused the government to artificially contain the increase in purchasing and retail prices, which makes the financing of agricultural organizations and processing enterprises more complicated.

² M. Myasnikovich: *state support for agriculture must remain* // Available at: http://naviny.by/rubrics/economic/2011/07/16/ic_news_113_372444/.

The increase in export supplies of foods was accompanied by a reduction in imports. Analysts have found that food sales were progressively falling in the second half of the year. The structure of demand in that market segment changed dramatically. In early 2011, the population was overwhelmed with inflationary expectations and stocked up on long-lived food products. However, in autumn, sales of foods fell to the level observed in early 2011. Specialists expect retail sales to keep falling in the first six months of 2012 as a result of the consumer boom recorded in the first three quarters of 2011. Most retail companies do not expect increases in domestic consumer demand in the foreseeable future.

However, Belarusian producers have no access to other markets, or, to be more precise, no one ever paved the way for Belarusian food exports to alternative foreign markets. The Belarusian authorities were developing the access to markets of exotic countries, whereas partnership proposals from close European neighbors, especially the former Socialist countries, were simply ignored. The former Soviet bloc started integrating into Europe by adopting European production and processing standards, while Belarus tried to survive by reserving the best Soviet practices, i. e., those which were considered most efficient. Belarus has indeed succeeded in improving the quality of its products, and Russian consumers often prefer Belarusian-made foods to those domestically produced.

The International Green Week Berlin, the world's largest exhibition of agricultural and food companies, which took place in 2012, featured a *Belpischeprom* stand, which officially represented Belarus with alcoholic beverages made by five distilleries and food concentrates made with the use of solutions developed fifty years ago. At the same time, Russia had the second-largest stand at the expo (after Germany) and officially announced its ambition to become a leading global food exporter.

Belarus has been losing both external and internal economic incentives to the development of its agribusiness, judging by the current status of the agricultural sector and its prospects. The official authorities reject any critical remarks citing increases in gross production. However, the growth in gross output is achieved mostly through changing food prices, which rise every year building on increases in costs of raw materials and energy sources. There is no other explanation (except the price factor) of the seven-fold increase

in annual revenues of the agricultural sector (to USD 3.76 billion from USD 505 million) in 2000–2011, given the fact that meat and dairy products output reported by the official statistics agency was far less impressive.

Also noteworthy is the fact that the share of foods in Belarus' overall exports decreased to 9.3% in 2011 from 12.6% in 2010; in other words, the food trade trend was directly opposite to the one originally planned.

Conclusion

In 2012, the Agriculture Ministry is supposed to reach a USD 1.7 billion trade surplus, an increase by USD 195 million from 2011. In order to reach the target, the ministry will have to not only see to it that produce exports increase 11% year-on-year, but also that the growth in imports by 8 percentage points reduces.

An important factor to stimulate exports is the diversification of the commodity structure of foreign meat supplies, especially the shift of the focus to products with a higher processing rate. Currently, Belarusian meat exporters operate as slaughterhouses for foreign consumers, while "boned meat accounts for less than 5% of exports, to say nothing of semi-finished meat products." Belarus should also pay more attention to its traditional exports, which have been losing their positions in foreign markets (for example, potatoes and other vegetables).

Equalizing procurement prices with neighboring regions of the Russian Federation would also help Belarusian agribusiness increase its revenues and boost its profitability; however, these calculations seem logical only from an accountant's point of view. If Belarusian and Russian procurement prices are brought closer, Belarusian households will become more vulnerable, producers will be faced with new sales problems, which might have unfavorable social and political consequences.

Such consequences could include a new upsurge in food inflation. The ministry must be aware of this possibility and admits that price increases alone will not help the sector. The country needs to work on "reducing production costs, introducing modern, energy-saving solutions and maintaining strong technological discipline."

To maintain effective discipline, Belarusian agricultural enterprises can improve their management quality, which does

not require direct financing, whereas cost-cutting and energy efficiency will not do without the acquisition of new machines and solutions.

The medium- and even short-term prospects of Belarusian agriculture depend almost entirely on politicians and on which policy will dominate in the development of the national economy as a whole. As for agribusiness specialists, they did the best they could, and given the framework, in which they had to work, they did a pretty good job.

APPENDIX

Dear readers,

BISS Trends presents a quarterly analysis of the key political, economic, social, foreign policy and cultural developments in contemporary Belarus. This project is an attempt at «early warning» and proactive contemplation concerning the events that might be overlooked as low-profile or insignificant from the present-day perspective, but have a potential for triggering in-depth fundamental transformations in the country.

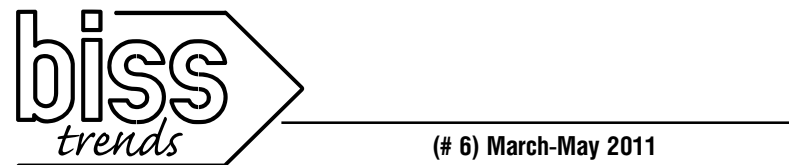
BISS Trends assesses change rather than status, attempting to elaborate the vision of something that is unobvious now. A sort of a chronicle of what happens here and now, *BISS Trends* looks into the future and gives an insight into the country, in which we will be living tomorrow.

Belarusian Yearbook 2011 presents the *BISS Trends* issues encompassing the period from March 2011 through December 2011. The year 2011 can essentially be characterized using the terms *slump, pullback, regress*. The events that took place in January-February 2011 are described in *Belarusian Yearbook 2010* – the night of 19 December 2010 and the events immediately following it dramatically changed the country and each of the monitored trends.



SYMBOLS USED IN THE REPORT:

- ▲ progress (upward trend)
- status quo
- ▲ minimal progress
- ▼ minimal regress
- ▼ regress (downward trend)



EXECUTIVE SUMMARY

Deterioration, setback, recession – there are hardly any other words to describe the five trends we monitor. It seems time was running faster in the spring of 2011: trials of political prisoners, Minsk metro bombing, full-scale currency crisis, Belarusian ruble devaluation...

The general pessimism tends to reveal the things that used to be vague and doubtful. Firstly, the Belarusian regime is hardly able to pursue even a cosmetic democratization; secondly, the government is not ready to undertake the necessary economic reforms, still keeping to the previous inefficient model; thirdly, the Belarusian authorities are short both of the action plan to surmount the crisis (to say nothing of a strategic vision of the country's sustainable development in the long run) and a professional team of top managers. Furthermore, the regime proved helpless when faced with spontaneous social protests, which occur because of the price hikes, absence of foreign exchange and major changes in welfare patterns of an average Belarusian.

In the *political liberalization and democratization* domain, the setback is quite significant. Repression has affected almost all spheres of life of Belarusian society.

Instead of the promised *economic liberalization*, the authorities have made a huge step back. The government has reestablished administrative levers, the so-called "manual control" of economic processes, in order to stabilize the situation in the country.

When it comes to *the quality of governance and rule of law*, we observe selective enforcement, which represents a throwback from the previous period.

The *geopolitical* trend is still characterized by (at the very least) a pause, or "timeout", as President Lukashenka put it, in Belarus' relations with the European Union; and the growing gravitation of Russia, which, amid the shortage of balance from the West, imposes new rules of the game on the Belarusian president.

The repression aimed against civil society has eventually had a serious impact on the country's *culture policy*. "Black lists" of unwanted musicians and writers prompt a sad return to the darkest USSR times.

Trend 1

Political liberalization / political democratization ▼

Was the forecast made in the previous issue of *BISS Trends* accurate?

The forecast that the de-liberalization peak would be observed in February, and the level of repression would go downward from there, was not accurate. The de-liberalization processes are as intense as they used to be, although the emphasis has been somewhat shifted. Alongside the increase in the number of political prisoners (which was predicted), new manifestations of limitations of civil rights and freedoms were recorded.

Limitation of the freedom of assembly reached its peak in March-May 2011, which was not part of our forecast. The previous report mentioned NGOs and political parties as the likeliest targets for repression, rather than the media. However, repression against the media proved more severe than against other civil society institutions.

Justification for the new trend

The completion in spring 2011 of the politically-motivated trials of those involved in the notorious December 19 case seemed to have closed the chapter on the escalation of repression and crackdown in Belarusian society. The high level of intimidation in society was attained through blatantly severe (up to six years in prison) mass (dozens of sentences) verdicts.

The country has therefore entered the period of economic predicament amid the total weakening of the opposition. Opposition structures suffered enormously as a result of the presidential election, and activists who managed to stay out of prison are now busy restoring opposition institutions and are making little use of the escalating protest moods and favorable environment to criticize the regime.

The Minsk metro bombing of April 11, 2011 could have started a new wave of repression, but nothing happened (although a few opposition activists were detained and interrogated in connection with the terrorist attack, including the former leader of the youth wing of Party *Belarusian Popular Front* Ales Kalita). Since approximately the beginning of May 2011, the situation with limitation of freedoms in Belarus has remained at the same level, albeit quite high. The April 11 blast became a sort of a symbolic benchmark indicating a change from a very high level of repression to a period when the pressure has turned into a routine, and the most serious de-liberalization phase seems to be coming to an end.

This trend is also characterized by the rhetoric of a “besieged stronghold”, domestic witch-hunt and low activity of the opposition, which makes further de-liberalization step-up unnecessary; it would be sufficient to keep up the current fear of repression in society and “weed out” civil society institutions once in a while.

Starting December 19, 2010, a new system of interrelations within the regime has been formed. It is characterized by a crackdown within the state authorities, priority status of political security of elites and disregard for national economic issues as matters of secondary importance. After April 11, the regime has consolidated and gained internal stability.

Description of key events that define the trend

The key events include the financial and economic crisis, step devaluation and galloping inflation, and the April 11 metro bombing. They are all beyond the “liberalization – de-liberalization” trend, however, their influence on the trend is considerable.

The politically motivated trials became landmark events for the spring of 2011. By June 1, Belarusian courts had completed 13 trials and passed sentences on those involved in the December 19 events. Forty-three people were given prison sentences, and about 20 people were either accused or suspects as of the first day of summer.

The fact that the list of convicts included five former presidential candidates, and three of them – Mikalai Statkevich, Dzmitry Uss and Andrei Sannikau – have been given long sentences in prison (from five to six years) is unprecedented. The sentencing of a few former presidential candidates at once is unheard of and seems impossible not only in Europe, but also in the entire former Soviet Union and even in the entire world. This turn of events will be shaping the attitude to Belarus on the international scene for years.

As for the impact on the internal policy, neither the early parole of the political prisoners, nor the liberalization and democratization efforts will ever offset the detrimental effect of the trials on the development of the national political system. The sentences imposed on the former presidential candidates have doomed any “color revolution” plans and any attempts to build a “controlled democracy” model in the medium term. The adverse impact of the sentences can only be compared to the disappearances of opponents to the current regime.

Description of additional events

The Minsk authorities turned down the applications for traditional events that were allowed in previous years, for example, the Day of Will (Freedom), banned or interfered

with indoor meetings and conferences, for instance, a presentation of Uladzimir Matskevich's book, seminar in the town of Zhodzina, roundtable meeting addressing the Interior Ministry's reform in Minsk, and concerts of unwanted rock bands.

It was the freedom of assembly that has seen most restrictions. People were allowed to take part in the *Chernobyl Shliakh* (Path) event (authorized as a meeting, not the traditional march) only after they passed through metal detectors and searched. *Vesna* (Spring) human rights center recorded over a hundred cases of politically motivated administrative detentions; in 13 cases, courts sentenced the detainees to administrative arrests (as a rule, under far-fetched pretexts of disorderly conduct).

Some opposition activists were reported to have been detained, interrogated and arrested in connection with the April 11 Minsk metro bombing. The president said there was a possible connection between terrorists and the political opposition, although those words did not trigger a new opposition persecution campaign.

The Information Ministry issued a number of warnings for independent media and finally filed lawsuits to shut down *Nasha Niva* and *Narodnaya Volia* newspapers. This could be a severe blow on the freedom of speech in Belarus. Even the online freedom of speech encountered restraints: it was the president that gave a cue to limit the freedom of speech in blogs and social networks. A few cases of restrictions of access to some websites in state institutions were registered; blogger Yauhen Lipkovich experienced well-organized badgering.

When it comes to the freedom of association, the situation is stagnating. There are some indications that the moratorium on the registration of institutions by way of declaration (as opposed to licensing and authorization) has weakened. However, some organizations have come across habitual denials (Youth Association "Impulse", Association of Belarusian Litvins, *Kobzar* Association of Baranovichi Ukrainians, Volunteerism Promotion Center, Cultural and Outreach Public Organization *Golden Lion*, etc.). In the case of the Volunteerism Promotion Center, an attempt to recruit the head of the organization was reported during the presentation of the documents for registration, in a bid to use the Center as a fake NGO to lure grants from foreign funds. Article 193-1 of the Criminal Offenses Code is still used, but mostly as warnings. Warnings were issued for head of *Vesna* human rights center Ales Byalyatski, members of *Malady Front* (Youth Front, registered in the Czech Republic), of the unregistered party Belarusian Christian Democracy and some unregistered religious organizations.

Description of events contradicting the trend and why they do not change the trend

As expected, the contradictory bill "On non-profit organizations" was not submitted to the House of Representatives at the set date because of the negative verdicts of some agencies that conducted its reviews and, maybe, due to concerns

expressed by many civil society organizations. The Justice Ministry said it was ready to take into account the public opinion when finalizing the bill, including its provisions expanding the application of registration by declaration, mitigating the liability for the activity of unregistered organizations and simplifying the registration of legal address for non-profit organizations.

Brief forecast for the next quarter

The summer of 2011 does not seem to have great potential for democratization or liberalization developments in Belarus. One should not expect a release of political prisoners, or alleviation (to say nothing of the abolition) of the established practice to disallow all mass events, or easier NGO and party registration rules. Even insignificant deviations from the policy of total crackdown (such as a decision to leave the remainder of the independent media alone or non-sentencing of the remaining suspects in the December 19 case) would not mean a suspension or reversal of the de-liberalization process. One should expect slow, latent processes paving the way for a new period of liberalization before talks begin over a resumption of the economic cooperation between Belarus and the West.

Brief forecast for 2011

The likeliest scenario for the year is the gradual transition of the Belarusian regime towards readiness for dialogue with the West. The regime will demonstrate its consent to "pardon" the most significant prisoners of conscience (not all of them, though) and refrain from further attempts to finish the half-smothered opposition. The state may once again mention possible adjustments to the election regulations prior to the parliamentary elections of 2012 and may even speak about the possible introduction of the proportional election system. The real reform of the election process is quite unlikely, and there will be no change to the proportional election system for sure.

Trend 2

Economic liberalization ▼

Was the forecast made in the previous issue of *BISS Trends* accurate?

The forecast we made in March was accurate, and we are a bit sorry, because we predicted a step devaluation of the national currency, forced search for external

borrowing to salvage the Belarusian economy and case-by-case privatization of some enterprises... The only forecast that did not come true was the one about simpler business rules for small and medium-sized enterprises, although there are definite preconditions for these modifications. This trend was temporarily affected by the currency crisis.

Justification for the new trend

In the period March 1 through June 1, Belarus observed a marked de-liberalization of economic regulations, as well as unscrupulous use of administrative levers. We believe the administrative measures contributed to the deterioration of the crisis, as they pushed the economy deeper into a trap, instead of leading it out of the crisis.

Description of key events that define the trend

Belarus tumbled into a full-scale economic crisis resulting from the government's populist macroeconomic policy conducted in the past few years, shortage of fiscal discipline, damaged trust in the national currency after the December 19 election amid the promised wage push to an equivalent of USD 500 a month prior to the election, and the huge foreign trade deficit. As of today, the Belarusian government pins high hopes on the IMF loan as a lifebuoy capable of preventing a collapse of the Belarusian banking system and full-scale default.

In all appearances, foreign loans will be used to "postpone" the crisis instead of eradicating the reason for the crisis. The following factors prove this assumption: (a) insufficient devaluation of the Belarusian ruble (the NBB must have opted for one of the poorer methodologies to calculate the equilibrium rate of the Belarusian ruble); (b) absence of political will to pursue structural reforms; (c) lack of strategy and action plan (which is apparent from the package of "anti-crisis measures"); (d) lack of a professional team; and e) shortage of substantial loans from the EurAsEC.

We will start with the final point – the EurAsEC loans. The credit line opened to Belarus cannot change anything, given the scale of the crisis. The gradually deteriorating lending terms, partition of the lump-sum loan into installments to be provided within three years and a half, accompanied with privatization demands totaling USD 7.5 billion indicate that Russia is not ready to save the Belarusian economy free of charge. The amount provided to Belarus (provided via an intermediary) is unable to resuscitate the cash currency market, given the accumulated demand of the population and companies for foreign exchange.

Paradoxically, the situation that developed after the May 23 devaluation proved even worse than the state of things before the devaluation move. On May 20,

Prime Minister Mikhail Miasnikovich said Belarus would reach an equilibrium ruble rate in two steps: the first one would be to reduce the "grey" exchange rate, and the second one would unify all rates. The first phase was carried out on May 23; however, both the National Bank and the government must have miscalculated the real depreciation level of the ruble and went short of the true equilibrium rate. The thing is that the government was trying to compute the equilibrium rate based on statistics of the Interbank currency exchange, however, since the exchange had been given verbal instructions to keep to certain limits, all transactions were reported at lower rates, while in reality there were schemes enabling transactions at much higher rates, hence mistakes at early stages of equilibrium rate computation.

As a result, the exchange rate was unified at a level below the real market rate (with the same 2% band around the basket parity), and the situation was even worse than before the devaluation decision, when there were multiple rates. The statement of the president that the ruble would not depreciate any more leaves the only chance of depreciation within the allowed 12% band this year. It means if there is no political will to reach the real equilibrium rate, the situation will have to be supported with purely administrative crutches.

To find a way out of the situation, the authorities adopted the "Action plan of the government to ensure a balanced development of the economy in conditions of adjustments in the official rate of the Belarusian rubles" (hereinafter the *Plan*), which many experts believed was a *plan for the EurAsEC*. The *Plan* is a symbiosis of liberal and anti-liberal measures, because the government found itself in a situation when it was incapable of saying *b* after it made up its mind and said *a*.

The *Plan* has positive sides, especially a provision on the stabilization of the financial system, which envisages a curtailment of budget expenditures, reduction in the investment program by 30%, budget cuts and revision of housing construction volumes. However, the following provision on the stabilization of the situation on the currency market suggests measures to increase the share of foreign exchange in currency circulation and cancel preferential surrender of currency proceeds within the 30% limit (previously, the president could allow selected companies to sell less foreign exchange proceeds at the official rate). These measures are needed only in case there are doubts that the equilibrium rate has been attained; otherwise mandatory currency surrender is not required at all. Furthermore, the government issued a ruling allowing companies to include exchange rate differences in costs. It means the government is morally ready to reestablish the multiple rate system in order to re-launch the Interbank currency exchange.

One consequence of the unification of rates settled at a non-market level was a panic demand for exportable commodities, which stripped the domestic market of many marketable goods because of price disparities. It is profitable to sell everything outside the country and sell nothing domestically.

In a situation when all these internal imbalances accumulate, and it is impossible to deal with emerging problems using market instruments, administrative levers appear to be the only pillars the authorities can rely on. How are they used? The government compiles lists of products, assigns operators responsible for availability, forms a de facto monopoly on the consumer market, because the importers that cannot officially buy exchange on the Interbank market will soon get extinct.

In a situation when foreign exchange for importers is rationed, state operators will be determining the range of goods available in stores, hence inevitable non-equilibrium rise in prices for tradable. Prices for goods that can be exported will rise even more than prices translated using grey exchange rates. It is likely that the institute of special importers will reappear in Belarus, the government will demand that importers and retailers provide a set range of commodities and make believe that prices are controlled; however, prices will be raised using administrative leverage under the pretext of disparities.

Description of events contradicting the trend and why they do not change the trend

First of all, the Plan has a section that is said to cover measures to protect the population: public sector employees will see their incomes indexed, and pensions and educational allowances will be raised. However, a detailed analysis of the document shows that the government is getting ready for a possible increase in unemployment. Sooner or later, the government will have to undertake a restructuring of enterprises, which means workforce will be released. The government is trying to expand the system of targeted housing subsidies, a move that was not resorted to back in 2009, when the authorities implemented an economic program under a Stand-By Arrangement with the IMF.

Secondly, individual entrepreneurs will be allowed to hire workers who have been released or dismissed. This means the government is preparing a legal framework to create new jobs for released labor force. New jobs can only be created by private businesses, and in this context the authorities will not do without labor market liberalization.

Thirdly, Belarus is ready to start selling its assets. In spring, there appeared the first media reports that *Belaruskali* potash maker would be sold to tycoon Suleiman Kerimov. A. Lukashenko evaluated 100% in *Belaruskali* at USD 30 billion, and a controlling stake was offered to Kerimov for USD 15 billion. Furthermore, Belarus is getting ready to sell the remaining 50% in *Beltransgaz* to Russian gas giant *Gazprom* for USD 2.5 billion. These attempts may hardly be tagged as “liberalization”, though.

Brief forecast for the next quarter and 2011

The program adopted by the government is an attempt to conserve the recession, to slow the fall. It will not resolve economic problems, but turn the wildfire into smolder. This program, alongside the USD 800 million EurAsEC loan installment, is expected to help the economy linger until the first tranche of the loan from the IMF. There are no options for Belarus now (other than the sale of assets).

Belarus is very likely to receive new loans from the IMF, but the main problem for the Fund is the lending terms. It needs to formulate lending conditions in a way to avoid political wording, but eventually bring about both political and economic transformations.

Privatization is inevitable. The main question is how exactly it will be conducted. On the one hand, Russia is interested in a non-transparent privatization (the Belarusian authorities would not mind it, either) to acquire Belarusian assets without competition. The IMF, on the contrary, is interested in having all sales as transparent as possible, that is, via open tenders and auctions.

Trend 3

Quality of governance and rule of law —▼

Was the forecast made in the previous issue of *BISS Trends* accurate?

As had been expected, the government approved the action plan to implement Directive № 4 “On the Promotion of Entrepreneurial Initiative and Encouragement of Business Activity in the Republic of Belarus”. But the simultaneous currency and consumer price crises showed the imperfection of coordination patterns in the Belarusian state authorities when sensible concerted actions are called for. The “manual control” of the economy without a clear strategy proved inadequate yet again, whereas trials and sentences passed on those involved in the December 19 events showed the real face of the Belarusian justice system.

Justification for the new trend

Prodded by the economic crisis, the authorities stepped up efforts to implement Directive № 4. However, the activities designed to reduce state domination in all spheres of life and lend more rights to private ownership were

taking place amid the general crackdown in currency, import and price regulations, as well as flagrant selectiveness of the justice system regarding the participants in the December 19 events. All these factors characterize the trend as the absence of progress/regress.

Description of key events that define the trend

The main event in the period we monitored was the Action Plan to implement Directive № 4, which must be carried out in 2011. The Plan incorporates 133 arrangements, including the adoption of specific regulatory acts, drawing up of projects, proposals and programs to further improve legislative practices, as well as information and media efforts to popularize the ideas of Directive № 4. According to the state media, the authorities are working 24/7 to implement the Directive. A few documents have been adopted, however, we have seen no results whatsoever in such areas as the protection and development of private ownership, improvement and streamlining of controlling and supervisory activities, promotion of Public Private Partnership, and ensuring of consistent regulations and high quality of newly drafted regulatory legal acts.

We admit, though, that it is not yet the end of the second quarter, and it is by the end of June that 90% of all proposals on regulatory changes are supposed to have been made.

Description of additional events

Some provisions of the Action Plan have already been implemented. Ordinance № 181 of the president abolished the compulsory application of the unified wage scale by private organizations and joint ventures. The number of mandatory primary accounting documents was slashed to eight from 1,600. From now on, companies themselves, not the state, will approve the procedures for the use of most of the accounting documents, their format and information to be filled, although the minimum required set of data will have to be entered. On April 14, the government approved the limited list of commodities, operations and services with prices regulated by the state. The move seriously simplified price formation and enabled economic entities to pursue an independent price policy. However, as early as May 28, an additional list of socially significant commodities subject to temporary price regulation by the state for up to 90 days was adopted.

The Program for the development of the securities market and Program of innovation development for 2011–2015 adopted by the government in the analyzed period are commendable; however, they should have specific results to be called efficient.

Description of events contradicting the trend and why they do not change the trend

One event that clearly contradicted the trend was the “agreement on curbing the increase in retail prices” reached between the Minsk City Executive Committee and large retail chains working in the capital city. The deal, which any antitrust regulator would naturally condemn as a move to restrain competition, was signed by around 20 commercial companies not without administrative pressure.

The contradictory trials in the framework of the criminal case of “mass riots” instituted against those involved in the December 19 events are also indicative of a major setback in the domain of symmetrical law enforcement in Belarus. Punishments for crimes stipulated in the same article of the Criminal Offenses Code varied depending on critical remarks each specific person made about the state authorities and political pressure on the regime coming from abroad.

Brief forecast for the next quarter

New regulatory acts to discourage monopolies and promote competition, introduce flexible employment forms, change the principles of healthcare financing, launch a pension reform, protect property rights, ensure irreversibility of privatization, simplify land provision to entrepreneurs and administrative procedures, as well as to simplify tax and accounting regulations are expected to be prepared by the end of the second quarter. The quarter will result in numerous proposals, projects and programs, which, after all concerned parties have approved them, which will take quite a long time, will be implemented within the next 12 months. In summer, we will likely get regular updates on the progress of the lawmaking process, often concealed and unavailable to an outward observer.

Brief forecast for 2011

Because of the general deterioration of the economic situation and indications of social tensions, the administration of the state will have to not only declare a “year of enterprise”, but also create favorable terms for doing business, with transparent conditions and legal equality of all market players, private and state-controlled.

We should not expect that this process will be efficient and irreversible. Because of the gained momentum and for fear of losing control of market entities, the state will keep interfering with their activities by using directive methods. By the way, the very term “directive” is naturally opposed to the notion of “liberalization”. In 2011, we will see what this symbiosis of liberalization measures expressed in directive rulings will bring us. If the situation in the country remains manageable this year, the trend of the “controlled liberalization” with carefully

measured injections of liberalization regulations will continue. If the current system persists, one should not expect improvements in the law-enforcement process in general and consistency of legislation in particular.

Trend 4

Geopolitical orientation

Pro-European vector ▼

Pro-Russian vector ▲

Was the forecast made in the previous issue of *BISS Trends* accurate?

Our forecast came true. The relations between Minsk and Brussels did not change; Belarus focused entirely on resolving internal problems. The trials of the former presidential candidates and other participants in the December 19 events and unreasonably severe sentences caused a number of critical statements by the EU and governments of EU member-states.

Justification for the new trend

The geopolitical pattern that Belarus found itself in after the presidential election has changed very little. The relations with the European Union stay at a very low level. Throughout the period in question, the EU held internal debate over the possible introduction of targeted economic sanctions against designated Belarusian enterprises, however, the Council of the European Union did not approve those proposals.

Belarus has been shut out of the processes taking place within the Eastern Partnership. The politically motivated trials and insults that President Alexander Lukashenko hurled at the EU leaders aggravated the already tense relations with the West.

Belarus is still under a great pressure from Russia, which it cannot offset with any counterbalance in the West. At the same time, the Russian administration is eager to take its relations with the Belarusian authorities to a multilateral track. Furthermore, Russia made privatization in Belarus an essential condition to provide a stabilization loan, which almost equalized the “political price” of the Russian loan with the “political price” of the IMF loan. The Russian leaders have repeatedly criticized political repression in Belarus, and the Russian media were quite far from using delicate diplomatic parlance when covering the Belarusian economic

crisis. Nevertheless, this did not stop the Kremlin from safeguarding its ally against the application of the “Moscow mechanism” of the OSCE.

It appears that after the presidential election of 2010, we should be speaking about a trend towards a stronger self-isolation of Belarus rather than another geopolitical turn from the West to the East.

Description of key events that define the trend

On March 21, 2011, the EU Foreign Affairs Council decided to extend the list of Belarusian officials who are denied entry to the EU by adding 19 more names to the list (mostly judges and prosecutors, as well as rectors of Belarusian universities).

Minsk’s response was not long in coming: on March 22, Foreign Ministry Spokesman Andrey Savinykh announced that a similar list of EU officials was prepared in Belarus to deny them visas. According to Savinykh, the list “includes the persons who pursue destructive activities regarding Belarus and damage international cooperation”¹.

The “Belarusian issue” was once again on the agenda of the Council of the European Union on April 12, but no official decisions were made, despite earlier reports that it was at that session that targeted economic sanctions could have been slapped on Belarus.

May 3 saw the completion of the lengthy poignant process of the creation of *Euronest* Parliamentary Assembly, the parliamentary component of the Eastern Partnership. On that day, the inaugural meeting of the Assembly was held without a Belarusian delegation, despite the positions of parliamentary delegations of six EaP members. The long debate over Belarus’ representation in that parliamentary structure was therefore over. Amid the general crisis in Belarusian-European relations, the non-invitation of Belarus did not shock anyone, but the Belarusian authorities were disgruntled.

The Council of the European Union got back to the “Belarusian issue” on May 23 and added 13 new names to the list of persons subject to travel ban. The expected economic sanctions were not imposed. European politicians must have had concerns that additional punitive measures would escalate tensions between Minsk and Brussels even more.

On May 18–19, Minsk hosted a series of summits of former Soviet Union integration bodies, where a stabilization loan for Belarus from the EurAsEC Bailout Fund was preliminarily agreed. The Russian side made a large-scale privatization in Belarus an essential condition for Belarus to receive the loan.

¹ См.: <http://belapan.com/archive/2011/03/22/458013/>

Description of additional events

Belarusian-European relations faced another shock on April 26, when President Lukashenka, asked why he had not been invited to Chernobyl anniversary events in Ukraine, called European Commission President Jose Manuel Barroso a “bastard” and the Ukrainian leadership “lousy”. It seems Lukashenka was hurt that Viktor Yanukovich had preferred the European Commission president to his northern neighbor (there were reports prior to the meeting in Ukraine that Barroso only agreed to come if Lukashenka was not around).

As for Belarusian-Russian relations, there were a few diplomatic mishaps. Firstly, there was a scandal over an alleged illegal casino operating in the premises of the Belarusian Embassy in Moscow and official request of the Russian Foreign Ministry to Belarusian counterpart to comment on those reports; and secondly, there were two official statements of the Russian Foreign Ministry regarding the detention and following expulsion from Belarus of Russian human rights activists. Furthermore, the Russian media actively provided alternative information about the investigation of the Minsk metro bombing and state of things on the Belarusian money market and economy as a whole.

Description of events contradicting the trend and why they do not change the trend

Despite the generally unfavorable background of Belarusian-European relations, Alexander Lukashenka spoke a few times about getting back to dialogue. In his annual address to the parliament and the nation on April 21, A. Lukashenka said Belarus had taken a “time-out” in its relations with the EU, but “this timeout won’t last long, because we need each other”. Furthermore, he noted that Belarus was “susceptible to universal European values”. On May 9, Lukashenka told reporters “Belarus is open to dialogue with Europe”».

Brief forecast for the next quarter

The foreign political situation is unlikely to change significantly. However, because of the deteriorating economic situation, additional financial assistance will be called for, and the pro-European rhetoric of the Belarusian authorities will likely grow stronger, while officials will conduct exploratory talks with a view of getting back to dialogue.

The relations with Russia are likely to get sour because of the Kremlin’s unwillingness to stabilize the Belarusian economy and growing pressure on Belarus to expedite the privatization of assets that Russian capital is interested in.

Brief forecast for 2011

The Belarusian authorities will be doing their best to return to dialogue with the EU in order to be able to offset the gravitation of Russia and procure additional sources of financing. The economic crisis may substantially speed up this process.

The next parliamentary elections are due in 2012, which means the Belarusian authorities will have to address foreign political problems to deal with the legitimacy of the Belarusian parliament in the eyes of the European Union at a later phase. On this basis, this autumn and winter will likely witness the commencement of talks over a restoration of the full-scale dialogue between Minsk and Brussels.

Trend 5

Culture policy: regress of liberalization ▼ and Europeanization trends ▼

Was the forecast made in the previous issue of *BISS Trends* accurate?

The main trends of the second quarter of 2011 met our expectations: the authorities went on with repression and as good as halted the dialogue with civil society. The period of liberalization in the culture domain is over. The discord between attempts to establish connections with European cultures and consistent pressure on representatives of informal culture domestically is getting more distinct.

The authorities clearly have a distorted vision of the specific nature of Belarusian culture and its Europeanization. In the former case, the regime is unwilling to give up the established rules of the game in the cultural landscape of the country, whereas in the latter case, Europeanization is reduced to an increase in communication with representatives of the European cultural tradition and attempts to rectify the negative image of the state. The inadequacy of this strategy is growing more evident; for instance, the inclusion of well-known British, American and Russian actors, musicians, directors and playwrights in Belarusian “black lists” naturally provoked an increase in criticism of the Belarusian regime in the European and American theatrical and cinematographic circles.

There has been an apparent throwback in the process of culture liberalization, which discredits the previous efforts of the state to fit it into the European context.

Justification for the new trend

The second quarter of 2011 was marked by the reappearance of unofficial “black lists” of unwanted culture personalities in local administrations. Neither the Information Ministry nor the Presidential Administration assumed responsibility for compiling and disseminating the “black lists”.

Such notorious lists first appeared in Belarus long before 2011, but after December 19, 2010, new names have been added, including those of foreign actors, writers and musicians. The reappearance of the “black lists” was in revenge for the criticism of political repression in Belarus. Marginalization and prohibition of activity of some of the Belarusian culture entities is exclusively due to the authorities’ inability to establish a full-scale dialogue with civil society. In a recent interview with *BelaPAN*, writer Uladzimir Arlou said the struggle of the authorities against “disagreeing” culture personalities went beyond the framework of the “black lists”. Belarusian authors who fail to express their loyalty to the regime become *persona non gratae* in all state-controlled publishing houses. Their books have not been accepted for publication at all in the past few years. According to the writer, such retaliatory measures are bringing closer the fiasco of the state itself, because without vernacular Belarusian culture the state will not be able to exist.

This emphasizes the growing de-liberalization even in the culture domain, where repression has become a reality, and attempts to depoliticize culture have no sense for the authorities, which are trying to control all sectors of public life.

The previously declared Belarusization policy and references to symbols that are not traditional for state ideology have been manifested only partially and within the framework of less significant events.

Description of key events that define the trend

The main event that most convincingly demonstrates the reversal of liberalization trends is the virtual ban on the activity of artists who openly expressed their negative attitude to the “witch-hunt” and the war between the authorities and civil society. For instance, concerts of *Liapis Trubetskoy*, *Neuro Dubel*, *Krumbambulia*, performances of Zmitser Vaitiushkevich and tour of Russian *Tarakany band* were cancelled.

Two essential aspects of the cultural policy currently pursued by the state are now apparent: first of all, this strategy has no author: local representatives of the executive vertical are trying to predict the priorities of the “center” and tend to respond to unarticulated calls from high places. Furthermore, self-preservation instinct is working well: no one is eager to take on responsibility for legally nontransparent decisions. Secondly, functions in the culture policy of the state are sort of redistributed, when the Information Ministry initiates repression against

independent media resources, which are to a great extent aimed at preserving the distinctness of the Belarusian cultural landscape (shutting down of *Avtoradio* FM station and warnings issued for *Narodnaya Volia* and *Nasha Niva*). In turn, the Culture Ministry ignores any conflicts between public authorities and civil society.

Description of additional events

The setback in the country’s culture policy is manifested not only in the events we described above, but also in the absence of a qualitatively new development program that would contain basic European principles and values: the freedom of creativity, autonomy of artists, minimum role of the state in the determination of the pricing policy of culture products, etc.

It is for a good reason that most of the culture development indicators in the culture promotion program for 2011–2015 are quantitative parameters. The regime is still willing to regulate the culture sphere using directive methods. The Culture Ministry is eager to meet quantitative targets: for instance, in the next five years, reconstruction and restoration must be completed at 50 entities; however, specialists have doubts about the quality of work.

The pompous celebration of Victory Day on May 9 also shows the inability of the authorities to give up the manipulation of the Soviet mythology and rhetoric of the Great Victory, which form the cornerstone of Belarusian ideology. Alexander Lukashenka on May 9 drew a connection between the events of the Great Patriotic War and current isolation of the country. Indicatively, ambassadors of European states were not invited to the celebration. The Europeanization vector in Belarus’ cultural policy is to a great extent contextual and is designed to serve short-term purposes. The exploitation of the Victory topic and Belarus’ merits during WWII by the Belarusian authorities aims at seeking a sort of grace in a difficult economic and political environment.

The unsuccessful performance of the country at the Eurovision song contest is also indicative: the authorities interpreted the fiasco of the Belarusian performer in the context of the conflict with the political administration of the European Union. However, under the circumstances, the reason for the failure was rather a peculiar conflict between Belarusian culture and ideology and values of the European cultural tradition.

Description of events contradicting the trend and why they do not change the trend

The events that do not fit in the basic trends are rather scarce. First of all, we should mention the organization of Days of Culture of Ireland, Sweden and Ukraine, and the participation of an official Belarusian delegation in the Cannes International

Film Festival. Also noteworthy are periodic attempts to engage private investors in the Belarusian culture sphere; however, none has proved successful so far, mostly because of the inconsistent approach of the authorities towards the liberalization of the culture sector.

Brief forecast for the next quarter

The current situation suggests that the key trends of the period – de-liberalization and withdrawal from Europeanization of the Belarusian cultural tradition – will remain

The authorities will strive for total control of civil society, which in the culture policy will be expressed in a growing censorship and prohibition of any activities of artists, writers, etc. who are not openly loyal to the Belarusian authorities.

Brief forecast for 2011

One can expect a growth in conflict situations that will be initiated primarily by repressive strategies of the regime. The authorities will hardly give up their attempts to split the culture segment: it will “export” signals about the convergence with the European cultural tradition while waging a war on civil society, which will only impoverish Belarusian culture.



EXECUTIVE SUMMARY

The third quarter of 2011 must have become a sort of a bridge to some forthcoming normalization, if that word is applicable to the Belarusian regime at all. The summer, which started with a series of continued political frosts amid the unfolding currency and economic crisis, is now over, and it must be the autumn cool that has prompted the Belarusian authorities to start playing a more pragmatic game. It looks like the new strategy of the Belarusian regime for this autumn will be manifested in the attempt to normalize the relations with the West, at least to some degree, maintain a facade of pluralism and dialogue inside the country and pursue timid economic reforms.

Let's draw the first results of the summer.

In the sector of *political liberalization and democratization*, we have not seen any changes. Despite the pardon of a number of political prisoners and despite the decision of the authorities to get off the back of some opposition newspapers, the Belarusian authorities nevertheless imprisoned human rights activist Byalyatski.

In the *economic liberalization* segment, we record further de-liberalization. By maintaining the manual controls of the national economy (the process can hardly be called management), the government seemed to hope for additional external sources of financing, rather than pursued the long overdue reform.

As was mentioned above, in the past few months, a reverse trend has been observed – a change to “manual control”. A stable planning of economic activities calls for predictable legislative modifications, however, the practice of enforcing regulatory acts “as from the moment of publication” or even backdating them has become even more frequent. The combination of these factors puts a clear “regress” mark on the “quality of governance and rule of law” trend in the period.

The *geopolitical trend* has started to change. On the one hand, Belarus has been even more involved in the integration process within the Customs Union; on the other hand, the country has started looking for opportunities for normalization in the Western.

Finally, in the *cultural trend* segment, we observe further regress.

To sum it up: the summer has failed to bring any good news, save for the pardon of some political prisoners. Nevertheless, there are prerequisites for

normalization of the following trends: political liberalization and democratization, economic liberalization and geopolitical development in the next three months. Changes for the better are so much needed because of the catastrophic economic situation in the country.

Trend 1

Political liberalization / political democratization —

Was the forecast given in the previous *BISS Trends* issue accurate?

The forecast we provided in the previous issue of *BISS-trends* appears to be accurate in the part where we predicted a suspension in the escalation of repressions. The peak was reached in May and June 2011 (political sentences for the participants of the “square”, brutal dispersals of the silent rallies, beginning of the tax investigation into the Ales Byalyatski case, judicial expulsion of the Party BPF from its office, etc.). In August, the degree of repressions stalled at the “stable brutal” level. The forecast about the stagnation of the public life did not come true: the series of street protests on Wednesdays became the most-attended mass protest actions since the December 19, 2010 events. These rather active protests, clearly unexpected by the authorities, were dispersed quite brutally (the number of participants arrested during silent rallies exceeded the number of those detained as a result of the “square” events). Therefore, the outward effect of certain indulgencies offered by the regime (such as the decision not to shut down *Nasha Niva* and *Narodnaya Volia* newspapers) was offset by mass arrests. In a similar way, the positive effect from the release of some political prisoners was overshadowed by the arrest of human rights activist Byalyatski.

Justification for the trend

The de-liberalization trend remained at the same level, although during the monitored period certain progress was observed towards a reduction in the level of repressions and restraint of freedoms (which may be attributed to the lower protest activity in late July and in August). However, the shaky balance should be considered a prerequisite for a new cautious liberalization – there are grounds for such an assessment both in the beginning of consistent release of political prisoners and in secondary and accompanying events (a step-up in the operation of the Public Advisory Council and decision to leave alone the opposition newspapers), as well as indirect indications (new personnel reshuffles in the presidential

administration and use of the “dialogue” rhetoric by the president). Whether this fragile balance will mark the start of a withdrawal from the policy of repressions depends primarily on the influence of external actors.

Description of key events that define the trend

The landmark event for the period we monitor is the arrest of Ales Byalyatski. The arrest reflected all aspects of the contradictory “fragile balance” trend: it was a painful pinpoint attack on the human rights infrastructure and a challenge to the European Union. The grounds for the arrest (use of personal accounts in European banks for purposes of the organization) is psychologically crucial for many NGOs, because this practice of opening personal accounts to get financing is widespread among Belarusian NGOs. It is noteworthy that more than a month had passed between the moment Byalyatski was officially presented tax claims and his arrest, which might indicate a wish to force Byalyatski to leave the country (the head of another large human rights organization, the Belarusian Helsinki Committee, used this chance when a criminal case was instituted, and left the country for a long term; she got back only after the case was closed).

The scandal with the arrest of Ales Byalyatski has internal and external political dimensions, the latter being dominating, and affects the interaction of various political entities within Belarus. The groups focusing on promoting the EU’s tough position on Lukashenka made use of the situation to discredit their opponents in Lithuania. On the other hand, the Polish component of the conflict called in question the authority of Poland in the elaboration of the Euro-Atlantic stance on Belarus. It was the original aspect of “betrayal of allies” by Lithuania that became the keynote in publications and analyses of the “Byalyatski case” within a month of the arrest.

The response to the arrest inside Belarus was traditional in form, although its scope was quite considerable. Despite the vacation season, nearly all significant public and political groups made statements about Byalyatski’s arrest. The human rights sector of the country interpreted the pressure on *Vesna* human rights center (besides Byalyatski’s account data, Belarus also officially received information about the accounts of *Vesna* Rada members Stefanovich, Labkovich, Revyako, etc.) as a sanctioned assault on the entire sector. The incident was tagged a “deterrent action”. The authority of the human rights activists’ opinion on the situation in Belarus for European politicians and volume of Western investments in the Belarusian human rights sector (mostly watchdog projects and assistance to political prisoners that the authorities perceive as financing of the opposition) are named the main reasons for this aggressiveness.

The publicly mentioned reason why the authorities chose *Vesna* to attack is the center’s financial support for the victims of the political repressions and their families – this version is shared by *Vesna* center itself. On the other hand, the

human rights community itself speaks about a very harsh position of the center and personally Byalyatski regarding the release of political prisoners via additional pressure on the Lukashenka regime from the West: it is noted that such a sharp attitude is more characteristic of opposition emigrants rather than human rights activists. There is an opinion that *Vesna's* rigid policy had run counter to some unwritten code of conduct between the half-underground human rights groups and the repressive machine ("you keep away from calls for an embargo, and we monitor your educational and financial activity abroad without interfering"). In this connection, one should expect certain isolation of the human rights community from political appeals, calls for sanctions and embargoes, if not a mitigation of their position on the violation of human rights.

Since the inquiry about the human rights center's foreign accounts was started back in February 2011, Byalyatski's arrest looks a lot like a well-planned political action masterminded by special services. Despite the quite nervous initial response, most NGOs do not perceive the attack as the first step in a large-scale campaign to put an end to the external location of NGOs' financial accounts. At the same time, one should expect a new wave of Belarusian NGOs' attempts to get registered abroad (Czech Republic, Slovakia, Poland, Germany, Sweden, Latvia, and, to a lesser degree, Lithuania, Ukraine and Russia) in order to avoid transactions from personal bank accounts. In any case, the practice of accepting money on personal bank accounts will be phased down (only smaller NGOs will likely continue to use this scheme, and their efforts will be sporadic rather than continuous).

Description of additional events

The said scandal was unfolding simultaneously with the assault on other human rights organizations – the Justice Ministry has stepped up its pressure on the Republican human rights public organization *Belarusian Helsinki Committee*, which is the legal partner of *Vesna* in the organization of election monitoring, and on the Center for Legal Transformation. The most pessimistic forecasters are talking about an alleged campaign the authorities will run to ruin the entire human rights sector, thus repeating the proven scenario for the political opposition.

Also synchronous with the above efforts is the initiative to have a new round of talks in the framework of the advisory council with the president of Belarus. The negotiations will address, among other issues, the reform of the council and establishment of a human rights subcommittee at the council to include "constructive critics of the administration". Although this could be an accidental coincidence, the authorities may later deliberately replace the battered human rights movement with a less radical and more loyal human rights framework (the new architecture of the Council is scheduled to be officially presented in September).

In the democratization field, the authorities resumed their rhetoric about the possible introduction of elements of the proportional system in connection with the declared transformation of the public organization *Belaya Rus* into a political party. This issue is being planted into the political agenda before the parliamentary elections as a possible "key" to be the democratization of the election process. Meanwhile, the democratic or non-democratic nature of the elections does not depend on the system of representation. Moreover, from the point of view of the interests of the democratic opposition and democratic political parties, it is more convenient for them to struggle for their goals in a majoritarian electoral system – via direct contacts with voters in concrete constituencies. The majority system simply forces Belarusian oppositionists to operate beyond the capital city. If elections were based on voting by party lists, the opposition might have to limit its activity to Minsk only.

When it comes to the freedom of assembly, there were mass arrests of participants in silent rallies (the number of those arrested exceeded 1,800 people and was well over the number of people detained for the "square"). The geographic scope of these events is quite unusual: the arrests were spread geographically – they were registered in dozens of cities and towns, and in many cases, those were the largest protest actions since the 1990s. An oddity that may have very serious consequences is the submission of the bill "On mass events", which introduces liability for flashmobs and other actions of the similar format, to the parliament.

In the freedom of association segment, the pressure on political parties continued: the Party BPF had to leave its office despite stiff resistance and move to less suitable premises after it had exhausted all means of legal protection in July. The Social-Democratic Party *Hramada* is still faced with a problem of preserving the status of a registered party (the Justice Ministry once again did not recognize its congress), and the Brest branch of the Belarusian United Left Party "Fair World" cannot get registered because of the absence of legal address. Criminal cases instituted against three members of the Party BPF (Ales Kalita, Siarhei Semyanuyk, Maks Hubarevich) who were accused of beating a guard at the new office of the party are reasons for major concern, because the case looks a lot like the provocation that resulted in the arrest of *Malady Front* leader Zmitser Dashkevich.

The atmosphere of public life in the country was largely under the influence of the fact that there were political prisoners in Belarus – three former presidential candidates had been imprisoned. The pressure on lawyers who defended those arrested for political reasons is also alarming (extreme instruments of pressure include revocations of licenses, refusal to extend attestations and even criminal cases against lawyers themselves).

Description of events contradicting the trend and why they do not change the trend

The attempts to alleviate the situation with total repressions by releasing some political prisoners should be interpreted as a message to foreign observers. Also, it is the external actors that are targeted by attempts to reanimate the Advisory Council and reform it into a broader expert and dialogue dimension. At the same time, some statements of the authorities, as well as the decision not to liquidate *Narodnaya Volia* and *Nasha Niva* may be considered an indication of possible further liberalization. A likely omen of this future thaw is the process of elaboration of legislation on charitable activities, in which NGOs and business associations are engaged.

As for the persecution of the participants in mass protests, the release of nine political prisoners and suspension of some criminal cases instituted as a result of the December 19 events are quite significant. These include the suspension of the criminal case against the leader of the United Civil Party, Anatol Liabedzka, former presidential candidate representing the Party BPF Ryhor Kastusyou and some other political and public activists, including journalist Natalya Radina, who had to flee from Belarus.

The political prisoners released in August (in September, a new portion of four people was let go) were “pardoned” (they had been strongly recommended to petition for pardon), which means they were not officially rehabilitated.

In the first six months of 2011, the Justice Ministry and central justice departments of region administrations and of Minsk city administration registered 51 new public organizations (six republican and 45 local ones), 11 new funds (one international, one republican and nine local ones), one trade union in an organization and one association. This is a normal pace for this process. However, in July alone, about 20 new funds and public organizations were registered.

Brief forecast for the next quarter

The Byalyatski and *Vesna* cases are likely to develop in the following way: the authorities will not perceive Byalyatski as one of the “square” prisoners, whereas the human rights center will not be annihilated (although pressure will be very hard). In future, some of the *Vesna* members may also be brought to administrative and civil liability, and Byalyatski will be handed a sentence not connected with imprisonment (confiscation or confinement in an open-type correctional facility). If the unprecedented external protests and pressure prove efficient, Byalyatski will be released before trial (possibly with a recommendation to leave the

country). The pressure on NGOs and independent mass media is not likely to increase. Although sanctions against participants in protests will remain harsh and exemplary, the authorities will leave room for sanctioned manifestations of discontent (congresses and meetings of opposition organizations held indoors and work of the Public Advisory Council). The autumn of 2011 will very likely see a step-up in attempts to restore the Belarusian-European dialogue, on which liberalization/de-liberalization progress largely depends.

Brief forecast for the year

The likeliest scenario for the year is the gradual transition of the Belarusian regime into the “stand by for dialogue with the West” phase, which will be accompanied by manifestations of readiness to “pardon” the most significant prisoners of conscience and suspension of the campaign to finish off the half-strangled opposition. The state may resume its rhetoric on possible changes in the election regulations on the eve of the parliamentary elections of 2012 and potential introduction of elements of the proportional election system. However, the real reform of election legislation is very unlikely, whereas the transfer to the proportional election system is impractical. The authorities may get back to the rhetoric on the abolition of article 193-1 and introduction of a moratorium on capital punishment.

Trend 2

Economic liberalization — ▼

Was the forecast given in the previous *BISS Trends* issue accurate?

As we had predicted, the “Action plan of the government to ensure a balanced development of the economy amid changes in the official exchange rate of the Belarusian ruble” has not resolved the problems of the Belarusian economy. Instead of treating the reasons behind the currency crisis, the authorities have been trying to treat the symptoms. Unfortunately, the absence of political will required to pursue structural reforms, as well as the absence of an adequate strategy to address the crisis and professional team of economists further aggravate the situation. In this connection, an increase in Russian subsidies, loan from the IMF and privatization of state enterprises still remain the chief “life buoys” for the Belarusian economy in the short term.

Justification for the new trend

In the third quarter of 2011, the trend aimed at de-liberalization and active administrative regulation of the economy remained the same. The authorities never made up their mind to pursue structural reforms, but assumed the role of observers. In the third quarter, the currency crisis gradually grew into a full-scale economic crisis.

Description of key events that define the trend

The slow and inconsistent response of the authorities, which took over three months (from May 23 through September 1) to address the situation in the economy, resulted in a full-scale currency crisis. Since the start of the year, the Belarusian ruble has officially depreciated by over 60% to the basket of foreign currencies, which includes the euro, dollar and Russian ruble, whereas in the cashless segment of the Interbank market, the ruble has lost more than two-thirds of its value. Sadly, this is not the end of negative consequences in the economy. The president, government and the administration of the National Bank keep promising people that the economic trouble would be resolved very soon, but do not allow a free float of the national currency for fear of losing control of the economy. On the other hand, international and local experience shows that it is better to give large doses of medicine to a patient during the early phase of the disease, otherwise, medications might prove inefficient and the patient might get even sicker.

In late August, the authorities promised to reach a market rate of the Belarusian ruble in the second half of September. The “respite” does not seem logical at first sight, because the statement was made a few days prior to the consideration of the Belarusian request for the loan from the IMF, and it seemed the authorities should hurry with the reform before the IMF Executive Directors addressed the Belarusian application. The postponement of the additional devaluation move may have been due to the awareness of the regime that the IMF would not lend for sure. There is also a possibility that the two additional weeks were meant for a parallel use of arbitrage opportunities on the currency market for persons having access to the banking system and search for external sources of financing that the central bank requires to make interventions at the supplementary trading session.

After the NBB limited sale of exchange at the BCSE and it became impossible to buy currency in exchange points, the population started withdrawing foreign exchange deposits. According to official statistics, in the period March through July, individuals withdrew about USD 1.2 billion from banks, about 25% of their savings. Banks had to resort to higher interest rates to keep people interested in saving.

On July 27, 2011, the president appointed Nadzeya Yermakova Governor of the National Bank (she used to head *Belarusbank*, the largest commercial bank of the country, since 1997). In one of her recent interviews, Yermakova said: “Why do you need dollars? I don’t have any, and I never go to the exchange point. I did not have dollars in the 1990s, I do not have them now”. Compared to her predecessors – S. Bahdankevich, T. Vinnikava and P. Prakapovich, Nadzeya Yermakova is distinct because of the complete agreement with Lukashenka’s opinions. Her appointment was criticized by independent economists and the population.

After a month-long stabilization in July, the official exchange rate continued its fall in August. Instead of liberalizing the currency policy, the NBB in August continued using the administrative levers to regulate the exchange rate. The spirit of administrative regulations can be felt in some of the statements made by the head of state – on August 30, he said “it is time we completed polishing and cleaning up the banking system so that it turned its face to the state and people; we should bring it back to normal”.

The statement of the new NBB governor that the exchange rate would “stay below the clouds”, because it remains at 10,000 rubles to the dollar on the black market and surely won’t exceed the 10,000 ruble limit was quite eccentric, because only four months previously, the central bank had been trying to keep the rate at 3,000 rubles to the dollar. The shortsighted economic policy therefore undermined people’s trust in the fundamentals of the national economy within a few months, including their trust in the national currency and the banking sector.

The fast and insufficient devaluation of the ruble, as well as the growth in the money supply in the economy have already had a profound negative impact on the growth in prices and reduction in people’s paying capacity. You get the impression that not a single representative of the Belarusian top administration is capable of taking on the responsibility for making firm anti-crisis decisions. Monetary and fiscal authorities seem to be taking too much time making inconsistent and uncoordinated economic decisions. On the one hand, the NBB is trying to conduct an anti-inflationary policy by raising interest rates. In the third quarter, the refinancing rate of the central bank was raised four times, from 16% on June 1, 2011 to 27% on September 1, 2011, which is nevertheless well below the inflation rate observed in the first three quarters. On the other hand, the president and government publicly promise to do their best and ensure social protection of the population and pledge to index wages, pensions and other allowances. As a result, although people are repaying loans at much higher rates, the inflation spiral has been unwinding, hitting one economic sector after another. Consumer prices rose 50.3% January-August 23, 2011.

Description of additional events

The situation described above threatens the financial solvency of enterprises and individuals. According to unofficial data, the Finance Ministry forecasts a three-digit inflation rate this year. Hyperinflation has a major negative impact on the country's investment activity and in the medium term may result in an economic recession, growth in unemployment and stratification of individual incomes. Therefore, as early as the start of August, the Belarusian government adjusted downwards its GDP growth forecast for 2011 to 6.7% (whereas in the first six months of the year, GDP grew 11%), and in late August, the president called on the central bank to cease financing of the economy from new money issues.

Based on its performance in January–July, Belarus still needs large foreign borrowings to address the huge foreign trade deficit. Because of the expanding balance of payments deficit, in the past 4.5 years, the country's gross foreign liabilities rose to USD 32 billion as of April 1, 2011. As of the end of the year, given the devaluation of the national currency, the ratio of Belarus' gross foreign liabilities (the sovereign debt, debt of the banking sector and commercial debt) to GDP might reach 90%. Payments to service the debt have been growing from year to year, and they will keep growing. For instance, in 2011, payments of interests and the principal debt will have to reach USD 862 million, in 2012, the total will reach USD 1.228 billion, and in 2013, USD 2.6 billion (!). To compare: the EurAsEC loan to Belarus will total USD 3 billion, enough to pay only 64% of the necessary amount.

On August 23, Moody's rating service for the second time in 2011 downgraded Belarus' sovereign ratings and assigned a negative outlook to them. Moody's analysts forecast an increase in the share of banks' troubled assets to 15% by late 2012 from 3% in 2010. On September 1, the yield of Belarus' state bonds traded on the Russians secondary market reached 15% (from 8–9% in 2010). It means the cost of foreign financing keeps growing. The IMF may become the only creditor capable of providing a relatively cheap loan to Belarus amounting to billions of dollars, and chances are high Belarus will have to meet halfway with the Fund to get new loans and repay the old ones. Concessions may even include privatization of large industrial enterprises.

Description of events contradicting the trend and why they do not change the trend

Because of the devaluation of the Belarusian ruble, which increases the competitiveness of Belarusian products abroad, and efforts to artificially restrain imports, the country reached a foreign trade surplus in July 2011.

Nevertheless, devaluation without structural reforms is only a temporary measure capable of boosting the competitive power of Belarusian producers for a short period.

According to representatives in the NBB, the central bank has been taking measures to tighten monetary and credit policies in order to stabilize the economic situation in the country. The measures include the gradual increase in the refinancing rate and cessation of lending for state programs from new money issues starting June 1. Nevertheless, broad money supply (*M3* aggregate) increased 55% in the past 12 months, including by 1.9% in July. Therefore, the inconsistent policy of the central bank is a major obstacle to efforts to cut the inflation rate.

Brief forecast for the next quarter

If Belarus should continue pursuing the policy of keeping the exchange rate as it is now, Belarus will be in for a deeper and broader currency crisis that will grow into an economic crisis.

The public fear of the possible freezing of foreign exchange deposits may encourage people to withdraw their savings from banks, a step that would affect the liquidity of the banking system and could even lead some banks to bankruptcy (the latter is hardly possible, though). If the authorities keep on the uncoordinated economic policy and respond to negative phenomena in the national economy too late, the ruble may continue to lose its value, this time to over 10,000 rubles to the dollar at the end of the year.

The central bank will have to raise the refinancing rate to 35–40% by the end of the year in an attempt to anchor inflation, which is spurred by the fast growth in the money supply and devaluation expectations. In this case, the inflation rate will increase to about 70–80% in 2011. This could cause a rapid economic slowdown, because many enterprises and households will find new loans too costly and will barely be able to repay old loans.

Brief forecast for the year

The economic de-liberalization of the first three quarters of 2011 had very negative consequences. The Belarusian economy heavily depends on imports and has a large external debt, which will not allow the authorities to continue its crackdown policy. Otherwise, it will enter a phase of financial default and deep economic recession within two or three years. Therefore, the trend is likely to change in 2012. The year 2012 will likely be characterized by an opening of the Belarusian economy to external capital. The authorities will resume close cooperation with the IMF and will try to benefit from selling several large and medium-sized enterprises at good prices.

Trend 3

Quality of governance and rule of law ▼

Was the forecast given in the previous *BISS Trends* issue accurate?

The forecast for the second quarter was to a large degree inaccurate. Contrary to the expectations, the liberalization rhetoric of the authorities, albeit supported by the adoption of some legislative acts (on compensations, antitrust regulations), did not transform into real actions (with regard to simpler administrative procedures, tax and accounting regulations). The situation on the currency and food markets became uncontrollable, and the authorities turned to well-trying directive methods amid the growing discontent of the population. The symbiosis of liberalization and directive instruments (rulings and decrees) failed the reality test.

Justification for the trend

Directive № 4 set the liberalization vector for the development of the state regulation of the national economy; however, measures to surpass the current economic crisis cancel all positive initiatives. In reality, liberalization is only formal; it does not aim at creating a competitive self-regulating economy, but at reaching certain formal criteria or rating indicators. The changes are purely cosmetic and normally apply to less significant areas. One of the chief prerequisites for a successful economic operation is a stable legislation, transparency and consistency of legal norms; a clear regulation of state interference in the economy is also essential.

In the past few months, a reverse trend has been observed – the change to “manual control”. A stable planning of economic activities calls for predictable legislative modifications, however, the practice of enforcing regulatory acts “as from the moment of publication” or even backdating them has become even more frequent. The combination of these factors put a clear “regress” mark on the trend in question in the period.

Description of key events that define the trend

In June and July, hundreds of silent protesters fell victims to arbitrary treatment by law enforcers: the participants and passers-by were simply detained without being given reasons by people in plain clothes and put into buses with no registration plates. These actions are an unprecedented example of violations of

civil rights, administrative procedural and criminal legislations, as they may be qualified as kidnapping. These facts attest to illegal law enforcement practices flourishing in the country, or, to be more exact, to the arbitrariness of the authorities observed at all levels.

Description of additional events

Lukashenko told a meeting that addressed the country’s socioeconomic development that he would abolish “until at least the end of the year” all limitations for the State Control Committee and law-enforcement agencies to conduct inspections and checks. The law-enforcement system therefore got back to the 2009 pattern, characterized by the absolute authority of controlling agencies.

Ruling № 248 of the president envisages a “speedy” publication of regulatory acts adopted by the Council of Ministers, National Bank, ministries and other administrative agencies with a view to stabilizing the situation on the consumer and currency market on the official website of the National center for legal information. The measure indicates the instability of the Belarusian legislative system and negates the very possibility of making long-term plans for economic entities.

On January 1, 2012, Belarus plans to establish an Investigative Committee to combine the functions of the prosecutor’s office, law enforcement agencies, financial investigations department and, possibly, KGB. The new agency is positioned as an independent structure; however, there are reasons to believe that the presidential control of investigative activities in the country will be strengthened.

Description of events contradicting the trend and why they do not change the trend

Prime Minister Myasnikovich said 79 regulatory acts to promote entrepreneurship would be adopted by the end of the year. The government still declares a policy towards liberalization and business development, although since Directive № 4 was adopted half a year ago, there have been only a few liberalization moves, the key ones being the abolition of a few activities from the list of licensed business activities, de-regulation in price formation and introduction of a non-binding unified wage rate scale.

Decree № 4 expands the list of preferences for foreign investors that conclude investment agreements with the Republic of Belarus. On the one hand, the authorization to use foreign design documentation is a positive decision; on the other hand, any preferences distort the competitive environment. Furthermore,

preferences are not provided automatically to all investors, but only to those who agree to have investment contracts.

Brief forecast for the next quarter

Crackdown is likely to continue in the next quarter as controlling functions of the state get stronger amid the formal scheduled adoption of regulatory acts in pursuance of Directive #4. Apart from that, the development of the trend will depend on the progress of the state administration in anchoring the negative processes in the economy. The manual management regime and sharp legislative modifications will inevitably remain.

Brief forecast for the year

We cannot expect an improvement in the situation and ability of the authorities to create by the end of the year a framework for business that would be characterized by transparency and legal equality for all market participants. If the current system and approaches to regulation remain, the “year of enterprise” will definitely end to the disfavor of entrepreneurs, who, just like other citizens, have been rapidly losing their trust in the authorities because of arbitrary law enforcement and unstable legislation. Even now, we can draw the conclusion that the “controlled economy” experiment has failed.

Trend 4

Geopolitical orientation

Pro-European vector —▲

Pro-Russian vector —▲

Was the forecast given in the previous *BISS Trends* issue accurate?

The forecast made in the previous issue of *BISS Trends* proved to be quite accurate. The foreign political configuration did not change a lot; Belarus focused on resolving its internal problems caused by the economic crisis. As had been forecast, the Belarusian administration started looking for ways to normalize its relations with the West, whereas talks with the Kremlin have so far been inefficient.

Justification for the new trend

In the western direction, Belarus' foreign relations remain tense and have been aggravated by pinpoint economic sanctions against the country. At the same time, official Minsk started looking for opportunities to improve its relations with the EU by way of mitigating repressions inside the country and changing its rhetoric. In other words, there has been a gradual transfer from confrontation towards the stage of normalization in the framework of the standard cycle of Belarusian-European relations.

In the Eastern vector, Belarus has been deepening its integration in the scope of the Customs Union and Common Economic Area. Russia has been citing the Belarusian case as a positive integration example in its talks with Ukraine while trying to engage the latter in the Common Economic Area. While refraining from direct subsidies to the Belarusian economy, the Russian administration nonetheless continues to provide political support for its ally on the international scene.

Description of the key event that defined the trend

Amid the ongoing political repressions in Belarus, the EU made up its mind to extend and deepen its sanctions. On June 20, the Council of Foreign Ministers of the European Union issued one more resolution on Belarus to add four new names to the “black list” of persons subject to sanctions (which now includes 179 names), adopt a list of equipment, on which Europe placed a trade embargo to prevent the Belarusian authorities from using it for political repressions, and slap pinpoint sanctions against three Belarusian enterprises: ZAO *Beltechexport*, ZAO *Sport-pari* and ChUP BT *Telekommunikatsii*.

Official Brussels also slammed the arrest of Belarusian human rights activist Ales Byalyatski, who was accused of grand tax evasion. The arrest became possible after concerned state agencies of Lithuania and Poland submitted information about Byalyatski's foreign bank accounts to Belarus. Internal investigations were launched into the incident in Europe, and declarations were made about the possible suspension of cooperation with Belarus in the framework of the mechanism of mutual legal assistance.

In the meantime, the Belarusian side made some steps indicating the beginning of the search for ways to get back to dialogue with the EU: Lukashenka made statements about the possible release of political prisoners and prospects of Belarus' relations with the EU, termination of criminal cases of some opposition politicians, and pardon of a group of activists sentenced for the protest action in Independence Square on December 19, 2010. Other examples include the cessation of judicial proceedings against *Nasha Niva* and *Narodnaya Volia* newspapers and suggestion to discuss the situation in Belarus with the opposition and the European Union at a roundtable.

In June-August, the relations between Belarus and Russia were mostly focused on discussing the terms of Russia's financial support for Belarus. On June 4, the Council of the Anti-crisis Fund of the EurAsEC decided to extend a loan to Belarus amounting to USD 1.24 billion until the end of 2011 in two installments. The first USD 800 million tranche was provided as early as June 21; the second USD 440 million installment is conditional upon Belarus' taking measures to ensure macroeconomic stabilization and privatization of important state assets.

On August 22, President Lukashenka had a meeting with his Russian counterpart Dmitry Medvedev in Sochi. However, that meeting proved inefficient, because no serious decisions were made.

In summer, the cooperation between the two countries in the framework of the Customs Union grew stronger. Starting July 1, the Belarusian side abolished the exemptions from the common customs tariff that had applied to import of passenger cars in the Customs Union. The State Customs Committee of Belarus has therefore been working in accordance with Customs Union Codes since then, rather than the national regulations of Belarus. Furthermore, during the three summer months, the administrative agencies of the two countries either ratified or tabled lots of agreements pertaining to common technical regulations, common tariffs, customs activities, and transfer of additional functions to the supranational body of the Customs Unions – the Commission of the Customs Union.

On August 12, Astana hosted a summit of heads of the CSTO member-states to address the possibility of a CSTO decision to authorize the use of collective fast response forces (CFRF) to prevent coups in the CSTO member-states. It follows from officials' remarks that if that decision were approved, Russia would be legally enabled to be involved in internal conflicts of the member-states.

Description of additional events

On July 3, EU ambassadors ignored the festivities during Independence Day of the Republic of Belarus in protest against political reprisals and crackdown on participants in silent rallies. Poland also condemned the brutal dispersal of the peaceful protest action on July 3.

On August 15, two Polish citizens (a diplomat and an MEP) were denied entry in Belarus.

On August 29, Royal Bank of Scotland suspended cooperation with Belarus citing human rights violations.

On August 15, Russian Prime Minister Vladimir Putin said Russia would not respond to EU sanctions against Belarus, but would support the country in the framework of integration.

Description of events contradicting the trend and why they do not change the trend

The period in question is also characterized by other events, which can be interpreted as a deepening of Belarus' cooperation with the European Union.

On June 10, foreign ministers of Belarus and Italy had a meeting to sign intergovernmental agreements on cooperation in culture, science and technologies, and education, as well as a Memorandum of understanding on the development of the Italian industrial district in Belarus' Brest Region.

On July 29, an agreement was signed between the governments of Belarus and Slovenia on conditions of health promotion and rehabilitation of under-age citizens of the Republic of Belarus in the Republic of Slovenia. A Day of Belarus in Slovenia and Day of Belarus' Economy in Frankfurt am Main were arranged.

On June 17, Maira Mora, the former Latvian Ambassador to Belarus, officially became head of the Delegation of the European Union in Belarus. Importantly, the appointment of an EU ambassador to Belarus took place after being in limbo for months.

On June 26, 2011, Polish Foreign Minister Radoslaw Sikorski said in an interview with Polska Agencja Prasowa "that Belarus would be invited to the EaP summit at the highest possible level".

Brief forecast for the next quarter

In the next quarter, the trend towards a "defrosting" of relations between Belarus and the EU will be growing stronger. Because of the deterioration of the economic situation in the country and need to search for additional financial support, the pro-European rhetoric of the Belarusian authorities will also grow stronger, and further moves will be made to facilitate a return to the dialogue with the EU (including the release of political prisoners). The relations with Russia will likely gradually deteriorate due to the hard talks over the natural gas price formula and sale of *Beltransgaz*.

Brief forecast for the year

The Belarusian authorities will be trying to get back to the dialogue with Europe in order to counterweigh the influence of Russia and search for additional sources of financing. The recession trends in the economy may seriously speed up this process. The beginning of a new electoral cycle (the country will hold a parliamentary election in 2012) will also call for a resolution of foreign political issues and the issue of the legitimacy of the Belarusian parliament in the eyes of EU member-states. In this context, one can expect Minsk to start a dialogue with Brussels about the restoration of political relations as early as autumn or winter.

Trend 5

Culture policy ▼

Was the forecast given in the previous *BISS Trends* issue accurate?

We can say for sure that most of the forecasts provided in the previous report proved to be accurate. De-liberalization in the culture sector is growing, which is manifested in the pressure on the cultural figures who openly express their civil position. The ban on concerts, closure of a private art gallery and censorship – all of those were observed in the past three months. The paradox of censorship and bans in the Belarusian culture sector is the fact that no one is aware of the ideologist of the campaign, and no one ever provides any reasons. This demonstrates the ambiguity of decisions of the authorities in the matters of culture policy.

Justification for the trend

Political decisions in the culture sphere have not changed their nature if we compare the current environment with that of the previous period. “Black lists” are still there, and the pressures on culture actors who fail to coincide with the official position or contradict the official ideology on culture policy of the state were growing stronger: in summer, a few concerts of Zmitser Vaitushkevich, *Neuro Dubel* and *NRM* groups were cancelled. Concerts were cancelled even in the Graffiti club, which focuses on informal culture and used to provide its stage for “prohibited” artists. This means the artists that disagree with the official policy have lost chances of performing for Belarusian public.

At the same time, culture life in Belarus in the three summer months was quite busy: local and international festivals came and went throughout the summer despite the economic recession. Only General Director of the direction of the International Arts Festival “Slavonic Bazaar” R. Bass confessed that there were difficulties with financing of that large-scale project. It appears the festival was financed by Belarusian enterprises. The culture sector of the country is positioned as a segment beyond politics and economy developing based on its own concept. Lukashenka’s speech at the opening ceremony of the festival “Slavonic Bazaar” proved that – the head of state characterized the festival as a cultural event “absolutely independent of the political situation”, offering each participant “a complete freedom of creative work”.

However, it seems the definition of culture as a sector isolated from politics is irrelevant now: the crisis of communication between civil society and the state is building up in society in general and in the culture sphere as its integral part. In the said context, people’s response to the traditionally pompous events timed to Independence Day of the Republic of Belarus is more indicative, for that response was totally different from what it used to be.

Description of the key event that defined the trend

Belarus has celebrated its Independence Day annually since July 3, 1996. At first thought, the creative solutions presented at the celebration of Independence Day in 2011 were not that different from those employed in the rest of the traditional arrangements celebrating Belarusian holidays: the characteristic mythological repertory (rhetoric of victors, surrounded by numerous enemies), the invariable visuals designed to convince people of the significant achievements of citizens in the economic, military and cultural sectors. At the same time, there were a few substantial details that corroborate the declared crisis of communication in the culture sector and loss of people’s trust. First of all, these are proved by the low attendance and involvement of the population. Whereas regular people take part in the celebrations of Independence Day (which coincides with the day of liberation of the capital city) as pure entertainment, the authorities traditionally lay emphasis on the symbolic dimension of the holiday.

The engagement of people is traditionally regarded by the authorities as a manifestation of people’s consent to accept the policies of the official administration. However, something absolutely different happened this year: the display of troops, fireworks and other entertainments gathered markedly fewer spectators than before. For the first time ever, ideologists and journalists working for the state media had to significantly overstate the number of people attending the parade: officially, there were 150,000 viewers, whereas unofficial sources mention not more than 10,000 people. Various official sources came up with various figures, which were very much different, a fact that questions the accuracy of official statistics. This means the attitude to politics and culture policies has changed a lot. There were totally absurd requirements for those attending the celebrations: they were allowed to applaud only veterans. As a result, no one applauded Lukashenka’s speech, which emphasized the growing tensions in communication between the authorities and citizens. A few protest actions took place on that day, and although they were contained fast, they could be regarded as indications of further polarization between the authorities and civil society. The culture policy is now characterized by the following trend: the regime feels tensions grow in society and keeps cracking down on dissent employing censorship and bans.

Description of additional events

An important trend reflecting the refusal of the authorities to continue liberalization in the culture sector and intention to get back to the archaic administrative controls in the Belarusian culture space is the continued cancellation of concerts and closure of the private arts gallery *Dobryya mysl'i*.

Lukashenka's statement about "the need to establish control of the Internet in educational establishments and inadmissibility for teachers and professors to express their political preferences in classrooms" sounded like an official authorization to further limit the freedom of expression, access to information and academic freedom.

The statement, alongside the sharpened fear of liberalization, was definitely provoked by the activity of the younger generation in social networks and potential readiness of young actors to turn from virtual protests to real action. The same holds for the situation in classrooms, which, the authorities fear, are not completely controllable. Classrooms are not the place for political propaganda, which was advocated by sociologist Max Weber in the early XX century; however, it is the classroom and teacher that the regime is trying to use to exercise control, promulgate state ideology and form the required level of loyalty of Belarusian students.

De-liberalization and conflict with society in Belarus' internal culture policy grow into a self-isolation of Belarusian culture globally. Compared to the previous period we monitored, the number of international contacts at the official level has fallen (we do not include festivals here). Belarus' activity on the international culture scene was limited to the participation in the museum festival "Intermuseum-2011" in Moscow and opening of the National pavilion of the Republic of Belarus at the 54th Venice Biennale.

Description of events contradicting the trend and why they do not change the trend

One event that is worth mentioning as contradicting the general trend in the culture sector is the accession of Belarus to the *Kyiv Initiative* of the Council of Europe, which envisages cooperation in social, economic and cultural development. The Culture Ministry was reported to have specific plans to increase the number of cultural events beyond Belarus and work out a more efficient mechanism for culture figures and students to take part in international training programs. Furthermore, this summer was marked by a large number of festivals, including international events, and some of them were held for the first time. However, the cancellation of concerts of selected musicians and forced attendance of other artists' concerts signify the intention of the state to entirely control the culture sector and decide for people what sort of shows they should be treated to.

The Culture Ministry is still trying to preserve the "European" identity of Belarusian culture, but these attempts look more and more ambivalent in the context of persecution of dissent in the local cultural field. The same applies to the freezing of the procedure of closing down the independent newspapers *Nasha Niva* and *Narodnaya Volia*, which became targets of lawsuits filed by the Information Ministry. However, in the end, a more pragmatic option was chosen, leaving the authorities a chance to use the very existence of those media as a counterargument to respond to the criticism about the monopoly of Belarusian media and culture space.

Brief forecast for the next quarter

The release of some political prisoners was to indicate that the authorities were ready to make concessions. These could include a cancellation or at least mitigation of "black lists". At the same time, one should not expect the population to keep unconditionally consuming the culture product offered by the regime. The absence of "bread" apparently reduces the demand for "circuses".

Brief forecast for the year

In the near term, there will hardly be any chance of major qualitative changes in the official culture policy pursued by the state. Because of the economic crisis, financing of existing cultural events will dwindle, while financing of new projects will also be limited. The political isolation of Belarus has an impact on its cultural life. As for a possible step-up in international cultural contacts of Belarus, there is hardly any chance of that, either.



EXECUTIVE SUMMARY

This *BISS Trends* issue draws the results of both the four final months of 2011 and the entire complicated and contradictory year. Overall, the year 2011 can be characterized using these few terms: downturn, rollback and regress.

In the domain of Belarus' internal policy (*political liberalization and democratization*), further stagnation was observed in the scope of the de-liberalization and de-democratization trend. Despite expectations, political prisoners stayed behind the bars, the dialogue with Europe never started, and the whole year witnessed political frosts, irrespective of the season. Belarus, which managed to survive the economic crisis owing to the generous subsidies of the Russian Federation, which resumed in November 2011, demonstrated certain liberalization in its *economic policy* in the final quarter of 2011. However, in the quality of *governance and rule of law sector*, evident regress was recorded.

Geopolitically, Belarus made a turn towards Russia and replaced the multi-vector strategy with the Eurasian integration project. The result of this geopolitical turn was the temporary salvation of the current economic model. At the same time, in the case of Belarus it is premature to announce the end of the story and final choice of this country in favor of Moscow.

Finally, in the *cultural field*, we record the continuation of the trend towards a restraint of the cultural landscape, marginalization of alternative cultural projects and simultaneous attempts to force unofficial cultural projects into a ghetto.

Trend 1

Political liberalization / political democratization —

The 2011 results

The year 2011 became a year of political de-liberalization and de-democratization. Despite forecasts, the poor track record of the presidential election failed to encourage amendments to the country's electoral legislation: the authorities

still claim they will keep the Electoral Code without any serious amendments until the next parliamentary elections, slated for September 2012. Furthermore, the existing model of the regime has lost even its decorative elements, which could otherwise attest to its democratization efforts.

Was the forecast provided in the previous issue of *BISS Trends* accurate?

It seemed that at the beginning of the period under review the trend towards a cautious abatement of repression could be observed. Some factors, namely a) the information about the mission of Bulgarian Foreign Minister Nikolay Mladenov; b) release of some political prisoners; c) signals about the possible release of all political prisoners by late October, inspired hopes that the forecast made in the previous quarter would be accurate. The fact that of all the activists of *Vesna* human rights center only *Vesna* Director Ales Byalyatski was accused and indicted proved that the authorities had no plans to eradicate the human rights movement in the country.

However, the process of the release of political prisoners soon stalled, no other features of the relaxation of repression were manifested (the summer statement about the commencement of political dialogue never turned into real actions), and the existing platforms for negotiations appeared to be shut down (the dissolution of the Public Advisory Council with the Presidential Administration). The demonstrative and unpredictably harsh sentence passed on authoritative human rights activist Ales Byalyatski, a figure that is significant to the West, became a symbolic full stop in Belarus' dialogue with the West.

It seems that the processes of the mitigation of repression and normalization of the situation in the country have been interrupted because of the ultimate re-orientation of the regime towards Russia as the source of external support. This tendency, albeit mentioned in our previous forecasts throughout 2011, was manifested at the end of the year with intensity and unambiguity that were well beyond expectations.

Justification for the new trend

The de-liberalization trend is attributed to the following factors: a) geopolitical re-orientation of the country in the light of the new Eurasian integration project; b) fact that potential external sponsors of liberalization are lacking political will to restore their levers in order to influence the situation in Belarus. Furthermore, the lethargic stupor of Belarus' public life also contributes to the status quo. The intensity of spontaneous summer protests has diminished, being limited to traditional opposition actions. The small number of protests stood behind the

small number of those arrested for violating the legislation on mass protests. This pattern is also true for the freedom of association.

Although the score we gave to the period is the “absence of changes”, we have to note the long-term nature of the de-liberalization trend caused by external factors. In terms of legislative efforts, the ground for new repressive actions is prepared here and now, which in the future might be manifested by severer repression against potentially more active public protests, especially those inspired by the more radical part of the opposition from abroad or ahead of the parliamentary elections of 2012.

Description of the key event that defined the trend

The criminal case of Ales Byalyatski is mentioned as the main event of the quarter for the second time in a row. However, whereas in the summer of 2011 his arrest could be qualified as something truly unexpected that contradicted the continuing release of political prisoners, then the stiff sentence imposed on Byalyatski in November already fits into the logical framework of the above trends.

Besides the significance (and value) of the Byalyatski figure to the West, this case has a demonstrative value for all the variables included in the dimension of the reviewed indicator. First off, *Vesna* human rights center played the key role in the organization of internal monitoring of the election process and simultaneously acted as an authoritative expert when assessing the legislative modifications in this sector. The human rights center served as a link to provide legal and material support for victims of political repression. The organization also actively brought up questions concerning the freedom of speech, assembly and association, being the leading structure of the Belarusian human rights movement.

It is for the reasons listed in the previous paragraph that the sentence passed on Ales Byalyatski and his conviction appear to be the key events of the period and at the same time characterize the existing trend. In this context, Byalyatski's future stands out against the possible release of prisoners of conscience who are political activists.

On November 24, 2011, the Pervomaiski District Court of Minsk sentenced Ales Byalyatski to 4.5 years in a medium-security correctional facility subject to property confiscation and revocation of the right to engage in public activity. The human rights activist was found guilty of grave non-payment of taxes, which is a punishable offense under Part 2 of Article 243 of the Criminal Code. Byalyatski's defense claimed that the money on its accounts was not his personal incomes, but was meant for his human rights projects and was used with the sanction of donors for specific purposes.

The prosecutor's office initiated the criminal case after the Ministry of Justice of Lithuania and the General Prosecutor's Office of Poland confirmed the

information about the human rights activist's accounts in foreign banks. However, there were some reports during the proceedings that the case had been instigated by the Belarusian KGB back in late 2010 with a view to impeding Byalyatski and *Vesna's* human rights efforts.

Prosecutors applied for adjournment during the proceedings citing the need to reclassify the accusation, which many observers believed could mean a new accusation under Article 193¹ of the Criminal Offenses Code, this time targeting *Vesna* as an unregistered organization (which automatically means a threat of criminal prosecution of the rest of the *Vesna* activists). This did not happen, though, and the new accusation was in its essence the same as the previous one. The convicted activist filed an appeal to Minsk Municipal Court, and his supporters declared their willingness to compensate for the amount of taxes that Byalyatski failed to pay, which could become an indirect motive to mitigate the sentence in the appellate court.

Description of additional events

On December 16, 2011, Partizanski District Court of Minsk satisfied the claim of the district tax inspection to deputy chairman of Human Rights Center *Vesna* Valentsin Stefanovich. During the proceedings, Stefanovich made a statement that the money transferred to his account in Lithuania was not his personal income. The money was meant for his human rights activity and was to be handed over to a third person. However, the court found that the demands of the inspection for taxes and dues of the Partizanski District of Minsk must be satisfied and obliged Stefanovich to pay taxes and a penalty amounting to a total of 54,357,370 Belarusian rubles. When considering Stefanovich's case, the court referred to the same arguments as in the Ales Byalyatski case. The only reason why Stefanovich was not given a prison sentence is that he had been transferred less significant amounts to his foreign accounts.

In early October 2011, the public learnt that on October 3, 2011, the House of Representatives had approved the bill introducing amendments to some laws of the Republic of Belarus. The laws in question include the Law of the Republic of Belarus On Public Associations, the Law of the Republic of Belarus On Political Parties, the Criminal Offenses Code of the Republic of Belarus, the Criminal Procedural Code of the Republic of Belarus, and the Administrative Offenses Code of the Republic of Belarus. The lower house addressed amendments to the laws and codes during its closed sessions, and they remained unavailable for public discussions for quite a long time, despite the criticism of non-governmental organizations.

Among others, the amendments pertain to the legal framework for the activity of public associations, specifically, public associations and unions of such

associations are prohibited from having accounts in foreign banks. Additional limitations have been imposed on party structures' receiving donations. The amendments tighten the liability for failures to follow the established procedure when receiving foreign gratuitous aid: criminal liability has been introduced in addition to existing administrative liability (and possible liquidation of public associations and parties for such violations).

Of special concern is the inclusion in the Criminal Offenses Code of Article 369² "Receipt of foreign gratuitous aid in contravention of the legislation of the Republic of Belarus". Almost synchronously the lower house adopted the bill to introduce amendments to the Law "On Mass Events in the Republic of Belarus", which imposes strict limitations in the domain of the freedom of assembly, including new types of and grounds for criminal liability. The bill also provides for liability for the distribution of information about mass events prior to the authorization of such events.

One event illustrating stagnation in political liberalization/democratization is the dissolution of the Public Advisory Council with the Presidential Administration on September 23, 2011. In December 2011, the Minsk office of the German Friedrich Ebert Foundation was closed, and for the first time in many years, the annual Belarusian-German Minsk Forum was not held.

The final months of the year saw the continuation of the criminal prosecution of three members of the Party BPF Soym – Ales Kalita, Siarhei Semyanyuk and Maksim Hubarevich. They are accused of violence against a guard of the building, in which the party used to lease office premises. In November, the Party BPF had to change the location of its headquarters for the second time in 2011, because the owner of the premises, into which the party moved in July, suggested that the opposition party should vacate the leased areas before the lease contract expired.

Member of the Vitebsk department of the Conservative-Christian Party (CChP) BPF Siarhei Kavalenka, who had been given a suspended sentence for placing a white-red-white flag on the municipal Christmas tree, was arrested many times on charges of administrative violations. All those accusations were somewhat ambiguous. S. Kavalenka was later arrested and charged under Article 415 of the Criminal Offenses Code (avoidance of the service of sentence in the form of personal restraint) and is now facing up to three years in prison.

On the eve of the People's Assembly that was arranged by opposition parties in various Belarusian cities and towns on October 8 and a few following days, there were many preventive arrests. Specifically, on the eve of the event slated for October 8, head of the Slonim department of the Party BPF Ivan Shego, deputy head of the Brest city organization of the Belarusian United Left Party "Fair World" Lyavontsy Chepyrnykh and dozens of other members of opposition organizations were arrested as a preventive measure.

Preventive arrests of prominent oppositionists also took place before the December 19 events, timed to the first anniversary of the latest presidential election (among those arrested was former candidate Vital Rymasheuski and at least two more members of the Belarusian Christian Democracy). Arrests were also sanctioned on December 30 and 31 on the eve of New Year's Day. During the New Year celebrations, some popular opposition websites were attacked by hackers, and the management of the popular resource Charter'97 was intercepted.

On the final day of 2011, state enterprise Minsk Television Information Networks decided to exclude *Euronews* from the list of generally available package of television channels. *Euronews* used to provide Minsk residents with an uncensored coverage of news in the country and the world.

NGOs are still facing arbitrary rejections of their registration applications. Specifically, three regional and the Minsk city branches of the Human Rights and Outreach Public Association Movement "For Freedom" were denied registration for various reasons. Some organizations cannot have their names officially approved by concerned authorities (Minsk and Grodno). It takes a few days to consider applications for the approval of names for organizations, while commercial organizations have their names approved on the day they file applications. During the period under review, the prosecutor's office issued an official warning under Article 193¹ of the Criminal Offenses Code for carrying out activities in an unregistered religious organization in the Gomel region.

Description of events that contradict, but do not change the trend

On October 1, 2011, former 2010 presidential candidate Dzmitry Uss was released from prison. On September 1 and 14 presidential rulings pardoned and released Nikita Likhaved, Alyaksandr Klaskouski and some other political prisoners who were previously sentenced for taking part in the mass rally that protested against the results of the presidential election on December 19. However, the process of releasing political prisoners was later suspended.

The decreasing number of those arrested on administrative charges for unsanctioned mass events (Human Rights Center *Vesna* reports a bit more than 50 arrested activists from September through December) observed during the quarter in question can be attributed to the end of the "Revolution through Social Networks" campaign, which resulted in hundreds of arrested activists in the summer of 2011.

In November 2011, the Party BPF for the second time since the start of the year changed its premises, this time making a three-year lease contact in a building of communal ownership. At the same time, congresses of public organizations and political parties were held with no impediments – the Party BPF, the Belarusian Christian Democracy, the Conservative-Christian Party BPF and the Independent

Union of Belarusian Writers all convened without hindrance. The public organization “Alternativa-plus”, which is committed to protecting the rights of sexual minorities, held its constitutive meeting on October 15.

In the period October through December 2011, 20 public organizations and four funds were registered. Most of the registered associations are sports societies, just like in previous periods.

Brief forecast for the next quarter

Stagnation will remain in the public and political sector, whereas the repressive and forceful components of the policy pursued by the Belarusian regime will grow even stronger. Because of this, the future status of the indicator in question should be called “potential de-liberalization”: state agencies are ready for new limitations of the freedom of speech (especially with regard to Internet sites and social networks), freedom of assembly (adopted amendments pertaining to the procedure for the organization of mass events) and freedom of association (criminal cases initiated against the NGOs that receive and use foreign gratuitous aid without registration). Overall, the scope of repression will depend on the level of public activity and protests, which does not seem to have potential to be high enough.

Brief forecast for 2012

The electoral legislation will not feature any amendments, while at the practical level (during the preparation for the parliamentary elections of 2012), one should rather expect a depreciation of the few positive changes that were introduced prior to the latest presidential election. This could be made possible either by way of direct violations or by adopting sublegislative clarifications and interpretations by the Central Election Commission). In any case, the country will be in for a more active manifestation of public activity before the parliamentary elections, as well as tighter measures to control the freedom of speech and increase in the number of people arrested for breaching the rules of holding mass events. One or two political parties may be liquidated.

The de-liberalization trend can only be modified by changes in the foreign political standing of the regime, hypothetically, during the period following the presidential election in Russia in March 2012.

Further release of political prisoners (not all of them, though) could indicate the readiness of the regime to take part in a new round of talks with the West and mitigate repression. One should not expect a complete elimination of the human rights movement; the authorities will sooner continue and expand the tried practice of “wearing lawsuits”, like in the case with the tax-based prosecution of the Belarusian Helsinki Committee.

Trend 2

Economic Liberalization —▲

The 2011 results

Following timid attempts to regulate the money market using administrative levers, which really took very long, the authorities made up their mind to act on recommendations of independent experts, including IMF staff, and launch a market exchange rate of the ruble. However, in 2011, economic and social losses could not even be compared to any other year of the previous decade. Unfortunately, the policy pursued by the authorities does not rule out the chance that the situation might repeat in the future.

The end of the year was marked by the return of Russian rents to the Belarusian economy (sale of a 50% stake in *Beltransgaz* to *Gazprom*, opening of a credit line to build the Belarusian nuclear power plant, new terms of energy trade). The result was a temporary alleviation of the crisis. However, it is not clear whether the new economic policy will build on the macroeconomic populism of the past or become more rational and learn the lessons of the 2011 recession.

Was the forecast provided in the previous issue of *BISS Trends* accurate?

The previous *BISS Trends* issue had a forecast that should the administration keep to manual economic controls and fail to embark on structural reform, especially in the currency segment, the country would be in for an aggravation of economic consequences in the financial and real sectors and dramatic reduction in the purchasing power of the population. Fortunately, that forecast did not come true. During the period September to December 2011, the authorities gradually loosened the administrative control of the economy. The extra trading session at the currency exchange was later unified with the principal session. As a result, the situation in the currency market, which was one of the reasons behind the economic crisis, stabilized, and the Belarusian ruble even appreciated a bit against the basket. Furthermore, the National Bank tightened its monetary policy by increasing interest rates, limiting preferential lending and targeting the money supply.

Nevertheless, we should note that the government was only making steps to rectify the aftermath of the economic crisis, instead of aiming at liquidating the reasons behind the economy’s high susceptibility to external and internal macroeconomic shocks. The authorities never diminished the role of the state in the economy, though. The National Bank still lacks the autonomy to make decisions and depends entirely on the executive branch. The Finance Ministry is obliged to

meet the populist demands of the president; the share of the state in GDP has remained unchanged at about 70%. Of the 180 enterprises that were supposed to be privatized in 2011 (mostly in the second half of the year) only 38 were sold for a total of 170 billion rubles (about USD20 million).

Justification for the new trend

In the fourth quarter of 2011, the trend seemed to make a positive turn – instead of de-liberalization, a clear message was observed that the authorities were planning to undertake targeted reforms in the economy, including efforts to liberalize the currency sector, tighten monetary, credit and fiscal policies, increase energy efficiency of the economy, limit privileges and preferences, improve the business environment for small and medium-sized enterprises, introduce equal treatment of businesses and continue the privatization process. Not all of these measures were launched in the final quarter, and those that were introduced often fell short of the planned scope. The pace of the economic reform leaves much to be desired. However, there is a high likelihood that the trend towards a future economic liberalization will continue.

Description of the key event that defined the trend

The main event of the final four months of 2011 was arguably the resolution of the currency crisis. On September 14, the National Bank allowed an extra session of the Belarusian Currency and Stock Exchange (BCSE). Currency for so-called critical imports (oil, gas, pharmaceuticals, servicing of the foreign debt) was still available at the principal session at lower rates. For all other purposes, currency was available at the extra session of the exchange at nearly market rates.

One of the objectives of the extra session was to determine the real market exchange rate of the ruble. On the first day of the extra session, the exchange rate collapsed, and the gap between the official exchange rate and that identified as a result of the additional trading session reached 60%. The dollar bought 5,347 Belarusian rubles in the morning, which compared to the 8,600-ruble rate achieved at the extra session that day.

The period between September 14 and October 19 saw the authorities try the administrative, financial and information resources to support the exchange rate of the ruble and create the appearance of foreign exchange stability. Eventually, on October 20, the National Bank unified the exchange rates, which envisaged 51% devaluation of the ruble against the basket of currencies compared to the official exchange rate set for the previous day. During the few following months, the exchange rate kept fluctuating within a narrow band of ± 2 –3% (during the first weeks) and appreciated *vis-à-vis* the basket by 6% by the end of the year. However,

compared to the start of 2011, the national currency was devaluated by 172%, a new record high for Europe for the past two decades.

The transfer to the market exchange rate and its further stabilization produced a positive impact on the reduction in investment risks and limited devaluation and, consequently, inflationary expectations. Previously, companies were unable to acquire currency legally; the exchange rate used to change unpredictably, and all currency costs and risks were included in the price.

For instance, in September, many commodities with an imported component (the absolute majority of commodities in the Belarusian market) were offered at prices based upon an exchange rate set between 9,000 rubles and 12,000 rubles per U.S. dollar. Therefore, the unification of multiple rates created equal possibilities for doing business in the public and private sectors. Previously, private enterprises were supposed to surrender 30% of their revenues to the state at the official (lower) exchange rate and could only buy foreign currency in the black market or at the extra session of the exchange at a rate 50–80% above the official one, whereas state-run enterprises requiring foreign exchange enjoyed access to internal interdepartmental channels and were able to buy exchange at the official rate.

Simultaneously with the liberalization of the money market in September-December 2011, the National Bank consistently tightened the monetary and credit policy. The refinancing rate was raised to 45% from 22%. The money supply was growing at a slower pace due to restraints on new money issues imposed by the NBB and new lending operations between commercial banks and the real sector in connection with the increase in interest rates.

In September-November, ruble money supply (the *M2* aggregate) increased 8%, an average 2.6% a month, whereas in January-August, the figure expanded by 34%, an average 3.7% a month. The one-point difference between the average monthly increase really matters on a yearly scale (in our case, the 12-month difference would reach 19%). The result was a less significant consumer inflation increase at the end of the year. In September 2011, CPI went up 13.6% on the month, which compares to 8.2% in October, 8.1% in November and only 2% during the first 27 days of December. Nevertheless, since the start of the year, consumer prices grew 109%, which is also one of last decade's highs not only for Belarus, but also for entire Europe.

Amid the high consumer inflation rate and ruble devaluation in September-December, the authorities kept cutting back spending on state programs, including preferential home lending projects and subsidies to state-run agricultural enterprises. Because of the trend described above, September-December 2011 saw a deceleration in investment and consumer activities. GDP growth rate fell to 5.8% in January-November 2011 from 9.1% in January-August and is expected to further decrease to 4.5% for January-December. The same factors started affecting the banking sector by increasing the

vulnerability of banks' foreign exchange liquidity position and affecting the quality of their assets.

Description of additional events

As we predicted in the previous issue of BISS-Trends, the devaluation of the ruble without structural reforms can only increase the competitiveness of Belarusian products for a very short period. Despite the significant devaluation of the Belarusian ruble accompanied by moderate monetary and fiscal policies, the country's current account balance deteriorated in September-November 2011. While in the third quarter, Belarus' foreign trade surplus amounted to USD909 million, in October-November, a USD145 million deficit was recorded.

During the first three quarters of the year, current account deficit reached 11.9% of GDP, down from 13.1% in January-September 2010). Overall, current account deficit remains high. To offset it, the authorities plan to increase external borrowing and currency receipts from case-by-case privatization or attract other foreign direct investments.

Because of the generally negative business climate in the country, one should not expect new large investors to arrive in Belarus soon. On the other hand, the foreign debt and expenses to service the debt are already high enough to get concerned about the future generations being able to repay them. As of the end of the year, Belarus' overall foreign liabilities, including those of the private sector, stood close to USD 35 billion, about 60% of GDP, including the USD 13 billion of the state sovereign debt.

In 2012, Belarus plans to spend USD1.2 billion to service its foreign debt (to compare: this year's third and fourth tranches of the EurAsEC loan will total USD 800 million). Current account deficit alongside the poor foreign debt situation can therefore contribute to the trend towards a gradual liberalization and implementation of separate structural reforms.

Description of events that contradict, but do not change the trend

The final weeks of the year 2011 witnessed a number of significant agreements signed between Belarus and Russia. On November 18, the presidents of Russia, Belarus and Kazakhstan in Moscow signed the Declaration of the Eurasian Economic Integration. In exchange for its engagement in the integration projects, Russia is ready to extend to Belarus a USD 10 billion loan to build its first nuclear power plant. It was reported later that Russia would provide a tied loan, albeit on very beneficial terms. Belarus will receive a loan amounting up to USD10 billion to cover up to 90% of the nuclear plant cost. The money will be provided for 25 years with a repayment moratorium of 10 years and a 15-year term to pay the

principal. Furthermore, Belarus exchange the remaining 50% stake in OAO *Beltransgaz* for USD 2.5 billion and a preferential natural gas fee for 2012. The gas price discount will result in about USD 3 billion in benefits for the country in 2012. Additionally, Belarus and Russia agreed a new price formula and terms of supplies of Russian crude oil to the Belarusian oil refineries, a move that will save Belarus another USD 700 million in 2012. Finally, the Belarusian government managed to borrow another USD 1 billion against a security of 51% in OAO *Naftan*, one of the country's two oil refineries. On December 30, Belarus received the second USD440 million installment of the EurAsEC loan. The total amount of Russian subsidies thus returned to the level of the blessed early 2000s.

One conclusion that can be made from what has been said is that Belarus is getting more and more attached to Russia, hence its stronger dependence on the eastern neighbor. This means that the Belarusian authorities are not interested in transforming the economy towards the market. On the contrary, it looks like the authorities will be doing their best to postpone unpopular decision-making.

Brief forecast for the next quarter

One should expect the economic situation to further stabilize in the first quarter of 2012. This holds for not only inflationary and devaluation processes, but also the slower growth in GDP caused by tighter economic policies. The increase in the first grade wage rate on January 1 (by 32.5%), students' allowances (by an average 20%) and pensions will very soon be offset by growing prices, therefore, real personal incomes will remain unchanged in the first quarter of 2012 on a year-on-year basis.

Brief forecast for 2012

Unfortunately, we still have doubts that the existing regime, which denies the necessity of market reforms (the "market-oriented" premier recently earned a severe public reprimand from A. Lukashenka), will be able to conduct the requisite transformations in the economy.

Just like it happened in 2011, we should be skeptical about the government's forecasts and targets (a foreign trade surplus, 5–5.5% GDP growth, consumer inflation growth between 19% and 22% and stability of the Belarusian ruble). Experience proves that the Belarusian economy is founded on populism, and there are no preconditions to assume that the authorities will give up on populist measures this year. Another likely outcome of the current trend is the further reduction in the purchasing capacity of the population compared to 2011. Inflation rate will exceed 20%, foreign trade deficit will likely reach 5–6% of GDP, gross

domestic product will grow insignificantly, by mere 2–3%, and devaluation prospects are vague.

On the other hand, the liberalization of trade relations between Belarus, Russia and Kazakhstan, as well as Russia's accession to the WTO, may eventually force the Belarusian authorities to undertake at least gradual market reforms.

Trend 3

Quality of governance and rule of law —▼

The 2011 results

Overall, the year 2011 was marked by selective (i.e. arbitrary) administration of law both in the field of economic and political rights. The year that had been christened the “Year of Entrepreneurial Spirit” was characterized by mostly manual economic management and absence of any improvements in the rules of the game for private business.

Was the forecast provided in the previous issue of *BISS Trends* accurate?

As we had predicted, the “manual” economy management trend and contradictory changes in the legislation with a strengthening of controlling functions of the state persisted. Amid the development of legislative acts pursuant to Directive № 4 on economic liberalization, some amendments to codes and laws tightened the management framework. Thanks to external financial injections from Russia, the country managed to curb the negative processes in the economy, which allowed the regime to further conserve the existing authoritarian management and law system with no alterations.

Justification for the new trend

Whereas previously the liberalization rhetoric was purely formal, then in the final quarter of 2011 it disappeared completely. In early November, Lukashenka openly dressed down the “Myasnikovich–Rumas economy”, and the liberalization context immediately lost its relevance. Nevertheless, government members kept their posts, which means the previous policy and previous trends will remain.

The authorities keep working on regulatory acts in pursuance of Directive No.4; however, the original drive that encouraged the government to put the directive into life has been almost completely exhausted. When developing new

regulations, the state authorities keep consulting with the business community; however, the latter has little influence on the decision-making. Given the large-scale privatization transactions that are completely non-transparent and discussions of the scandalous amendments to the law on state security agencies, the fourth-quarter trend should be marked as “regress”.

Overall, the year 2011, dubbed the “Year of Entrepreneurial Spirit” did not finish in favor of entrepreneurs, who, just like other citizens, are losing confidence in the authorities because of arbitrary law administration and the instability of legislation. The experiment of “controlled liberalization” collapsed. Belarus expectedly failed to attain transparent and equal conditions for all entrepreneurs. Altogether, the “liberalization” trend monitored in 2011 can be unambiguously called “regress” compared to the year 2010 developments, considering unstable regulations and the non-transparency and inconsistency of law-enforcement.

Description of the key event that defined the trend

This key event is the signing of the contract to sell a 50% shareholding in *Beltransgaz* to Russian OAO *Gazprom*. Following the relatively successful first privatization wave, when stakes in smaller open joint-stock companies (OAOs) were sold by open auctions, the deal with the Russian gas giant to sell the remaining state-controlled interest in *Beltransgaz* used a non-market method, i.e. the way of direct negotiations with the only bidder, the monopoly supplier of natural gas to the country. This fact amply illustrates the arbitrary nature of the administration of law in Belarus and absence of uniform transparent rules of the game that would be binding for all. The arbitrariness of law-enforcement therefore identifies the quality of governance and the rule of law.

Description of additional events

On January 1, 2012, the investigative department of the prosecutor's office, preliminary investigation board of the Interior Ministry and financial investigation agency of the State Control Committee were merged into a single Investigative Committee, which will answer directly to the president. The head of state will personally appoint chiefs of the new structure. Over the last few years, there have been many scandals caused by various investigative departments producing damaging information about “counterparts”. Expectedly, the creation of the new structure will rule out such incidents, whereas the investigation process will definitely become more opaque.

The Administrative Offenses Code now features new sanctions – Article 22.16 stipulates a punishment for violating the regulations concerning the use of the

national Internet segment. Starting next year, the state will be enabled to fine organizations and entrepreneurs selling commodities and services on the domestic market using Internet-based systems that are located and registered outside Belarus. Furthermore, the amendments to the code stipulate fines for Internet providers that fail to identify and store personal data of such subscribers. Also, users' access to banned websites will be limited.

Description of events that contradict, but do not change the trend

In the fourth quarter, the government announced the preparation of new "liberalization" rulings to implement Directive No.4 aimed to promote competition, facilitate antitrust measures, form the single list of administrative procedures and regulate industrial and agricultural subsidies.

Presidential ordinance No.545, which adopted the Address on the development of ordinary law courts, became one in that series of promises. The direction of the reform is clearly outlined; however, we have to remember that as long as the judicial power in the country depends entirely on the executive branch and as long as "telephone law" remains effective, there will be no improvement in the status of justice in the country.

As a rule, declarations remain on paper, and entrepreneurs, including foreign investors, are already tired of listening to promises that are abundant, but not good enough to reshape the business environment. The preparation of a "liberalization" document alone cannot be considered liberalization until the document is adopted and launched; therefore, this preparatory process cannot influence the generally negative trend in the period in question.

Brief forecast for the next quarter

Amid the temporary macroeconomic stabilization caused by external financial injections from Russia, the authorities will keep restraining or even start phasing out liberalization. At the same time, this country's joining the Common Economic Area (CEA) and commitment to harmonize economic regulations, including antitrust rules, will oblige the Belarusian authorities to adopt legislative acts that will be liberalizing in their nature. The competition with Russia and Kazakhstan in the common market and need to have a more favorable business environment compared with neighbors will call for real liberalization measures in the economy. The gap between the liberalization of the economic and sociopolitical life will thus broaden.

Brief forecast for 2012

The protest moods in society and low confidence rating of the ruling elite demand tighter measures to control society and the economy. The development of information technologies that permeate all spheres of life will be accompanied by the strengthening of control of the electronic exchange of information. It is unlikely that in this context the authorities will adopt regulations to protect personal information.

By all appearances, the trend towards the overall "codification" of the country will continue, i.e. efforts to adopt codes in various fields (for instance, in culture), and the same holds for the association of a few regulatory acts into a single one with virtually same unchanged components. Manual economic controls in the form of presidential rulings will also continue as handy instruments that can easily be approved and then cancelled by a single person.

Trend 4

Geopolitical orientation

Pro-Russian vector ▲

Pro-European vector ▼

The 2011 results

The year 2011 saw a major geopolitical turn and the end of the multi-vector foreign political endeavor. As soon as EU visa sanctions were slapped on the Belarusian administration (those were mostly caused by the presence of political prisoners in the country), official Minsk commenced a foreign political turn towards Russia. Whereas in summer, there was certain intrigue about the possibility of resuming dialogue with the European Union, as soon as Russia generously offered economic preferences, Belarus' choice in favor of the Eurasian integration was predetermined.

Was the forecast provided in the previous issue of *BISS Trends* accurate?

The previous forecast was not accurate for a few reasons: the secret talks between Bulgarian Foreign Minister N. Mladenov and A. Lukashenka were made public; official Minsk had to scale down the declared liberalization in order to preserve its image; the Belarusian administration made up its mind to sell *Beltransgaz* and accede to the Eurasian Union. These factors dramatically changed the geopolitical situation around Belarus.

Justification for the new trend

The period in question saw a “freezing” of the conflict status quo in Belarus’ relations with the European Union. The Belarusian authorities ceased their attempts to normalize the relationship with the West in order to receive financial support from the EU and international institutions. This was to a great extent promoted by the country’s disillusionment with the engagement in the Eastern Partnership initiative, as well as the ongoing policy of imposing sanctions on the regime that is pursued by official Brussels.

The economic and political dependence of Belarus on Russia increased in conditions when no alternative foreign political vectors are available. The generous “integration discount” on natural gas fees and new loans further marginalized the relations with the European Union. In its relations with Russia, Belarus swung from the policy of stonewalling decision-making towards actions demonstrating loyalty and friendly rhetoric.

Description of the key event that defined the trend

Throughout September-December 2011, Belarus meticulously met all conditions to join the Common Economic Area (CEA): the country signed and ratified the Declaration on the Eurasian Economic Integration; inked the agreement on the establishment of the Eurasian Economic Commission; offered Russian capital new opportunities for the privatization of the largest Belarusian enterprises. These concessions secured official Minsk substantial economic preferences for the year 2012.

On November 8, the first spur of the European-Russian *Nord Stream pipeline* (routed on the Black Sea bottom) was officially launched. Although the new pipeline system is not capable of rerouting the entire volume of the Belarusian gas transit, its mere availability dramatically reduces the significance of the Belarusian gas transport system, stripping Minsk of an important bargaining chip in its talks with Moscow.

On November 25, Belarus and Russia signed a contract to sell/purchase the remaining 50% stake in *Beltransgaz* for a total of USD2.5 billion. In exchange for this transaction, as well as Minsk’s consent to take part in the Russian integration initiatives, Belarus was offered an unprecedented discount on the natural gas price, which will only amount to USD165 per 1,000 cubic meters in 2012. The Belarusian administration also contrived to secure beneficial terms of supplies and processing of Russian crude oil. This country also got a second installment of the EurAsEC loan amounting to USD440 million and hopes to take out a preferential loan for the construction of its first nuclear power plant amounting to USD10 billion (the contractual agreement on the construction of the first and second power units of the future nuclear plant was signed on October 11). Furthermore,

Belarus got USD1 billion as a loan to OAO *Belaruskali*, extended against a security of the government. Minsk also managed to get itself new concessions and indulgencies, as its economy is clearly unready to accede to the Common Economic Area – Belarus was allowed a seven-year respite (transition period) to amend its rules of state support for agriculture, whereas national customs preferences for companies registered in free economic zones will be valid until January 1, 2017.

Russian capital started penetrating slowly into this country’s potash industry, as Russian businessman M. Gutseryev was granted the right to develop a potash field in Belarus); the USD1 billion loan to OAO *Belaruskali* was extended against a security of a 51% shareholding in OAO *Naftan*. Belarus has also made the decision to sell the state stake in *Mobile TeleSystems* (MTS). Russian businesses also continued acquiring less significant Belarusian enterprises. Throughout the period in question, Belarusian state propaganda demonstrated complete loyalty to the Russian administration (it supported all integration initiatives, provided a positive coverage of the parliamentary elections and slammed post-election protests in Moscow, etc.).

During the final days of September (on the 29th and 30th), Warsaw played host to the second Eastern Partnership summit, where Belarus was represented at the level of its ambassador to Poland, because the head of state never got an invitation. For its part, the European Union deemed it unacceptable for the Belarusian ambassador to take part in the top-level summit events, which resulted in a demarche of the Belarusian representatives, who declared their further non-participation in the event. The demarche complicated the already tense relations between Minsk and Brussels. Amid the general disappointment with the results of the Eastern Partnership summit, Donald Tusk’s proposal to provide a financial assistance package to Belarus looked all the more ambitious and sensational. The Polish premier suggested offering Belarus a total of USD 9 billion as soon as the Belarusian government met three conditions: to release and rehabilitate political prisoners, embark on a dialogue with the opposition and conduct the parliamentary elections in compliance with the OSCE standards. Tusk’s proposal was to designate the financial assistance for reform in Belarus – the money will be coming from various sources, including the IMF, the European Bank for Reconstruction and Development and other financial instruments. Lukashenka’s resignation was not on the list of the conditions.

In a bid to implement the secret agreement with Nikolay Mladenov, the Belarusian side indeed released nearly all political prisoners sentenced for their roles in the December 19, 2010 events, except some key figures, such as A. Sannikau and M. Statkevich. However, the foreign political effect of the move was somewhat neutralized by the ongoing “Ales Byalyatski case” and repressive legislative initiatives of the Belarusian authorities (including amendments pertaining to the regulations on political parties, NGOs, mass actions and new legislative

initiatives concerning the security forces). In response to these aggravations, the Council of the European Union on October 10 decided to add 16 more names to the list of Belarusian officials who are denied entry to the European Union, and whose assets in the EU must be frozen. The European Parliament also passed a resolution condemning the aggravation of the situation with human rights in Belarus and calling for an immediate release of Ales Byalyatski.

The sentence passed on A. Byalyatski (Human Rights Center *Vesna*) on November 24, which envisages imprisonment and property confiscation, became an important factor in the relationship between Belarus and the European Union, at least in the short-term prospect. Right after the sentence was pronounced, the European Union expanded its sanctions (entry ban and freezing of assets) applying them to the people who participated in the case of the human rights activist. The two new names on the “black list” added on December 16 brought the total number of persons subject to sanctions to 210.

During the final quarter of the month, Lukashenka repeatedly made sharply negative statements about the European Union (the most characteristic examples include the interview to editor-in-chief of Russian News Service (RSN) Sergey Dorenko and the press conference for Belarusian media.

Description of additional events

In September, the *Euronest* parliamentary assembly, the parliamentary component of the Eastern Partnership initiative, was inaugurated. Belarus' place was vacant, because the European Parliament does not recognize the Belarusian National Assembly to be a legally elected parliament. The format of Belarus' engagement in the *Euronest* dimension had been discussed for a few years, and only as late as last autumn the EU made the decision to launch the assembly without a delegation from Belarus. This country thus lost another communicative platform in the framework of building its relations with the European Union.

In December, the Belarusian authorities closed the office of the German Friedrich Ebert Foundation in Belarus. According to spokesman for the Belarusian Foreign Ministry Andrei Savinykh, “the decision was prompted by a sharp radicalization of Germany's position concerning Belarus, for which the German side is solely responsible”. The Belarusian office of the foundation opened in Minsk in 1997. The office promoted cooperation with government institutions, civil society organizations, political and public figures.

The annual joint board sessions of the Ministries of Foreign Affairs of Russia and Belarus, which took place in Moscow on October 31, adopted a Program of concerted actions in the foreign policy of the member-states of the Union State of Belarus and Russia for 2012–2013. During the board session, Ministers Martynov and Lavrov had a one-on-one meeting.

According to the National Statistical Committee, in January-October 2011, Belarus' trade turnover with the European Union member-states came to USD 19.637 billion, up 71.7% on the year. Of all Belarusian exports, Russia accounted for 34.7%, other CIS countries for 14.3%, the EU for 38.3%, and other foreign countries for 12.7%.

Description of events that contradict, but do not change the trend

When accepting credentials of Head of the EU Delegation to Belarus Maira Mora on September 20, Alyaksandr Lukashenka said he hoped for a reset of Belarusian-European relations based upon the equality of rights and mutual respect. On September 22, it was spokesman for the Foreign Ministry Andrei Savinykh who said that Belarus was interested in constructive, consistent and equitable relations with the European Union. The statements were made during the preparation for the regular Eastern Partnership summit. On October 6, Minsk hosted the first round of technical talks with the European Union over economic and financial issues – the declared objective was to promote the exchange of information about the situation in the economy with a view to producing recommendations as to improvements of macroeconomic policies.

Brief forecast for the next quarter

Given the agreements with Russia and sizeable “integration discount” on the natural gas fee for Belarus, one should not expect modifications in the foreign political orientation of official Minsk in the near future, at least before the presidential election in Russia this March. The relationship with the European Union will remain difficult because of Minsk's failure to comply with Brussels' requirements – in the new foreign political framework, the Belarusian authorities are no longer interested in normalizing the relations with the European Union.

Brief forecast for 2012

Minsk's heavy dependence on Moscow will persist and grow stronger. In the framework of the Common Economic Area, the Belarusian socioeconomic model will undergo gradual transformations accompanied by stronger market trends. Russian capital will step up its presence in the Belarusian economy. In order not to mar the image of the Belarusian head of state, this expansion will be masked by various “grey” schemes, which will be largely non-transparent to the public.

Belarus' policy on the European Union, being overshadowed by Belarusian-Russian relations, will depend entirely on Russia's actions and accuracy of the implementation of the agreements with Belarus. This country's getting back to

the policy of balancing between the east and west is only possible if the Kremlin puts more pressure on Belarus and fails to honor its commitments after the presidential campaign in Russia has been completed.

Trend 5

Cultural policy —▼

The 2011 results

In Belarus' cultural policy, the year 2011 was marked by lost opportunities for the authorities, limitations imposed on the cultural landscape, marginalization of alternative cultural projects and attempts to drive unofficial cultural projects into a ghetto. In 2011, such negative phenomena as "black lists", cancellations of concerts, veil of silence about *Avtoradio's* getting back on air and multiple slander and contempt lawsuits filed against both individuals (A. Pochobut, S. Mikhalok, etc.) and independent media resources (*Nasha Niva*, *Narodnaya Volia*) became a routine. Logically building on the trend is the series of attacks against the Charter'97 resource, which was clearly beyond the legal field.

On the positive side, the year 2011 saw an increase in the demand in the Belarusian cultural field for products well outside the official aesthetic framework. In this context, one should note the significant increase in the number of visits to independent media resources, growing popularity of alternative musical projects, which do not fit in the pool of "approved cultural figures", as well as the demand for a sarcastic, grotesque conceptualization of the political reality, which allows overcoming the state monopoly on the interpretation of cultural, political and other events.

Was the forecast provided in the previous issue of *BISS Trends* accurate?

The forecast made in the previous issue of *BISS Trends* was accurate with regard to the advancing depreciation of cultural products that represent the official discourse – even the state media admit this. An excellent illustration is the debate over the role of the writer and literature initiated by *Sovetskaya Belorussia* daily, which eventually turned into a bitter wrangle over personalities. Also indicative in this context is the tour of the pro-government Union of Writers of Belarus (UWB) of the Minsk region, which revealed – a fact that is also reported by *Sovetskaya Belorussia* – that the writers who visited the province are unknown to the public, and that their books cannot be found in local libraries.

The possibility of certain liberalization mentioned in the previous forecast, which was connected with the possible release of political prisoners, was realized only in the framework of the presidential ordinance "On measures of state support and promotion of cinematography", which many experts believe has the potential for overcoming the monopoly of the state film studio Belarusfilm. Repeating the pattern of political liberalization, when not all political prisoners were released, the liberalization in the cultural sector was manifested in the narrow cinematographic sphere and cannot be considered systemic.

Justification for the new trend

The fourth-quarter trend of the year 2011 should be identified as the artificial ousting of politics from culture. This trend was observed previously, but it has become especially obvious during the final months of the year. The intention to separate politics from culture was declared by some officials and at the institutional level, when relevant decisions were made by state and even private organizations. The culture figures who in their works or public statements can qualify for a political role are alienated, and their symbolic value for society is negated.

The autumn of 2011 traditionally saw a number of regional and international annual holidays and festivals. The cultural life of the country therefore cannot be called uneventful. Nevertheless, it cannot be called diverse, either, because most of the actors who are independent of the authorities are still faced with restrictions on their potential presence in the public space.

At the same time, all attempts to create a cultural product that could encourage loyalty in the official discourse tend to fail. The significant decrease in living standards of most Belarusian citizens contributes to the increased relevance and demand for a special critical prism to interpret the cultural products that are deliberately reduced to entertaining and distracting the public from socially significant events. It seems symptomatic that the culture page in the state press is filled with news of showbiz, reports from entertainment events and amusing stories from the past.

The strategy of pushing politics away from the culture field, de-liberalization and rejection of the European identity of Belarusian culture produces an opposite effect: the audience tends to pay more attention to political acts expressed in the form of artistic works, to such cultural practices that presuppose a critical interpretation of the political reality. This form of protest is deemed most successful currently, which is proved by the growing audience of independent media resources, popularity of the musicians and writers from the unacknowledged "black list".

Description of the key event that defined the trend

A chain of events was observed during the period under review that can be characterized as “de-liberalization” and “regress” of the Belarusian cultural landscape. Contrary to the traditional pattern, we are going to describe a series of events that determined the nature of the trend instead of a single event. On December 30, 2011 A. Lukashenka signed a ruling to declare the year 2012 to be the “Year of the Book”. This choice was not random, because, judging by the events of the last four months, literature started to be considered as one of the most important instruments to struggle for people’s loyalty and advocate the ideology of the Belarusian state. In this connection, one should recollect the repeated statements by A. Lukashenka about the role of the writer and literature in Belarusian society; speech of Culture Minister P. Latushka during the opening ceremony of the Days of Belarusian Literature in Gantsevichi; development of the national reading program initiated by the Ministry of Culture, and active publications in *Sovetskaya Belorussia* – the official mouthpiece of the Presidential Administration – in this respect.

At the same time, the intention to popularize the men of letters who are loyal to the authorities and their works inevitably envisages the denial of the value of alternative literary styles. Political activity implies a waiver of the right to create. The recognition/rejection criterion is clearly outlined in A. Lukashenka’s speeches during meetings with members of the Union of Writers of Belarus, on October 25, and creative youth, on December 1. Therefore, the cultural policy of the period in question was initiated and governed by a clearly personified source rather than an anonymous figure of the regime, which cancelled concerts, shut down *Avtoradio* and imposed censorship.

Paradoxically, the key events turn out to be Lukashenka’s statements, not the measures and resolutions of the Ministry of Culture or Ministry of Information. Yet, the period under review clearly revealed the imperfections of the authoritarian cultural policy. The Union of Writers of Belarus, established in 1996, enjoys a colossal support of the state, both financial and informational. However, its results are not impressive, and most of its members are virtually unknown to the general reader. The UWB tour of the Minsk Region on November 8–9 demonstrated the absence of any significant influence of the pro-government literary retinue on the general reader, despite 2 million copies printed under the aegis of the Union over the last five years (fully financed by the state).

Description of additional events

The events that add to the trends described above include the probe by the prosecutor’s office into the statements addressed by the leader of *Lyapis Trubetskoy* Siarhei Mikhalok to Lukashenka – the groundlessness of the

investigation evoked a wide response in non-governmental media. Also noteworthy is the censorship of the performance of famous Belarusian musician Lyavon Volski at the *tut.by* portal, which is positioned as an unbiased outlet. This event made it into the top news of all independent websites and provoked an active public discussion.

Also worthy of mention is the congress of the alternative public organization Union of Belarusian Writers (UBW), which expelled V. Yakavenka for his publications in the state *Litaratura i mastatstva* periodical. In his publications, the writer accuses the leaders of the Union of financial fraud. The UBW later received a letter from the Justice Ministry, which did not recognize the expulsion of the writer. These measures to localize influence indicate the symbolic significance of the cultural actors opposed to the authorities in the public space.

Description of events that contradict, but do not change the trend

One event contradicting the trend was presidential ordinance № 567 “On measures of state support and promotion of cinematography” adopted by President Lukashenka on December 5, 2011. The ruling can be considered a step towards liberalization, as many experts believe it has the potential for liquidating the monopoly of the state film studio *Belarusfilm*. The document envisages equal financial possibilities for state and private companies and introduces control of the use of funds in movie productions.

The fact that many trends of the official cultural policy are personified in the actions of a single power actor can be considered a confirmation of certain servility of the Belarusian Ministry of Culture, which regulates the sphere rather as an entertainment zone.

Brief forecast for the next quarter

The first quarter of 2012 will be largely characterized by the identified negative tendencies connected with the de-liberalization of the Belarusian cultural field. With that, one should expect further equivocal manifestations of the strategy to approximate to the Russian cultural landscape within the track of the regional geopolitical project of Russia, Belarus and Kazakhstan.

There is also a strong likelihood that the authorities will continue making use of the practice of excluding and marginalizing independent cultural actors in the first quarter of 2012, including in connection with more successful self-identification attempts of Russian civil society and engagement of actors having considerable cultural capital and capable of successfully investing it in political struggle.

Brief forecast for 2012

Amid shortages of financial resources, the regime will arguably save on “circuses” in the framework of its cultural policy. This is confirmed by the attempts to promote the “monetization” of the Belarusian cinema and permanent search for sponsors and donors to finance other cultural projects. It is also reasonable to presume that the authorities will keep to the habitual strategy of resorting to repression against any alien discourse in the Belarusian cultural landscape. The process of liberalization and engagement of Belarusian culture in the European context will rather take the form of short-term perfunctory modifications. At the same time, the symbolic capital of independent alternative actors in the cultural field will be growing. This tendency holds certain potential for the struggle for the European identity of Belarusian culture.

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