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# Belarusian

## YEARBOOK

# 2014

**A survey and analysis of developments  
in the Republic of Belarus in 2014**

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## EDITORIAL FOREWORD

*Belarusian Yearbook 2014* presents a comprehensive analysis of the key developments in the main sectors of the state and society. Since 2003, the *Belarusian Yearbook* has evolved as a crucial annual initiative of the Belarusian expert community to compile, conceptualize and present a chronicle of Belarus's contemporary history.

Last year, the compilers of the *Yearbook* wrote: “the country spent virtually the entire year waiting for something to happen or some external force to give an impetus to further development or change the status quo.” In 2014, the country received such an external impetus – Russia's annexation of Crimea, which followed the ‘Maidan,’ and military operations in the east of Ukraine. That external shock may not have been strong enough to shake the Belarusian model; however, it produced a considerable impact on many processes in the country, which had been developing mechanically due to some previous momentum.

Russia's aggression in Ukraine affected Belarus's *foreign policy*, as the country tried playing a new role in regional and – on a broader scale – European security policy. It succeeded to some extent. As a result, the Belarusian authorities gradually resuscitated the old pattern of balancing between Russia and the West. Minsk assumed a peacekeeping function and provided Russia, Ukraine, and the European Union with a venue for negotiations.

While maintaining its relationship with Russia as its ally, Belarus started building constructive relations with the new Ukrainian authorities. Contacts between Belarus and the European Union were invigorated, while the agenda for the country's engagement with the EU mostly focused on ‘pragmatic’ objectives, which the Belarusian authorities had emphasized since 2011.

The events in Ukraine reshaped *public opinion* resulting in an increase in social optimism and trust in the authorities against the backdrop of unchanged or decreasing living standards.

Drawing on these trends, the president and the government made respective *domestic policy* moves: the mechanism to pass on the growing costs of the failing economic policy to households was used at its full capacity, whereas the government with its declarations of the ‘need for reforms’ de facto lost its leverage to manage the economy and was replaced by a new team at the end of the year.

Because the Belarusian *economy* is to a great extent ‘pegged’ to Russia, the slower economic growth in the latter and depreciation of the Russian ruble had a predictable impact on Belarus — export supplies dropped, GDP growth slowed, and the national currency lost its value. The launch of the Eurasian Economic Union (EEU) can hardly make up for the heavy losses of the country, which might be slipping into a ‘poverty trap.’

There are no visible preconditions for overcoming or at least mitigating some of the effects of the regional political and economic crisis. Experts are making *forecasts* that as long as tensions in the relationship between Russia and the West remain, Belarus will seek to expand its dialogue with the European Union; however, the prospects of such dialogue remain vague, given the upcoming presidential election (with a fully predictable outcome).

Experts remain skeptical about the *capacity of economic reforms*, which are expected to start after the presidential election, i. e. in 2016. The political administration has opted for a development strategy built on a package of measures relying on financial support from Russia, envisaging further tightening of control in various sectors of public life, as well as regular rotation of officials and schemes to make households ‘share’ their incomes to make up for the lost profits of the industrial giants. Because ‘manual control’ of the Belarusian economy has been revived, experts expect further reductions in the economic competitiveness of the country compared with the economies of its EEU partners.

Contributing to *Belarusian Yearbook 2014* were independent analysts and experts, as well as specialists representing various think tanks, including the Belarusian Institute for Strategic Studies (BISS), the Research Center of the Institute for Privatization and Management, the Independent Institute of Socio-Economic and Political Studies (IISEPS), the Belarusian Economic Research and Outreach Center (BEROC), the Institute of International Relations (Warsaw, Poland), the Center for Social and Economic Research (CASE), *eBelarus* Research Center, the *Belarus Security Blog* analytical project, the Agency for Social and Political Expert Appraisal, and the website of the expert community of Belarus *Nashe Mnenie* (‘Our opinion’).

*Valeria Kostyugova*  
*Anatoly Pankovsky*



# **STATE AUTHORITIES**



## PRESIDENTIAL ADMINISTRATION: ALWAYS PREPARED FOR ELECTIONS AND CRISES!

**Nikolai Burov**

### Summary

The Presidential Administration kept tightening the screws on the public administration system throughout the year 2014. The control over local governments became much tighter mainly through continuous rotation in regional offices and the use of the ongoing anti-corruption campaign for this purpose. The Administration has conditioned the environment to hold a seamless presidential election in 2015 thus driving nails in the coffin of the 'Belarusian Model' of development amid the economic recession.

### Trends:

- Chief decision makers in the Administration were replaced in keeping with the president's policy towards tightened control through regular staff rotation;
- Measures are taken to prevent local elites from getting dangerously strong;
- The quality of management goes down as the short-leash method prevails.

### Modernization...

In 2014, the Presidential Administration was still working on a new development policy needed primarily due to resource shortages and a crisis of the so-called "Belarusian Model." *Modernization, mobilization and optimization* are outlined as the priorities.

Speaking about modernization, the Belarusian authorities first of all mean the procurement of new equipment for manufacturers. Despite an intense official discourse on modernization, its actual failure is obvious even to the country's leadership. Alexander Lukashenko told Belarusian reporters on January 21, 2014 that the economy was sliding down, but said nothing about the failure of modernization.<sup>1</sup> Shortly after,

<sup>1</sup> "Встреча Александра Лукашенко 21 января с руководителями белорусских СМИ. Полная телеверсия." *Столичное телевидение*. 22 Jan. 2014. Web. 6 Mar. 2015. <<http://www.ctv.by/aleksandr-lukashenko-21-yanvary-a-vstretitsya-s-rukovoditelyami-belorusskih-smi-i-otvetit-na-samy>>.

at a meeting on the woodworking industry on January 31, he acknowledged the failure of its upgrade. On November 14, during a working trip to the Grodno region, the president openly called the outcome of modernization (the inability to sell the products) a crime.

### **...mobilization...**

The failure of modernization is supposed to be compensated by active mobilization, which is interpreted as tighter control and heavier responsibility in all areas of social life in conditions of increasing scarcity of available resources. The government defined the key elements of mobilization pronounced in *two* decrees issued in 2014: the decree on prevention of social parasitism (the so-called “decree on parasites”) and decree No.5 “on strengthening the requirements for managers and employees of organizations”<sup>2</sup> (the working title was more revolutionary: “On strengthening of the struggle against mismanagement and increasing requirements to managerial personnel on all levels”).

The Administration attaches paramount importance to the decree on staffing. The head of state was announcing it regularly throughout 2014: on March 17, when considering personnel matters; on April 22, during the annual address to the National Assembly and the nation; on April 25, during a visit to the Klimovichi district; on May 27, during a working trip to the Minsk region; on July 31 at a meeting on improving the legislation to combat corruption; on August 11, during personnel appointments; on August 12, at a meeting on the said decree; on October 14, during personnel appointments; on November 5, during a working trip to the Mogilev region; on November 11, when hearing a government and National Bank’s report on the state of the economy in 2014 and forecasts for the next year; on December 2, during a meeting with Chairman

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<sup>2</sup> “Декрет № 5 от 15 декабря 2014 года “Об усилении требований к руководящим кадрам и работникам организаций”.” *Официальный Интернет-портал Президента Республики Беларусь*. 15 Дек. 2014. Web. 7 Mar. 2015. <[http://president.gov.by/ru/official\\_documents\\_ru/view/dekret-5-ot-15-dekabrja-2014-g-10434/](http://president.gov.by/ru/official_documents_ru/view/dekret-5-ot-15-dekabrja-2014-g-10434/)>.

of the Federation of Trade Unions of Belarus Mikhail Orda; on December 2, at the second meeting dedicated to the future decree. As a kind of culmination, the decree was finally signed on December 15.

It stirred up heated debates in the expert community. The decree enlarged powers of the presidential vertical, including those related to the private sector. Local authorities had never complained about their too loosened grip before the decree came into force, so, many provisions of the decree simply legalized the long-standing practice.

The decree does not seem to be able to solve the problem of the brain drain, low professionalism and its continuous decline, nepotism, departmentalism, poor management, the prevalence of political motivation over economic aspirations and other negative phenomena typical of the Belarusian state administration system. The decree should rather be seen in the context of simplification and simultaneous toughening of the state control methods, which indirectly indicates imbalances and problems in the administrative system.

The rumors and speculations about the “decree on social parasites” point at serious social and economic problems and deficient competence of the Administration. All agree that there is a problem of non-involvement of a large segment of the economically active population (the extensive shadow sector in the economy), yet most experts say that the decree on parasites is the least adequate solution. The Ministry of Labor and Social Protection was tasked to work out an applicable legislative instrument in 2013. It would be an understatement to say that the ministry was reluctant to prepare a draft. It tried every possible way to soft pedal the assignment, but had to get to work under the persistent pressure from the Administration.

### **...and optimization**

Imbalances in the Belarusian public administration system will apparently grow in conditions of the further optimization (i.e. a reduction) of the state machinery planned by the Administration and announced by the president. Analysts said in 2013 that the so-called “public administration reform” not only fell short of

its aim, but even aggravated the existing problems.<sup>3</sup> Contrary to the popular belief, civilians in government offices are few, and the further downsizing will only complicate the functioning of the state machinery and make the national administration patterns even more primitive.

The very goal of this ‘optimization’ is hard to understand. Lukashenko only explained that it will increase incomes of officials through distribution of saved funds. He however repeatedly contradicted himself saying that officials’ salaries are adequate. Almost the same explanation (an increase in officials’ salaries through staff cuts) was given in 2013, but the reform was not carried out in full at that time either.

Many experts point out that the state machinery performs excessive functions, which is the main problem of the Belarusian government system. Lukashenko spoke about this during the annual address to the parliament and the nation.<sup>4</sup> However, speaking about de-bureaucratization, the president actually narrowed it down to a staff reduction. This is quite disturbing because the Administration staff should be reduced as well. In 2013, few believed that it would concern this quite small institution. Its further downsizing can lead to a serious deterioration in the quality of its work, given that the attached functions are not getting fewer (they even tend to expand lately).

### **Never ending struggle against corruption**

While increasing powers of the presidential vertical, the Administration seeks to prevent excessive strengthening of local elites.

<sup>3</sup> Burov, Nikolai. “The Administration of the President: Personnel shuffling does not change anything while the tramps are still in the former hands.” *Belarusian Yearbook 2013*. Vilnius: Logvinov, 2014. 11–18. Print; “Research: Public administration reform in Belarus”. Liberal Club. 11 Oct. 2014. Web. 7 Mar. 2015. <<http://liberalclub.biz/?p=15374>>.

<sup>4</sup> “Послание Президента белорусскому народу и Национальному собранию, 22 апреля 2014 года.” *Официальный Интернет-портал Президента Республики Беларусь*. 22 Apr. 2014. Web. 7 Mar. 2015. <[http://president.gov.by/ru/news\\_ru/view/aleksandr-lukashenko-obraschaetsja-s-ezhagodnym-poslaniem-k-belorusskomu-narodu-i-natsionalnomu-sobraniju-8549/](http://president.gov.by/ru/news_ru/view/aleksandr-lukashenko-obraschaetsja-s-ezhagodnym-poslaniem-k-belorusskomu-narodu-i-natsionalnomu-sobraniju-8549/)>.

The year 2013 saw many examples when Lukashenko's personnel decisions were ignored in the regions. There was at least *one* such case in 2014: after Lukashenko's working trip to Slutsk, Chairman of the Committee for Agriculture and Food Supplies of the Minsk Regional Executive Committee Vitaly Grishanov was appointed director of JSC Slutsk Flax-Processing Plant on April 11. He then transferred back to the Minsk City Executive Committee as soon as February 13, 2015.<sup>5</sup>

Alongside traditional rotations, the Administration has been using anti-corruption rhetoric more often to closer monitor local activities in addition to regular intimidation of local elites. Anti-corruption efforts will apparently become a key element of Lukashenko's election program, since he cannot offer the voters the living standards secured not long ago.

In conditions of a severe economic recession, the struggle against corruption is presented as a cure for all diseases of Belarusian society. A new anti-corruption campaign was launched on March 11, 2014 at a meeting on improvement of the procedure of admission to higher education institutions. The president dedicated a separate section of his annual address to anti-corruption efforts. After providing numerous examples of corruption crimes, Lukashenko emphasized his role in coping with the problem and referred to draft decree No.5 as a major tool to combat corrupt practices.

However, the new campaign has not brought anything new. As usual, criminal charges are only pressed against individual bribe takers. In the undisputed *Corruption Perception Index*, as of year-end, Belarus was rated 119<sup>th</sup> only having moved up four positions against 2013.<sup>6</sup>

### Rotation in the regions

As part of the declared mobilization, the Administration makes hard efforts to tighten control over the regions. Presidential

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<sup>5</sup> "С 13 февраля на должность директора ОАО "Слуцкий льнозавод" назначен Лаворенко Виктор Николаевич." *Слуцкі край*. 24. Feb. 2014. Web. 7 Mar. 2015. <<http://s-k.by/ru/news?id=5277>>.

<sup>6</sup> "Corruption Receptions Index 2014: Result". *Transparency International*. Web. 7 Mar. 2015. <<http://www.transparency.org/cpi2014/results>>.

aides, who serve as chief inspectors of the regions and Minsk city, were still gaining political weight in 2014, and the rotation of governors went on.

In May 2014, Chairman of the Gomel Regional Executive Committee (Governor) Vladimir Dvornik was officially warned for a failure to meet performance standards. He was accused of connivance, shortcomings, personnel misjudgment, and a failure to take appropriate measures to comply with the law on public service and the struggle against corruption. In August, former Chairman of the State Control Committee Alexander Yakobson was appointed presidential aide, chief inspector of Minsk. He replaced Fyodor Domotenko, who took the office of director general of the Minsk Tractor Plant.

The very fact of this reshuffle means that Lukashenko is deeply dissatisfied with the Minsk Mayor's Office. The president had publicly criticized Minsk Mayor Nikolai Ladutko more than once actually accusing him of corruption. In September, Lukashenko finally dismissed Ladutko and replaced him with Minister of Municipal Housing Economy Andrei Shorets.

Alongside the anti-corruption component, Ladutko's dismissal was related to the rotation of governors regularly practiced by the president and the Administration since 2013. In November 2013, the president dismissed Minsk Region Governor Boris Batura and replaced him with Grodno Governor Semyon Shapiro. The Grodno governor office was taken by little-known Vladimir Kravtsov.

Mogilev and Brest Governors Pyotr Rudnik and Konstantin Sumar got demoted in December 2014. The Vitebsk Region was given a new head as well, but, unlike Batura, Rudnik, Ladutko and Sumar, former Vitebsk Governor Alexander Kosinets was appointed to a high office of first deputy presidential chief of staff. Former presidential aide, chief inspector of the Gomel region and then deputy presidential chief of staff Anatoly Lis was assigned to manage the Brest Region. Presidential aide, Chief Inspector of the Grodno Region Bladimir Domanevsky was sent to the Mogilev Region, and presidential aide, Chief Inspector of the Vitebsk Region Nikolai Sherstnyov went to the Vitebsk region.



## Alexander Lukashenko's "December knot"

The large-scale reshuffle of December 27 was undoubtedly a peak of staff changes in 2014. The Administration and the government were expected to be replaced in June 2014, then in August, and then it finally happened at the end of the year. Given the circumstances of the preceding large-scale personnel changes made after the 2010 presidential election, the very decision was quite unusual and suggested that the atmosphere in the Administration was tense before the election year. The aggravating economic crisis complicated the situation even more.

Generally speaking, most personnel decisions, including the appointment of Andrei Kobayakov as prime minister, were easily predictable. For instance, the appointment of *two* deputy presidential chiefs of staff—first secretary of the Belarusian Republican Youth Union Central Committee Igor Buzovsky and Economy Minister Nikolai Snopkov actively lobbied by presidential aide Vsevolod Yanchevsky—came as no surprise. Alexander Radkov was relieved from his office of first deputy presidential chief of staff and appointed presidential aide, which was quite indicative (as a result, the position of first deputy chief of staff remained vacant in early 2015). This suggests that the Administration started focusing on the upcoming presidential election, which most likely will go by the standard scenario.

The 2014 local elections were a kind of a final rehearsal. Everything went as the Administration planned. In a number of organizations the early voting turnout was almost 99%, and the total turnout almost reached 100%.

The filling of the position of chief of staff was probably the only matter, which could bring an air of the unexpected. Natalia Petkevich was considered as the most likely candidate in early summer 2014. However, she was dismissed from the office of presidential aide on October 1 "upon mutual agreement of the parties", which is an uncommon wording when it comes to officials of such high level. No one knows for sure why Petkevich chose to resign, but she was definitely not kicked out in disgrace, so her comeback to a senior position in the near future is a serious possibility, especially before the presidential election. The appointment of Alexander Kosinets, who is known for his

authoritarian style of management, and the fact that there is no counterweight to him represented by a first deputy clearly demonstrates the Administration's commitment to the policy of total control and tightened screws.

## **Conclusion**

The year 2014 was a year of preparation for the 2015 election campaign and a year of a serious economic crisis in conditions of scarce resources. The Presidential Administration pursues a strategy of full control over all spheres of social life, accelerated rotation of officials, and a revision of the balance of power between the Administration and the presidential vertical.

The measures taken appear to be effective in terms of the retention of power by the incumbent president and related elites.

## **‘INTERNAL’ OVERCOMING OF THE CRISIS: FROM THE MYASNIKOVICH CABINET TO THE KOPYAKOV CABINET**

**Ina Ramasheuskaya**

### **Summary**

The past year was not marked by any noteworthy actions in any direction taken by the Mikhail Myasnikovich Cabinet, either reformative or counter-reformative. The government thus displayed a classic mode of functioning of all Belarusian governments over the past decade. *Three* main features of this mode can be outlined: (1) thorough elaboration of decrees of the political authorities rather than goal orientation; (2) the launch of a mechanism of shifting the burden of increasing costs of the flawed economic policy onto the population; (3) the never-ending paperwork on the planning of reforms, i. e. baking of large number of strategies and plans by the economic ministries, which do not contain realistic measures to achieve the desired state of affairs.

### **Trends:**

- The paralysis of the national policy expressed in the unconditional acceptance of most directives by top officials in the absence (imitation) of actions to implement them is getting heavier;
- The focus on reforms, which is reduced completely to the preparation of plans and strategies without any touch with reality, is basically declarative.

### **‘Elaboration’ of policy decisions rather than their implementation**

Since the very beginning of 2014, the head of state made it clear that the Mikhail Myasnikovich Government would not stay in office for long, and make the powers of the government and the prime minister personally directly dependent on the achievement of the planned economic targets in the *first*, then the *second* and subsequent quarters. All year, the government’s efforts basically reduced to regular statements by the prime minister (of varying degrees of forcefulness) about how exactly the president’s directives should be complied with. These statements, however, did not suggest that the directives would be

implemented even if it came directly under the jurisdiction of the premier.

For instance, early in the year, Myasnikovich said that an economic breakthrough in 2014 would involve outsourcing from the small business sector to serve Belarusian industrial giants.<sup>1</sup> However, except for the calls to small and medium businesses to set up ancillary productions, no governmental action in support of this initiative ever followed.

Moreover, this ‘strategy’ apparently contradicted the prescription given by the government in 2013, i. e. to set up self-standing full cycle productions with labor productivity equal to that in the European Union as a driving force of economic growth.<sup>2</sup> Ten or more facilities of the kind were supposed to be arranged in each region of Belarus. The fact that 60 (at least) high-tech facilities did not materialize in 2013 in no way affected the prime minister’s optimism about the involvement of the new driver of economic growth — the outsourced production.

The government was acting pretty much the same way on other directions. In particular, this concerns the preparation for Belarus’ accession to the Eurasian Economic Union (EEU), which took place in May 2014. Right before the EAEU treaty was signed, the Belarusian prime minister rebuked members of the Council of Ministers for their passiveness in establishing the common market without exclusions and limitations following the president’s instruction.<sup>3</sup> His criticism was heard, but no-

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<sup>1</sup> “Правительство Беларуси видит большие резервы в развитии в республике аутсорсинга.” *БелТА*. 30 Dec. 2013. Web. 7 Apr. 2015. <[http://www.belta.by/ru/all\\_news/economics/Pravitelstvo-Belarusi-vidit-bolshie-rezervy-v-razvitii-v-respublike-autsorsinga\\_i\\_656021.html](http://www.belta.by/ru/all_news/economics/Pravitelstvo-Belarusi-vidit-bolshie-rezervy-v-razvitii-v-respublike-autsorsinga_i_656021.html)>.

<sup>2</sup> Ромащевская, Инна. “Как обустроить Беларусь. Рост экономики экономическими призывами.” *Naviny.by*. 6 Jan. 2014. Web. 7 Apr. 2015. <[http://naviny.by/rubrics/opinion/2014/01/06/ic\\_articles\\_410\\_184161/](http://naviny.by/rubrics/opinion/2014/01/06/ic_articles_410_184161/)>.

<sup>3</sup> “Мясникович требует от чиновников большей активности при подготовке проекта Договора о ЕЭС.” *БелТА*. 6 Mar. 2014. Web. 7 Apr. 2015. <[http://www.belta.by/ru/all\\_news/economics/Mjasnikovich-trebuat-ot-chinovnikov-bolshej-aktivnosti-pri-podgotovke-proekta-Dogovora-o-EES\\_i\\_662095.html](http://www.belta.by/ru/all_news/economics/Mjasnikovich-trebuat-ot-chinovnikov-bolshej-aktivnosti-pri-podgotovke-proekta-Dogovora-o-EES_i_662095.html)>.

thing was done, actually, to further the cause. No solutions to the problems associated with the preparation for the launch of the EAEU were offered, although the coordination of activities of the Council of Ministers and shaping of the agenda come within the duty of the prime minister.

The widely praised hosting of the World Ice Hockey Championship in Minsk was a splash of color against the background of apathy and paralysis when it came to making non-trivial and difficult economic decisions. Although the entertainment program cultivated on the meager substrate of bureaucratic creativity was rather labored, the 2014 World Championship was well-organized with a healthy portion of enthusiasm. The organizing committee headed by Prime Minister Myasnikovich demonstrated that Belarusian administrators are able to effectively coordinate complex performances if set clear and consistent tasks.

Despite this particular success, which can be credited to the organizers, the Myasnikovich Cabinet was dismissed in late 2014 among other things due to the sharp aggravation of economic problems in the second half of December 2014, which was not totally the fault of the government, though, because, in many respects, it was a delayed reaction to the currency crisis in the Russian Federation. Anyways, the Cabinet was replaced, and Andrei Kobyakov, who has experience working in the government and the Presidential Administration (the main agency in charge of policy making), was appointed prime minister.

### **The launch of a mechanism of shifting the burden of increasing costs of the flawed economic policy onto the population**

According to expert reviews<sup>4</sup>, Belarus' treasury revenues were still going down in 2014 alongside a decline in performance of large enterprises (and, consequently, a decrease

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<sup>4</sup> “‘Большая семья’ обернётся большим разводом белорусов на деньги.” *Naviny.by*. 7 Sep. 2014. Web. 7 Apr. 2015. <[http://naviny.by/rubrics/economic/2014/09/07/ic\\_articles\\_113\\_186607/](http://naviny.by/rubrics/economic/2014/09/07/ic_articles_113_186607/)>.

in the amount of the income tax paid to the budget). In this situation, the government chose the tactics of compensating for the shortfalls, imposing additional taxes and levies on individuals.

Since late August, the government kept offering various ideas on how to increase budget revenues at the expense of the population, such as to raise the income tax, increase VAT, or raise the tax on incomes from the lease of apartments, or the excise duties on tobacco products and alcohol. When announcing these changes in taxation, the government promised the targeted use of extra revenues for socially important goals (e.g. to increase allowances to large families). Whatever they say, the experience of 2013 when the authorities imposed a tax on car owners shows that no extra funding is allocated for socially important goals, while the money obtained from the raised taxes and levies are used to patch holes in the budget.

In late 2014, the government stepped up efforts to substantiate the president's initiative to impose a tax on so-called 'social parasites', i. e. individuals, who are not officially employed, but enjoy 'free' social benefits like tuition-free education, healthcare, subsidized public transport, etc.<sup>5</sup> According to experts, originally conceived as a tax on the Belarusians employed outside the country (first of all in Russia), i.e. temporary migrants, this measure may increase social tension in Belarus, the economy of which continues to stagnate, as the returning migrants can become the real, rather than virtual unemployed.

### **Long-term plans and strategies without any linkage to the present situation**

The past year saw very intense efforts of the government to develop a variety of long-term plans. At the end of 2013, Prime Minister Myasnikovich announced a concept of the development of science and economy titled 'Belarus 2020.' The start of the preparation of this concept was timed to the second

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<sup>5</sup> "Туняядцы в Беларусі. Кто они?" *БДГ. Деловая газета*. 17 Nov. 2014. Web. 7 Apr. 2015. <<http://bdg.by/news/society/31529.html>>.

congress of scientists held in March 2014. Delegates to the congress apparently discussed the points, which could be used as a foundation of the new concept.

However, after several statements by the premier, the work on the concept came to naught probably because the government, especially the economic ministers, already focused on elaboration of a new document – the *National Strategy for Sustainable Socio-Economic Development of the Republic of Belarus* for the period till 2030. An ad hoc group supervised by Minister of Economy Nikolai Snopkov and presidential aide Kirill Rudy produced a 143-page document<sup>6</sup> with consideration for three-week public debates, which involved international organizations and civil society.

According to the developers, this strategy will determine national priorities for the next fifteen years. Independent experts say that although the strategy provides a detailed description of the desired state of the economy, business and society by the end of the planning period, in fact, it does not contain either a description of mechanisms for the implementation of these plans, or steps to prepare executors. The fact that the government did not hold consultations with local authorities when working on the strategy means that this document is a product of creativity of top officials and does not imply its general adoption by local agencies of state administration, which is hardly appropriate considering that a significant part of the strategy-2030 describes a transformation of the economy management system specifically on the regional level.

Presidential aide Kirill Rudy was heard the most when the public administration reform was talked about. Since February, Rudy stated the necessity to educate Belarusian officials abroad, invite foreign experts (mainly for the business sector) and offer them executive positions in the state administration system. Many experts agreed that this idea was quite reasonable mainly in the segment of economic education. It is clear, however, that the ‘calling of the Varangians’ will not help to resolve

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<sup>6</sup> “Национальная стратегия устойчивого социально-экономического развития Республики Беларусь до 2030 года.” *Министерство экономики Республики Беларусь*. Web. 7 Apr. 2015. <[http://www.economy.gov.by/dadvfiles/001251\\_893\\_NSUR2030.pdf](http://www.economy.gov.by/dadvfiles/001251_893_NSUR2030.pdf)>.

problems of the Belarusian state administration. Anyway, this idea did not go further lacking any tangible implementation by the end of 2014.

## Conclusion

As in previous years, the Belarusian government was mainly simulating the execution of orders given by the political leadership for achieving socio-economic development targets. This mode of functioning is a kind of a way to sit and wait until the rough time is over and the economic situation changes for the better. Will the Kobyakov government differ from its predecessors in this respect?

Although Lukashenko said that he was waiting for “break-through ideas” from the new government, the chance that it will produce any is very slim. All newly appointed ministers responsible for the economic policy are career functionaries who came to the government from the offices of deputy ministers. Their service records lack not only successful reforms, but even more or less creative solutions.

Moreover, the current phase of the acute economic crisis has caused the natural reaction of Belarusian officials towards tightened control over the economy, which contradicts not only long-term plans of the government, but also the national policies of other members of the Eurasian Economic Union. The activation of the ‘manual control’ of the country’s economy is likely to result in poorer performance of Belarus’ economy in comparison with those of the EEU partners.

The government will most likely continue to put its hand in people’s pockets under various pretexts to compensate for the shortfall of taxes resulting from the underperformance of Belarusian industrial giants. In late 2014, officials started talking about a tax on money borrowed by individuals, and, in April 2015, Alexander Lukashenko endorsed decree No. 3 *On prevention of the social parasitism*. No doubt, the government still has plenty of such ideas.

It is obvious that in the current situation, statements about the coming ‘breakthrough’ in economic development, stimulation of new sources of economic growth, etc. made by senior



officials are nothing but noncommittal slogans, which do not affect the foundation of the Belarusian socio-economic model even in its declarative dimension. The cabinet ministers interpret this stage of the economic crisis not as systemic, but as temporary and 'caused by external factors.'

## NATIONAL SECURITY: STAGNATION AGAINST THE BACKGROUND OF THE WAR AND REGIONAL SECURITY CRISIS

**Andrei Porotnikov**

### **Summary**

The Russian-Ukrainian war was a key factor in the general system of Belarus' security. By the end of 2014, the situation was aggravated by new financial turmoil. Given the critical dependence on Russia's economic support, the Belarusian leadership diligently demonstrated to the Kremlin that Belarus remained a reliable security partner thus having political sympathy for Kiev.

Belarusian defense, security and law enforcement agencies were functioning in a regime of economic austerity throughout the past year. A certain increase in their budgets just compensated the devaluation of the national currency. As always, great importance was attached to ideological education, but no appreciable effect was produced in this area.

### **Trends:**

- Defense, security and law enforcement agencies function in conditions of chronic underfunding;
- The human resource crisis in defense, security and law enforcement agencies gets worse;
- Belarus has to step up its land forces component in response to the Russian-Ukrainian war.

### **Russia as a problematic ally**

The extensive publicity given to the development of the domestic manufacture of arms and military equipment alongside repeated claims to Russia was the trend of the year. Belarus rebukes Russia for being reluctant to share know-how and supply military hardware components. Minsk has to rely on the technological support of third countries in exchange for “services in other areas.”<sup>1</sup> According to Alexander Lukashenko, he addressed Russia over a year ago asking for *ten* warplanes. Belarus already

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<sup>1</sup> “Лукашенко – Москве: дайте нам автомат бесплатно, а мы будем вас защищать.” *Naviny.by*. 17 Oct. 2014. Web. 26 Feb. 2015. <[http://naviny.by/rubrics/politic/2014/10/17/ic\\_news\\_112\\_447137/](http://naviny.by/rubrics/politic/2014/10/17/ic_news_112_447137/)>.

has Russian fighter jets, but Minsk would like to obtain Russian planes without crews.

Russia was accused of imperial ambitions and attempts to humiliate the Belarusian leadership. At a session of the Security Council held on December 16, Lukashenko approved a national defense plan for the next five years, and endorsed a decision and a directive on the national defense. After that, he broke into an emotional tirade regarding Russia's policy. "The behavior of our eastern blood brother cannot but alarm us today. But we do not jump at any conclusions yet," he said.<sup>2</sup>

### **The financial component of defense and security**

In 2014, the Ministry of the Interior was trying hard to find extra funds to increase money allowances to its officers. Despite a slight increase in the funding in 2014, over 75% of the departmental budget still goes to service pays. Most of the remaining funds are used to pay utility bills and maintain real estate assets of the ministry.

The situation in other security and law enforcement agencies is pretty much the same: the Ministry of Defense, State Border Committee and Ministry of Emergency Situations try to save as much money as possible. The Ministry of Defense and the Ministry of the Interior sought to find internal resources to maintain their capacities and rationalize costs. All repairs and upgrades of weapons and equipment will be performed by domestic enterprises. Care and maintenance units were formed to do routine and preventive repairs. This helps to save money earlier paid to professionals invited from weapon-making companies. The Ministry of Emergency Situations allowed its officers to take part-time jobs on the side to make some extra money considering that the service pays are low.

The financial standing of security services is never commented on. The available data on their budgets give no reason

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<sup>2</sup> "В стране должны быть обеспечены военная безопасность и социально-политическая стабильность." *Во славу Родины*. 17 Dec. 2014. Web. 26 Feb. 2015. <<http://vsr.mil.by/2014/12/17/prezident-respubliki-belarus-aleksandr-lukashenko-v-strane-dolzhen-byt-obespecheny-voennaya-bezopasnost-i-socialno-politicheskaya-stabilnost/>>.

to believe that the situation there is much better than in the Interior Ministry or Emergency Ministry.

The ongoing economic recession adversely affects the functioning of the regional force grouping of Belarus and Russia. Combat training exercises were stopped. Belarus only provided 24% of the planned contribution. Border security is funded by 68% (71.8% in Russia and 62.5% in Belarus).<sup>3</sup> It was initially planned that Belarus and Russia would allocate RUB 3.16 billion for military-technical cooperation in 2014.

### **Staffing: Second biggest problem after finances**

The staffing problem remains acute. All defense, security and law enforcement agencies experience a shortage of skilled personnel. In the spring of 2014, the authorities acknowledged a failure of the enrollment of cadets to the Military Academy in 2013. The admission rate was a modest 65%. The Academy had to enroll applicants who failed entrance examinations. Many of them were later expelled for academic failure. The admission was urgently resumed in 2014 and requirements to the qualification of newcomers were considerably decreased.

The leadership of the largest security and law enforcement agencies (the Ministry of Emergency Situations, Ministry of the Interior and State Border Committee) are taking palliative measures. In order to cope with the staffing problem, they practice the substitution of commissioned slots with other categories of military and civilian personnel and keeping officers, who have attained the retirement age, on their positions. The promotion of warrant officers to the rank of commissioned officer after short-time courses came under criticism because of the extremely low competence of such promotees. This way or another, the agencies have to deal with the human resources they have at their disposal. A career guidance outreach program for young people is seen as a possible solution, but the progress is

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<sup>3</sup> “События в Украине отразились на исполнении союзной программы по региональной группировке войск.” *БелТА*. 28 Oct. 2014. Web. 26 Feb. 2015. <[http://www.belta.by/ru/all\\_news/society/Sobytiya-v-Ukraine-otrazilis-na-ispolnenii-sojuznoj-programmy-po-regionalnoj-gruppirovke-vojsk\\_i\\_684376.html](http://www.belta.by/ru/all_news/society/Sobytiya-v-Ukraine-otrazilis-na-ispolnenii-sojuznoj-programmy-po-regionalnoj-gruppirovke-vojsk_i_684376.html)>.

very modest so far. Only 133 out of 638 (21%) majors in law, who graduated schools sponsored by the Interior Ministry Academy last year, applied for admission to the Academy, and only 58 of them (9.1%) became cadets.

The problem is both in the quantity and the quality of personnel. Major General Igor Lavrinenko was relieved of his post of first deputy chief of the General Staff of the armed forces of Belarus on August 4 without any explanation. At a meeting with State Secretary of the Security Council Alexander Mezhuiev on August 18, Lukashenko voiced concern about the discipline in the armed forces, especially among officers and generals of the Defense Ministry.

Corruption among law enforcers is another problem. The past year saw major corruption cases in the Gomel region. A number of top officers of the KGB, the local police, a judge and several officials were brought to justice. During the annual address to the parliament and the nation on April 22, Lukashenko gave particular emphasis to the problem of corruption thus highlighting the facts of abuse of office by judges, KGB officers and law enforcers (the Ministry of the Interior, Investigative Committee, customs and border protection services). This part of the president's speech was not only the longest, but also the most emotional one. Lukashenko said that corruption and malversation were the birthmarks of security and controlling agencies. In short, law enforcers cannot be regarded as a healthy part of the system of government anymore.

In December 2014, law enforcers reported that they arrested a group of drug dealers, which included two former policemen and two active KGB agents. Ten members of the group were among other things charged with malfeasance in office. Most likely, we are talking about officials, probably police or security officers. The fact that no other information about the arrested KGB agents suggests that they were not low-rank officers. This is an unprecedented situation for the security services.

### **The border under scrutiny**

During a panel session of the State Border Committee held on January 27, the president expressed dissatisfaction with the situ-

ation on the border, considering that border security is among the priorities of the national policy. The panelists discussed optimization of border services, law and order in the border areas, the role of local authorities in addressing existing problems, and assistance of public authorities and the resident population to the State Border Committee in border protection.

The session launched a series of transformations in the State Border Committee. In April, the parliament passed (in the first reading) the bill *On amendments to some laws of the Republic of Belarus on border security*, which among other things concerns application of weapons, physical force and special means in the border area, including means to stop fugitive vehicles at border checkpoints, etc. Also, the Council of Ministers' regulation of June 15, 2014 allows involving organizations and enterprises of border areas in building the border infrastructure.

Over 400 staffing positions were vacated as a result of optimization of the structure and numerical strength of the State Border Committee, disbandment of an air squadron, a hospital and the border guard department of the Institute of National Security. This made it possible to form new border posts. The size of engineer units was increased on the borders shared with Ukraine and Lithuania. Measures were taken to tighten security at the border with Ukraine. Nearly 400 border guards were pulled in to the border line as close as possible. A new border unit, Mozyrski (of Mozyr), was formed. Efforts were made to increase the density of border protection in the area of the Belarusian nuclear power plant, which is currently under construction.

A mobilization component of the border control bodies was created. Twenty-two reserve border posts were formed of reservists. This helped to increase the density of border protection in accident-prone sections of the state border. Last year, the reserve posts were arranged on the Ukrainian direction. Similar measures are planned in all regional offices of the State Border Committee. The Mobilization Center of the Border Guard Service Institute is in charge of reserve mobilization.<sup>4</sup>

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<sup>4</sup> Спаткай, Леонид. "Пограничная безопасность. Некоторые итоги-2014." *Belarus Security Blog*. 23 Jan. 2015. Web. 26 Feb. 2015. <<http://www.bsblog.info/pogranichnaya-bezopasnost-nekotorye-itogi-2014/>>.

There were some controversial decisions like the disbandment of the State Border Committee's aviation (helicopters of the border guards were given to the Ministry of Emergency Situations). The planes are supposed to be replaced by UAVs of Berkut-2 type manufactured in Belarus and gyroplanes, which are yet to be purchased. They require a proper infrastructure and well-trained technical staff, which are absent as well.

The equipment of state border sections with modern protection systems – mobile rapid deployment complexes – is among the immediate tasks. Such means would allow the State Border Committee to secure the areas where the Committee is not present yet, i.e. the eastern border of Belarus.

On September 4, Lukashenko signed decree No. 433 *On amendments to presidential decree No. 125 of March 9, 2009*, which establishes the border areas within the administrative-territorial units adjacent to the state border of Belarus and the Russian Federation. Although the State Border Committee denies this, the legislation explicitly suggests that Belarus is going (or demonstrates the intention) to start full-scale protection of the Belarusian-Russian border. This will require a 50% increase in the number of border guards. The whole border management project can take seven to ten years.

## **Army, weapons and exercises**

The year 2014 saw significant assignments in the Ministry of Defense. Special Operations Forces Commander Major General Oleg Belokonev was appointed chief of defense on January 11. Andrei Ravkov took the office of defense minister on January 25. These personnel decision were made as part of Alexander Lukashenko's policy towards rejuvenation of the command staff. The new minister has already made it clear that there would be no considerable changes in the defense buildup sector, because the president had mapped a strategy, and it must be implemented.<sup>5</sup>

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<sup>5</sup> “Межуев представил нового министра обороны Беларуси Равкова руководящему составу военного ведомства.” *БелТА*. 28 Nov. 2014. Web. 26 Feb. 2015. <[http://www.belta.by/ru/all\\_news/society/Mezhuev-predstavil-novogo-ministra-oborony-Belarusi-Ravkova-rukovodjaschemu-sostavu-voennogo-vedomstva\\_i\\_687548.html](http://www.belta.by/ru/all_news/society/Mezhuev-predstavil-novogo-ministra-oborony-Belarusi-Ravkova-rukovodjaschemu-sostavu-voennogo-vedomstva_i_687548.html)>.

The details of this strategy are not disclosed. Belokonev and Ravkov have a reputation of ‘down-to-earth doers’ who know the situation in the army. Another thing is that their positions give them no more than a little chance to foster changes.

The key problems of the Belarusian army remain pretty much the same: the obsolescence of weapons and military equipment, deterioration of the military infrastructure, and steadily declining prestige of military service. Russia still has not supplied *four* battalions of S-300 anti-aircraft missile systems. The delivery date has been postponed more than once since April 2011, when it was announced for the first time. It is worth mentioning that this is about a contract on the purchase at the residual price. At the same time, Kazakhstan has received more S-300 than was promised to Belarus for free.

The newly-adopted draft concept of the military-technical policy of Belarus for the period till 2025 concerns armaments, the defense industry and cooperation between Belarus and its foreign partners. The priority list of weapons and equipment has not changed radically: telecommunication, automated control systems, reconnaissance assets, land- and air-based electronic warfare means, air defense and tactical ballistic missile systems, information, survey and navigational support means.

In 2014, the military leadership paid much attention to the organization of a stable and efficient system of military control in case of an armed conflict. Since the beginning of the Russian-Ukrainian armed hostilities, Belarus has conducted a series of large-scale military exercises (‘operability tests’), which mostly involved the air force, air defense and special operations forces. Deployment of territorial defense forces was also worked on. The goal is clear: to demonstrate that ‘the powder is dry and the armor is strong’ and it is better not to try to draw Belarus into the conflict (the signal addressed equally to the West and the East).

During the *second* phase of the operability tests, the armed forces considered options to respond to the scenarios, which Russia played out in the east of Ukraine. A number of military units marched a distance comparable to that from the home stations to the Russian border. The units practiced:

- the search, blocking and elimination of illegal armed groups and sabotage and reconnaissance groups;



- force projection over long distances in conditions of sabotage activity;
- securing of the state border, including that in case of a breach by illegal armed groups and sabotage and reconnaissance groups;
- arrangement of field command centers, border checkpoints, and management of operations involving the search, blocking and elimination of illegal armed groups and sabotage and reconnaissance groups;
- the combat application of artillery;
- maintaining of the martial law regime, combat duty at checkpoints, interaction with the Interior Ministry troops in populated localities, protection and defense of critical facilities, repelling of attacks of illegal armed groups, and rectification of consequences of sabotage attacks jointly with Emergency Ministry units.

Special mention should be made of the exercise with the 120<sup>th</sup> mechanized brigade of the Interior Ministry troops on the joint patrolling of city streets, curfew enforcement and actions in the event of mass riots.

The Ministry of Defense quietly shifts the responsibility for territorial defense to local authorities. This follows from amendments to the Law on Defense initiated by the ministry. Local officials are largely in charge of the formation of territorial troops: executive committees are tasked to form and deploy territorial forces, conduct military exercises (jointly with the Defense Ministry) with persons assigned to operational headquarters of the territorial troops, military units and territorial defense. However, it is not clear who exactly in civil offices is supposed to do this and at whose expense it is supposed to be done given that local treasuries are empty.

The situation with a Russian military base in Belarus was uncertain. The Belarusian authorities have carefully sidestepped this issue making no comments on related statements by the Russian side. Alexander Lukashenko thus made it known that he needed Russian planes, rather than the Russian military.

The Western and North-Western Tactical Commands of the air force and air defense were liquidated in November 2014. This was supposedly possible owing to the retrofitting of the bodies of

military administration, which allowed controlling operations of the entire air force and air defense with the use of computer-aided procedures from one command post. More likely, the real reason lies in the decay of the Belarusian combat aviation: the two Commands simply had nothing to command.

The attempts to obtain the next batch of Chinese gratuitous military aid to China were made throughout the year.

### **Spy scandals**

Another spy scandal between Belarus and Poland erupted in March 2014. Military Attaché of Belarus Dmitry Zhukov was expelled from Warsaw for activities incompatible with his diplomatic status. The Polish media said that he was noticed by the local counterintelligence service when seeking contacts with former air force officers, military retirees and members of youth military-patriotic organizations. Also, there was information that a Belarusian agent, who had been engaged in misinformation of Polish secret services for a long time, was caught about two years ago.

Later, the Belarusian Foreign Ministry acknowledged the arrest of two Belarusian nationals in Poland on the charge of espionage. The Polish National Security Bureau detained one more Belarusian, who gathered intelligence on military facilities working for Belarus' military intelligence service. He studied in Poland under a scholarship program of the Polish government, and then made frequent trips to the country.

Lithuania was also active hunting Belarusian spies and caught a paramedic and an airport electrician allegedly working for Belarus.

### **Conclusion**

The bellicose rhetoric of the Belarusian president against the background of the regional security crisis has not led to a fundamental improvement in the funding of defense, security and law enforcement agencies. Budget savings remained on the agenda throughout the year 2014, and, apparently, nothing is going to change in the near future.

The staffing problem was faced by all agencies, and nothing suggests that a feasible solution will be found any time soon. The quality of human resources is in decline. The psychological climate in the teams leaves much to be desired as well.

Having analyzed the course of the Russian-Ukrainian war, Belarus put greater emphasis on ground forces, interagency cooperation between the Ministry of the Interior, Ministry of Defense and State Border Committee in crisis situations. At the same time, the burden of maintaining territorial defense is shifted onto local governments. However, Lukashenko is yet to make the final decision on this matter.

## **REPRESENTATIVE BODIES: GREATER PUBLICITY FOR UNCHANGED RULES OF THE GAME**

**Dzmitry Kukhlei**

### **Summary**

Priorities and trends of work of the representative bodies of the Parliament and local councils continue to be determined by the President, the government and executive authorities. The National Assembly demonstrates coordinated work and cooperation with the government, especially in matters of defending national interests *vis-à-vis* foreign partners.

In the growing crisis of the Belarusian socio-economic model the Parliament begins to play a greater role in the adjustment processes of socio-economic imbalances. Some increase in the role of the National Assembly in the political process is caused by the attempts of the authorities to expand the responsibility for the adoption of unpopular measures to reduce social obligations owed to the population. However, the representative bodies are not able to self-motivate changes in today's socio-economic model or affect it, despite a steady increase in the number of approved bills initiated by the government, the expansion of international cooperation and greater openness to society.

### **Trends:**

- MPs often act in the Belarusian media and on the Internet to promote unpopular measures to reduce social guarantees;
- The authorities increase foreign policy activity of the Parliament and use it as an additional mechanism to advocate the interests in relations with the Kremlin;
- Local representative bodies start to form mechanisms of group influence;
- Representative bodies start to be considered by the State as a staff reserve for the recruitment of officials for public office.

### **Parliament as a mechanism for adjusting unpopular measures of the government**

In 2014, the priorities of the Parliament legislative activity were traditionally driven by the President and were aimed at overcoming the crisis in the socio-economic development of the country. Deputies also had the task to ensure a balance between the search for additional sources of fiscal revenue, the

optimization of public spending and to prevent of the growth of tension in society. The attention of legislators was focused on ensuring the modernization of the economy, stimulating economic activity and creating the conditions for attracting investment, especially in the second half of the year. Legislative activities are significantly influenced by the events in Ukraine and the growth of instability in the region, which demanded the improvement of existing or the creation of additional legislative mechanisms to strengthen national security.

The Belarusian government is trying to strengthen the ideological function of the legislature to soften the reaction of the public to unpopular decisions and to blur the responsibility of the authorities for their acceptance. Members of Parliament take an active part in government-initiated media campaigns, explaining to the population that there is no alternative to the reduction of the state's obligations in various fields. For example, in the health care area the Deputy Prime Minister Anatoly Tozik took the first initiative to limit free visits to outpatient hospitals or introduce their partial payment. Then other MPs joined the media campaign for the revision of the social obligations of the state in the field of health. The participation of deputies in the drafting of the new policy in the field of public health care is not formal: they try to participate more actively in the process, suggesting the European experience of reform in this area.<sup>1</sup>

At the same time the top leadership has allowed a greater level of criticism and initiative on the part of 'people's representatives' during the discussion of unpopular decisions or shortcomings in the activities of the government. Most likely the authorities are trying to use the Parliament as a kind of 'filter' to correct the excesses of the government in making unpopular decisions, to search for a version of the state policy acceptable for the public in the framework of the current socio-economic model.

During the year deputies at the meetings of the permanent commissions and those with officials of the Council of Ministers

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<sup>1</sup> "Депутат про платное посещение поликлиник: Мы вырастили пласт иждивенцев: люди считают, что им должны. Это не так." *TUT.BY*. 16 Sept. 2014. Web. 24 Apr. 2015. <<http://finance.tut.by/news415808.html>>.

repeatedly made critical comments about negative phenomena in the development of housing and real estate, and also voiced the discontent of the population of housing and communal services. Let us note that usually the main critic of the ‘excesses of the government’ and the initiator of indulgence or privileges to citizens is President A. Lukashenko. However, in 2014, it was the House of Representatives that took the initiative to reduce the state fee for maintenance of vehicles for certain categories of citizens – pensioners and disable people of groups I and II.<sup>2</sup>

During the growth of the economic crisis, the Parliament became a more open structure that creates opportunities for society to take a greater role in the policy making process and to find ways of reforming the country’s economy.

In November, the National Assembly held open parliamentary hearings on the issue of public-private partnership taking into account international experience and prospects of Belarus. Public hearings had been held before, but this time the head of state demanded from the deputies more initiative and openness in the work with the population: “Government must be honest, open and accessible to all citizens. So it necessary to practice parliamentary hearings more often to discuss pressing issues at meetings with members of the government, to appear in media, use the Internet more actively”.

Authorities allowed greater involvement of society in policy making in the field of education during the discussion of amendments and additions to the Education Code. For example, during the parliamentary hearings almost 50 proposals came in, and the day before the survey had been conducted among more than 4 thousand teachers, parents, education leaders and students.

It should be noted that society felt the trend of greater openness of the executive branch of the government, which resulted in the increase of productivity of individual lobbying initiatives and collective appeals from citizens and NGOs. For example, through public campaigns animal rights activists managed to achieve changes in legislation against cruel treatment of animals. In their turn, Pro-life activists and the campaign “In defense of

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<sup>2</sup> Duty on road use was introduced in 2014 and caused tension among drivers.

life” lobbied certain amendments to the law *On health care* that limit the right to abortion.

However, the initiatives of political parties are still ignored by the deputies. For example, parliamentarians did not react to the initiators of the campaign *People’s Referendum* on the national plebiscite, in the support of which the activists handed over 50 thousand signatures of citizens to the House of Representatives.

Against the background of the events in Ukraine, the Parliament passed a number of laws or amendments to laws in the sphere of national security and maintaining stability in the country. The Belarusian authorities quickly reacted to the Russian invasion of Ukraine amending the law *On martial law, border security and military service taking into account peculiarities of a ‘hybrid war’*. Also, the Belarusian government adopted a series of measures to enhance public safety through the legislation on combating the legalization of income from crime, terrorist financing and introduced the institution of pre-trial agreement on cooperation with the suspect, as well as the optimization of the terms of imprisonment and the decriminalization of certain types of punishment.

The events in Ukraine encouraged the authorities to intensify an anti-corruption campaign in Belarus. In the second half of 2014, the Belarusian government initiated a broad public discussion about the draft law *On the anti-corruption drive*. However, the basic tone of the discussion was created not by MPs, but as usual by President Lukashenko, for whom the anti-corruption rhetoric improved his personal rating, along with the governmental reduction of social guarantees to the population. On the wave of an anti-corruption campaign the actions were brought against two deputies of the Upper House of the Parliament. At the end of July the Director of the private joint-stock company *Palitex* Vitaliy Kastahorau was deprived of immunity and detained, and so was the General Director of the State Viciebsk broiler poultry factory Hanna Shareika later at the extraordinary session. Both detained senators were representatives of successful companies.

This is not the first criminal prosecution of the members of the Council of the Republic. In 2001, an action was brought against the head of the Belarusian railway Viktor Rakhmanko.

## Foreign policy: *Ultima ratio* in the negotiations with the Kremlin

In 2014 Belarusian deputies continued a relatively active foreign policy, expanding areas of international cooperation. However, the main efforts were mobilized to defend the interests of the official Minsk *vis-à-vis* its Eastern neighbor. Let us note that the official Minsk is traditionally used by the Parliament in negotiations with the Kremlin as an additional mechanism to protect their interests, blocking the adoption or delay in the ratification of unwanted international documents and acts.

Misunderstandings between Belarus and Russia regarding the distribution of oil duties again highlighted a special role of the National Assembly. Despite the signing of the Agreement on the establishment of the Eurasian Economic Union (EEU) on May 29, 2014 by President Alexander Lukashenko, the House of Representatives having received this document for ratification expressed doubts in conformity of this integration document to the national interests.

Prior to this, together with the submission for approval of the agreement on establishing the EEU President Lukashenko had instructed the deputies “to stand guard over national interests, protecting the interests of the Belarusian state”. The Parliament delayed the ratification of this integration document to the moment when the Kremlin had to accept the terms of Minsk and leave the whole size of oil duties in Belarus.

Moreover, the deputies decided to pin political responsibility on the President for the accession of Belarus into the new integration association and to remove possible charges in the case of tension with the Kremlin in the framework of the Eurasian integration. The deputies ratified the agreement on the EEU with the special announcement that was a paraphrase of the President’s statement made before signing the Agreement, according to which Belarus undertakes to faithfully follow it “*provided that by this point on a trilateral or bilateral basis it will be agreed on the removal of certain barriers, limitations and exceptions in the trade of certain goods and the provision of specific types of services, primarily in relation to energy, assembling industries, the liberalization of trucking activities and other sensitive*



positions”.<sup>3</sup> Thus the deputies made a further development of Eurasian integration dependent on the pliability of the Kremlin to pay for this process.

It is necessary to emphasize the preservation of the coherence and coordination of actions of the executive chain of command and Belarusian deputies to protect economic interests of Belarus *vis-à-vis* Moscow. The Belarusian side uses quite actively a variety of mechanisms of the Union State, including the Parliamentary Assembly, to lobby favorable conditions for the access of Belarusian products to the Russian market.

### **Local councils: The formation of group influence tools**

Despite the decorative nature of the local representative bodies, they still remain a negotiating forum for the local elites. Council structure gives the idea of a real balance of forces at the regional and local level. Besides, for the organizers of the elections the ensuring of the desired results of voting is not a difficult task. It should be noted that according to the 2014 election results the qualitative composition of local councils did not change. As before, they are dominated by the heads of state enterprises, their deputies and employees of different government departments, which range from 75% to 90% of all deputies. Representation of opposition parties in local councils remains scanty and is about a dozen of people, mostly in peripheral regional and rural councils.

Despite the cancellation of voter turnout threshold in local elections, during the election campaign in 2014 the authorities had the task to demonstrate high numbers of participation in the voting according to official results, which were to witness the support of the population of today’s socio-economic policy and increase the ranking of public institutions. The authorities began to be seriously disturbed by the growth of absenteeism and distrust of the electoral procedures that affect all state institu-

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<sup>3</sup> “Закон Республики Беларусь от 9 октября 2014 года № 193-З “О ратификации Договора о Евразийском экономическом союзе”.” *Национальный правовой портал Республики Беларусь*. 14 Oct. 2014. Web. 24 Apr. 2015. <<http://www.pravo.by/main.aspx?guid=12551&p0=H11400193&p1=1&p5=0>>.

tions. For example, at the beginning of the 2014 local elections the confidence of citizens in local councils and executive committees was only about 28–29%.<sup>4</sup>

It should be noted that with the exception of the Council of the Republic of the National Assembly, regional elites have no formalized structures to promote their interests with the central authorities. At the end of 2014 there was a change of leadership of the Upper House of the Belarusian Parliament. The chair of the Council of the Republic, which before had been occupied by one of the main ideologists of the Belarusian socio-economic model Anatoly Rubinau, went to the former Prime Minister Mikhail Myasnikovich. He represents the governing establishment grouping of ‘strong economic executives and managers’. His appointment as the Chairman of the Upper House of the Parliament can be seen as a strengthening of the role of the Council of the Republic in the political system and the increase of influence of the regions on public policy. This allows keeping an informal consensus between President Alexander Lukashenko and regional nomenclature for the support of today’s state policy. In turn, the head of the state is not going to change the system of local government, which guarantees the closed nature of decisions and the budget allocation among the most influential regional nomenclature groups.

Since 2010 the Belarusian legislation on local administration and self-government has provided the possibility to create associations of local councils. However, this political decision began to be implemented by the authorities only at the end of 2014. In Hrodna region the preparation for the establishment of regional associations of local councils of deputies began.

Most likely, these measures of local authorities were caused by the desire to attract additional funding for regional development from EU funds. Among the main tasks of the Association one can see the establishment of cooperation with associations of other countries in the framework of cross-border cooperation projects. This is emphasized by the Chairman of Hrodna

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<sup>4</sup> “Негативная динамика доверия институтам.” *Независимый институт социально-экономических и политических исследований*. 6 Jan. 2015. Web. 24 Apr. 2015. <<http://www.iiseps.org/analitica/564>>.

regional council Mr. Zhuk: “The status of a representative of the Association will enable a more effective cooperation on transboundary, international projects, to attract investments into the economy and to effectively work with foreign partners”<sup>5</sup>.

It is obvious that the process was initiated from the center, because in other regions of the country local governments also announced the intention to create such associations. However, in the case of the creation of a National Association the regions will have an additional mechanism of group influence and representation of their interests to the central authorities, the government and the presidential administration.

In 2014, the government continued the process of optimization of the administrative-territorial structure of the country through the elimination of township and rural councils. For example, last year 40 township councils were replaced by rural councils. On February 1, 2015 in the country, there were six township councils: 3 in the Brest region, 1 – in Homiel and 2 – in Hrodna region. To relieve stress during the optimization process presidential decree No. 128 of March 17, 2014 *On some issues related to changes in the administrative-territorial structure of the Republic of Belarus* was adopted. It is planned to complete the reorganization process of the primary level of local authorities in 2015.

### **Representative bodies as a staffing reserve for top-down command structure**

The Parliament in the system of power is considered by the top management as ‘the bench’ of recruitment for more influential public positions. It is from the House of Representatives that in early 2014 the President appointed the head of the Permanent Commission on National Security Alexander Miazhueu on the post of the State Secretary of the Security Council, who had nothing going for him among other security officers. Earlier Hrodna region was headed by the head of the Constant Com-

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<sup>5</sup> “На Гродзеншчыне створана асацыяцыя мясцовых Саветаў дэпутатаў.” *Звязда*. 11 Mar. 2015. Web. 24 Apr. 2015. <<http://zviazda.by/2015/03/74866.html>>.

mission on Economic Security of the House of Representatives Uladzimir Kraucou, and a member of the Parliament from Kobryn constituency No. 12 Alexander Zazulia was appointed the Chairman of Kobryn district executive committee.

At the meeting with the members of the House of Representatives in September 2014 President Lukashenko stressed his vision of the role of the Parliament in the political system: “You are informed, respected, responsible people, with an active stand in life, a true staff pool. Therefore, some parliamentarians have already been appointed to responsible, higher public office. Your fruitful work will be taken into consideration in making personnel decisions in future”<sup>6</sup>.

At the same time the state continues to improve the staffing policy and the system of young people recruiting for representative bodies. The training of managerial elites in the regions has been formalized and improved a bit in recent years. It should be noted that in the second half of 2014 the process of creation of youth parliaments in the local councils of deputies intensified. For example, youth structures were established at Viciebsk regional council, Mahiliou and Babruisk city councils.

For the first time the youth parliament was elected in 2012 at Hrodna regional council, and at Minsk city council a junior chamber was formed. Such structures operate in many educational institutions across the country. The authorities expect that in each area such organizations will appear on the basis of which the Republican Youth Parliament will be formed.

Youth representative bodies at councils perform filtering and cooptation functions, become a means of social mobility for ambitious young people, who in most cases are children of officials. Furthermore, the initiatives of the officials are caused by a loss of confidence in institutions such as the Parliament and the councils that perform servile functions in regard to the executive branch.

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<sup>6</sup> “Лукашенко: бюджет на 2015 год не должен быть расточительным.” *БелТА*. 29 Sept. 2014. Web. 24 Apr. 2015. <[http://www.belta.by/ru/all\\_news/president/Lukashenko-bjudzhet-na-2015-god-ne-dolzhen-byt-rastochitelnyim\\_i\\_681580.html](http://www.belta.by/ru/all_news/president/Lukashenko-bjudzhet-na-2015-god-ne-dolzhen-byt-rastochitelnyim_i_681580.html)>.

**Conclusion**

In 2015 we can expect a greater participation of representative bodies in the discussion of possible measures to correct the imbalances in socio-economic development of the country. In the year of presidential election there is a hope for greater coherence in the work of representative bodies and coordination with the executive branch, including the participation in the presidential campaign on the side of the incumbent president.

In connection with the desire of the official Minsk to normalize relations with the EU, international activities of the Parliament will focus mainly on ties with parliaments of Europe and EU inter-parliamentary structures. However, representative bodies will act in the framework set by the President and are unable to change the socio-economic and political model of development.

## REFORM OF THE JUDICIAL SYSTEM IN THE TRADITION OF ‘COSMETIC REPAIRS’

**Aleh Fedotov**

### **Summary**

The nature of the reform of judiciary institutions reflects the ongoing intervention of the executive branch in what used to be entirely an area of responsibility of the legislature, and this process has been going on since 2008. The reform of the judicial system of 2013-2014 was carried out without any inputs on the part of society or democratic institutions. The law on constitutional proceedings adopted in 2014 did not result in substantial improvements in the field of protection of rights and freedoms of individuals and organizations. Proceedings on the elimination of legal uncertainty in normative legal acts (know-how of Belarusian lawmakers) thus cannot be considered an adequate tool, which citizens could use to protect their rights in the Constitutional Court.

### **Trends:**

- Judicial institutions are reformed with the use of rough-and-ready presidential decrees and regulations questionable from the point of view of the constitutional substantiation;
- The reform and reformed courts are poorly transparent;
- Individual access to constitutional justice depends on the discretionary will of government agencies and functionaries.

### **Background<sup>1</sup>**

*Evolution of the judicial system in Belarus.* The evolution of the judicial system in Belarus can be divided into two main stages. The *first* one was when the Constitution of 1978 (amended and revised) and the Constitution of 1994, which established a parliamentary republic with a Supreme Council (parliament) entitled to shape the judicial machinery and form courts, were in force.<sup>2</sup>

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<sup>1</sup> This section of the article is meant to compensate for the lack of reviews of the judiciary system in the two previous releases of the *Belarusian Yearbook*.

<sup>2</sup> The election of judges of district (city) courts by the relevant Regional Councils (according to the Constitution of 1978) and the appointment of judges of district (city) and regional courts by the president (according to the Constitution of 1994) was an exception.

The *second* stage began when the amendments to the Constitution of 1994 adopted as a result of the referendum of November 24, 1996 entered into force. Although the organization of courts, as well as the structure, operating procedures and terms of reference of the Constitutional Court is still determined by law, the upper chamber of the National Assembly is only partially involved in the formation of the senior courts of Belarus. The terms of reforming of the judiciary system by law alone set in Soviet times and abided by in the years of independence were broken in 2008, when the competence of the Constitutional Court was expanded by a presidential decree. The latest innovation was repeated in 2014 with presidential decree No. 6 and ordinance No. 529 of November 29, 2013, which changed the judicial system in Belarus.

**Constitutional Justice.** Since the adoption of the Constitution of 1994, the Belarusian legal system did not stipulate the right of constitutional complaint. This had not posed a problem before the constitutional referendum of 1996: the Constitutional Court formed by the Supreme Council of Belarus had the power to examine any regulatory act issued by a governmental agency or non-governmental organization, or any international treaty or other obligations of Belarus to establish their constitutionality. Such examination could also be initiated by 70 or more members of the multi-party (including the opposition) Supreme Council, standing committees of the Supreme Council and its chairperson, a prosecutor general elected by the parliament, the president and senior courts. It should be noted that the Law on the Constitutional Court of the Republic of Belarus of March 30, 1994 and the Constitutional Court Regulations of May 27, 1994 already provided *indirect access to constitutional justice*, specifically the right of governmental agencies, non-governmental organizations and individuals to address the entities named above (including the president and senior courts) with a request to verify the constitutionality of regulatory acts and international obligations of Belarus.

The Constitution of 1996, which was de facto a new one, changed the list of agencies able to initiate a constitutional examination: the president remains the only entity, which is not a collegial body. Members of the National Assembly now only execute

their right to initiate constitutional examinations through their chambers, one of which (the upper chamber called ‘the Council of the Republic’) is not accountable to citizens and participates in formation of the Constitutional Court, which is excluded from the list of possible initiators of constitutional examinations.

Another option of the access of organizations and individuals to constitutional justice was added to the Constitutional Court Regulations of September 18, 1997 on June 11, 2011: appeals of organizations and individuals *may* be examined on the basis of paragraphs 40, 112, 122 and other sections of the Constitution and laws of Belarus by a decision of the Constitutional Court (paragraph 43-1). Although the Constitutional Court delivered quite a number of judgments in compliance with these Regulations, it makes no sense to take a closer look at this mechanism, because it is obvious that paragraph 43-1 establishes a right, rather than an obligation (i.e. gives discretionary powers). The Code of the Republic of Belarus on the Judicial System and the Status of Judges No. 139-3 of June 29, 2006 thus *backs it up* saying that appeals filed directly to the Constitutional Court shall be considered in the manner prescribed by the Law on Appeals of Individuals and Legal Persons (paragraph 22), i. e. this is not about constitutional complaints either.

### **Legal ground of the judicial reform: Convenience vs. the rule of law**

Like the 2008 reform of the Constitutional Court, the reform of courts of general jurisdiction of 2014 was carried out by means of presidential regulatory legal acts without regard to the provisions of paragraphs 109 and 116 of the Constitution on the application of relevant laws.<sup>3</sup> Constitutional Court Chairman Pyotr Miklashevich said commenting on the expansion of the competence of his court in 2008 that a decree was the most resilient kind of a normative legal act when it comes to the *ways of its adoption and amending*, which guarantees its quick revocation, modification

<sup>3</sup> Федотов, Олег. “Комментарий к реформе судебной системы Беларуси 2014 года. Часть 1. Правовое основание реформы.” *Наше мнение*. 25 Nov. 2014. Web. 27 Feb. 2015. <<http://nmnby.eu/news/analytics/5645.html>>.



or amending.<sup>4</sup> As a result, decree No.14 of June 26, 2008 was signed into law as late as in 2014 when the Law on Constitutional Proceedings in the Republic of Belarus No. 124-3 of January 8, 2014 (National Register of Legal Acts, 2/2122, January 16, 2014), which receipts provisions of the decree, came into force.

Decree No. 6 *On the improvement of the judicial system of the Republic of Belarus*, ordinance No. 529 *On some points related to activities of courts of the Republic of Belarus* and ordinance No.530 *On some points related to the improvement of the organization of execution of court rulings and other writs of execution* issued on November 29, 2013 and effective since January 1, 2014 have not been implemented de jure either. It is to be noted in this regard that the House of Representatives has not aired the bills on court enforcement proceedings, and no one knows what will happen to the bill, which implements decree No. 6 and ordinance No. 529.

The future of the referendum, which could alter the Constitution among other things by excluding the mentioning of the Supreme Economic Court, its judges and chairpersons, also remains unclear. In any case, the referendum should be held before the 2015 presidential election, because, according to the current wording of paragraph 83 of the Constitution, a newly elected president is supposed to take the oath of office in the presence of (among others) judges of the Supreme Economic Court, otherwise (Supreme Economic Court judges were not present at the event on January 1, 2014) the legitimacy of the president may be contested. The very idea to carry out a reform first, and ask for the public opinion afterwards does not differ much from the application of the legal act, which changes the judicial system disregarding the fact that the Constitution says nothing about that.

### **Judicial reform stakeholders: Not only civil society**

Transparency of a reform of a governmental agency is an objective indicator of the government's attitude to civil society

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<sup>4</sup> Миклашевич, Пётр. “Новые направления конституционного контроля – новые задачи Конституционного суда Республики Беларусь.” *Вестник Конституционного суда Республики Беларусь* 2 (2008): 25–28. Print.

institutions. The reform of the Belarusian judicial system in 2014 clearly demonstrated that the state considers the opinion of society, non-governmental organizations and experts irrelevant. The normative legal acts aimed at the implementation of the reform published on November 29, 2013 and effective since January 1, 2014 were adopted without a discussion with anyone except some governmental agencies and officials.<sup>5</sup>

This year's judicial reform is carried out in two stages. The *first* one began with decree No.6 and decrees No. 529 and 530 of November 29, 2013. The *second* stage began with their signing into laws and amendments to the Constitution (the Supreme Economic Court is not mentioned there anymore). Only the implementation of decree No.530, pursuant to which the House of Representatives was supposed to consider bills on court enforcement proceedings and the status of judicial enforcement agents prepared before October 1, 2014, (paragraph 17.3.), raises no objections. Both bills were actually developed and put on the database of the National Legal Internet Portal of the Republic of Belarus in the autumn of 2014. The basic statistics concerning these bills was also posted on the website of the House of Representatives.

Somewhat different is the situation with the implementation of decree No.6, pursuant to which the National Center for Legislation and Legal Research and the Supreme Court were supposed to work out and submit to the president a bill on amendments to the Law on the Judicial System and the Status of Judges (paragraph 12) by December 1, 2014. The future and the content of this bill are unclear yet. As follows from the wording of decree No.6, from the very beginning, the government did not plan to request any kind of democratic institutions' input.

Lawmaking activities of the united Supreme Court aimed at replacement of normative legal acts issued by the Ministry of Justice of Belarus and declared nullified after the Supreme Court was given the power to monitor actions of courts of general jurisdiction, as well as their staffing, technical, financial,

<sup>5</sup> Федотов, Олег. "Комментарий к реформе судебной системы Беларуси 2014 года. Часть 3. Транспарентность реформы и единого Верховного суда." *Наше мнение*. 2 Dec. 2014. Web. 27 Feb. 2015. <<http://nmnby.eu/news/analytics/5651.html>>.

administrative and organizational provisions since January 1, 2014, were far from being transparent. So far, nothing is known about the replacement of a number of canceled decrees of the Ministry of Justice related to the rights and freedoms of individuals and organizations in the field of the access to information about activities of the courts, personal appointments with senior officers, personnel rearrangements in judicial offices, etc. At the same time, the diligence of the Supreme Court's press office in 2014 in increasing awareness of high-profile cases should not go unnoticed, although the content of the Supreme Court's website and the regularity of updates are totally inadequate to the status of the Court unlike the similar websites in the neighboring states.

### **Direct access to constitutional justice: Inaccessible**

Although the Constitutional Court can lawfully avoid examination of complaints filed by individuals and passing judgments on them, Belarusian policymakers continue debates on the relevance of the full-scale institution of constitutional complaint. There are two types of arguments in favor of maintaining the status quo in the legislation on constitutional proceedings: (1) constitutional complaint heavily overburdens the Constitutional Court (as it happens, for instance, in Romania, Hungary, and Russia); (2) other countries had also been preparing for the introduction of constitutional complaint for decades (e. g. Turkey).<sup>6</sup>

Nonetheless, lawyers, human rights activists and NGOs have great expectations of the Law on Constitutional Proceedings No. 124-3 of January 8, 2014.

*Firstly*, the law particularly determines the initiative appeal and formalizes the general rules of its submission to an authorized agency and its consideration by such agency at the level of a specific chapter (the 5<sup>th</sup>). In 2014, in response to an initiative appeal by T.I. Belyasova, The House of Representatives addressed the Constitutional Court requesting to verify

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<sup>6</sup> Пастушенко, Татьяна. "Возможность введения индивидуальной конституционной жалобы рассматривается в Беларуси – Миклашевич." *БелТА*. 23 Jan. 2014. Web. 27 Feb. 2015. <<http://bit.ly/1Gxoi8o>>.

the constitutionality of several provisions of the Criminal Procedure Code. The Constitutional Court passed judgment (i.e. an act having the force of the Constitution) No. 3-928/2014 of June 12, 2014, which it had not done since September 12, 2007. The House of Representatives certainly could not ignore this event. “There was a lot of debate. Why not a direct appeal? Why through authorized agencies? By the example of the appeal by Mrs. Belyasova, the rules of indirect appeal are applied in practice now,” said the MPs.<sup>7</sup>

However, neither the adoption of the Law on Constitutional Proceedings (in the respective part), nor the said judgment give grounds for optimistic conclusions. *Firstly*, the authorized agency used the initiative appeal 20 years after the relevant legal act mentioned the possibility of such deed. *Secondly*, according to the Constitutional Court’s annual addresses regarding the constitutional legitimacy in the past year, authorized agencies receive no less than a hundred of initiative appeals every year. *Thirdly*, both chambers of the parliament still have not implemented ruling No. P-317/2009 of the Constitutional Court of March 26, 2009 and ruling No. P-318/2009 of March 26, 2009, which recognized the need to determine the procedure of “examination of appeals, which request verification of constitutionality of normative legal acts, in the chambers’ rules.” Among all authorized agencies (in accordance with paragraph 116.4 of the Constitution), only the Council of Ministers amended its rules (pursuant to ruling No. P-319/2009 of the Constitutional Court of March 26, 2009) to formalize the detailed requirements to initiative appeals and the procedure of their examination.

It should be noted that the content of the ruling of June 12, 2014 largely repeats the reasoning of the earlier ruling No. 16-P of the Constitutional Court of the Russian Federation dated July 14, 2011, which suggests a hypothetical possibility for the House of Representatives to refuse to implement Belyasova’s initiative appeal if the Constitutional Court of Russia had not created a precedent.

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<sup>7</sup> “Владимир Черевач: Внесение поправок в УПК Беларуси на основе заключения КС может занять до года.” *БелТА*. 12 June 2014. Web. 27 Feb. 2015. <<http://bit.ly/1MUaARw>>.

**Secondly**, Chapter 24 of the law establishes the rules of procedure for the cases on the elimination of gaps, conflicts and legal uncertainty in regulatory legal acts, a verbal interpretation of which would suggest the introduction of a truncated constitutional complaint: (1) an individual or organization shall submit an appeal directly to the Constitutional Court; (2) all appeals filed under Chapter 24 of the law are considered without exception; (3) rulings handed down following a consideration of appeals filed under Chapter 24 of the law by the Constitutional Court constitute regulatory legal acts subject to enforcement by governmental agencies. But this mechanism has failed as well. According to Alexei Kozlyuk, lawyer of the Legal Transformation Center *Lawtrend*, in 2014, the Constitutional Court received 43 appeals filed under Chapter 24 of the law.<sup>8</sup> Only three judgments passed by the Constitutional Court in proceedings on the elimination of legal uncertainty were given publicity, though.

The provisions of Chapter 24 and their application indicate the presence of legal uncertainty in the law itself, which actually allows the Constitutional Court choosing ‘convenient’ cases. For example, the court did not agree to hear any of the appeals filed by human rights defenders (the Belarusian Helsinki Committee, Harry Pahanyayla, Leonid Markhotko, founders of the new Republican Human Rights Public Association Pact) on gender equality, equality of the official languages of Belarus and the meeting of the requirements of the United Nations Human Rights Committee.<sup>9</sup> The said applicants were given reasoned answers, while other persons’ appeals filed beyond the scope of professional advocacy without media highlights remained unanswered.<sup>10</sup>

The provisions of Chapter 24 do not define legal uncertainty, gaps and conflicts thus imposing the risk of misinterpretation of these terms on the applicants. The provisions do not oblige the

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<sup>8</sup> “Ответ Конституционного суда Республики Беларусь Козлюку А.А. от 09.02.2015 года № 01-02-02/44.” *Личный архив А.А. Козлюка.*

<sup>9</sup> “Звароты ў Канстытуцыйны суд.” *Belarusian Legal Portal*. 22 Oct. 2014. Web. 27 Feb. 2015. <<http://bit.ly/1Eu3i3n>>.

<sup>10</sup> “Ответы Конституционного суда Республики Беларусь Федотову О.О. от 24 сентября 2014 года № 01-02-02/340 и от 16.10.2014 года № 01-02-02/340.” *Личный архив О.О. Федотова.*

Constitutional Court to explain reasons for a refusal to satisfy petitions under Chapter 24 allowing keeping true reasons undisclosed, and do not set a strict deadline for proceedings, which makes it impossible for an applicant to see a perspective and work out a strategy. As a result, it can neutralize any ‘inconvenient’ initiative coming from civil society.

## **Conclusion**

Having assumed the parliament’s direct authority to reform the judicial system, the executive branch has been executing this power since 2008. The head of state thus solely determines the speed of implementation of decrees and ordinances as laws.

The nature of the 2014 judicial reform shows the government’s unwillingness to treat civil society institutions as partners and contributors. The public receives information about the judicial reform *post factum*, and this trend continues.

In 2014, the Supreme Court was far from being truly transparent when it came to certain categories of publicly significant information.

The Law on Constitutional Proceedings does not give individuals either a better possibility to protect their rights and freedoms, or a real and effective tool to protect their rights and freedoms directly through the Constitutional Court. The indirect access to constitutional justice and proceedings on the elimination of legal uncertainty remain totally dependent on the willingness of the authorized agencies and the Constitutional Court to institute an action.

# **FOREIGN POLICY**





## **BELARUS – RUSSIA: CHALLENGING TRACKS OF THE NEW ‘COMMON MARKET’**

**Tatsiana Manionak, Anatoly Pankovski**

### **Summary**

In 2014, Belarus and Russia achieved little progress in accelerating the creation of a common market, which is called the ‘Eurasian Economic Union’ (EEU) since January 1, 2015. The ‘delay’ is not due to the Russian-Ukrainian conflict alone, but also the growing contradictions between the direct participants in the post-Soviet political and economic reintegration and socio-economic disparities in the EEU member states against the background of the deepening regional crisis. These contradictions can be illustrated in terms of the redistribution of benefits, which can be called ‘primary’: speaking of the unhindered access of national products to the common market, we cannot but draw attention to an extensive list of exclusions and limitations, which has not been shortened over the year under review. The bargaining over ‘secondary’ benefits of integration – oil duties and credit resources – which will continue in 2015, was quite uneasy.

### **Trends:**

- The political alliance of Belarus and Russia is becoming more declarative and less effective;
- Bilateral cooperation in key areas is increasingly formalized as ‘special cases’ within the framework of post-Soviet (re)integration institutions;
- The launch of the EEU was botched from the start: economic cooperation within the member states was dwindling; the list of exclusions and limitations remained almost unchanged; the interdependence increased;
- Russia maintains a special regime of energy supplies and credit support for Belarus thus reducing the secondary benefits.

### **Eurasian Union**

It became clear after the Euromaidan events in Kiev and the ‘Russian Spring’ that the Eurasian integration accelerated by the Kremlin ended in a fiasco in its Ukrainian component. The Russian-Ukrainian conflict is just one of a series of symptoms of the continued dismantling of the imperial building, which includes the processes of separation of political and economic systems, while the ‘integration’ is the opposite in meaning and direction political and legal activism of the post-Soviet elites

put on top of the actual disintegration. Contradictions between the formal and substantive components of the post-Soviet ‘uniting’ institutions inherently generate logical conflicts of interest between the member states, which cannot be overcome at a ‘deeper level’ of integration.<sup>1</sup>

The customs Three composed of Russia, Belarus and Kazakhstan should have completed *two* previous stages first to give a good start to a more advanced form of integration – the Eurasian Economic Union (EEU) – namely to create a full-fledged Customs Union and the Common Economic Space, which they did not do as usual. In particular, the list of exclusions and limitations imposed by the Three totaled around 600 positions by the end of 2013. Almost all of these positions were dragged in to the EEU. As of the beginning of 2015, the EEU existed not so much in reality as in the regulatory domain. On the other hand, like all previous integration institutions, this union promotes an exchange of secondary benefits.

The presidents of Russia, Kazakhstan and Belarus signed the treaty on the establishment of the Eurasian Economic Union on May 29, 2014 in Astana. The new alliance is not about a single monetary, financial or social policy. The creation of single markets in key areas was scheduled for 2025. Before the treaty was signed, Minsk had been bargaining with Moscow hard over the signature terms, among other things because the export duties on oil products – the most sensitive question for Belarus – was on the list of exclusions. The Belarusian government was persistently negotiating the abolition of the export duties on oil products at all summits of the Three (in summer 2014, the duties were estimated at USD 2.5 billion). Alexander Lukashenko and Vladimir Putin reached a compromise on the oil issue on the very day when the EEU treaty was signed. Belarus was promised USD 1.5 billion in export duties on oil products in the next few years.

The question was raised again pretty soon and jeopardized the ratification of the EEU treaty by the Belarusian side. Rus-

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<sup>1</sup> Manionak, Tatsiana and Anatoly Pankovski. “Belarusian-Russian relations: Eurasian vortex”. *Belarusian Yearbook 2013*. Vilnius: Logvinov. 67–75. Print.

sia has been carrying out a tax reform of the oil industry since 2015 and, as part of it, raised the entry price of oil for Belarus. The Belarusian oil refining margin was likely to go down, which would probably result in considerable losses. Minsk demanded compensation. After the Russian leadership promised to exempt Belarus from paying export duties on oil products to the Russian budget in 2015, Belarus ratified the EEU treaty and asked to extend this exemption for *three* years. Moscow only agreed on one year, 2015, which means that the parties will have to go back to the negotiating table again next year.

Shortly after the allies took the issues related to the ratification of the EEU treaty off the agenda, they had to respond to new challenges. At the end of 2014, Russia sharply devalued its national currency, which negatively affected the financial performance of Belarusian enterprises. Kazakhstan devalued its currency as well. So did Armenia (EEU member since January 1, 2015). Belarus did not dare to do the same for a while fearing panic in the currency market. As a result, Belarusian products started losing the Russian and then the domestic market.

Alexander Lukashenko then demanded to protect domestic producers “in every possible way” regardless of the integration agreements. Once again, the Belarusian president made it obvious that the participants in the Eurasian economic integration would ignore their commitments in case their national economies face a serious problem.

For instance, when trying to force the Belarusians to join the Russian embargo, Moscow prohibited imports of meat and dairy products of a number of Belarusian enterprises and the transit of the banned foods from Belarus to third countries via Russia. By doing this, Russia ignored the Customs Union laws, which say that the customs control is moved to the external border of the single customs territory of the Union, and that issues related to customs restrictions in the integration union must be resolved trilaterally under the jurisdiction of a supranational body – the Eurasian Economic Commission.

The fact that Rosselkhoz nadzor (the Russian Federal Veterinary and Phytosanitary Monitoring Service), acting on behalf of the Russian government, disregarded the procedure established by the Three just shows that Putin’s ‘child’, the EEU, is

more like a political project, which lacks effective tools to reach compromises when protecting national interests. Instead of the “integration of integrations”, which the leaders of the Three were talking about throughout the past year, the new alliance exacerbated disintegration processes against the background of recession problems in the economies of the *Three*.

### **‘Secondary’ benefit No. 1: Oil**

Belarus is known for being practically a net importer of oil buying around 22 million metric tons a year to load its two refineries, while the domestic extraction is only at 1.645 million tons. Theoretically, a fall in world oil prices allows an importer to reduce energy costs. However, a cost reduction can be accompanied by a decrease in the benefits from the broadly defined oil business.

In 2014, Belarus purchased 22,507 million tons of Russian oil against 21.26 million in 2013 and paid USD 763.15 million less owing to the lower prices. For the same reason, in 2014, Belarus earned USD 117 million less than in 2013 from the export of its own oil. The most significant losses (USD 193.8 million in currency receipts) were due to the deterioration of the pricing environment in the market of oil products.<sup>2</sup>

As already mentioned above, oil revenues are among the most pressing issues of Belarusian-Russian cooperation under the sign of ‘integration.’ Belarus always demanded the right to keep the export duties on oil products for itself instead of transferring them to the Russian budget. Lukashenko said that if not for the obligation to give the export duties away to Russia, he would have built ‘Emirates’ in the country. This goal is totally out of reach despite the fact that the entire amount of the export duties on oil products stayed in Belarus last year.

The oil pie, which could be counted on before world the oil prices dropped was at least halved. According to the Finance Ministry of Belarus, the amount of the export duties will be down to USD 1.89 billion in 2015 (for comparison, Belarus transferred

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<sup>2</sup> “Впервые за последние годы белорусская «нефтянка» потребовала... господдержки.” *News.21.by*. 19 Mar. 2015. Web. 30 Mar. 2015. <<http://news.21.by/economics/2015/03/19/1065497.html>>.

USD 3.32 billion in export duties on oil products to the Russian budget in 2013, and 2.89 billion in 2014). The 1.89 billion is a preliminary estimate, because the Belarusian budget for 2015 was calculated with allowance for the world oil price standing at USD 83 per barrel.<sup>3</sup>

Besides, due to Russia's tax maneuver, the price of oil for Belarus increased by USD 107 per ton since January 1, 2015. The Belarusian government had to take measures to support the oil industry by reducing excise duties on oil products by 22% and increasing fuel prices for domestic consumers.

### **'Secondary' benefit No. 2: Credit support**

The credit support for Belarus is one of the basic 'secondary' benefits associated with the country's active presence in Russian integration initiatives. In late June 2014, one of the largest Russian banks, VTB, the controlling stake in which belongs to the government, gave Belarus a highly anticipated loan in the amount of USD 2 billion.<sup>4</sup> Belarus repaid USD 440 million borrowed from the bank on the New Year's Eve and used the rest of the money to clear other debts. The USD 440 million given by VTB at the end of 2013 were declared a term (replacement) bridge loan on account of the USD 2 billion intergovernmental loan, which could only be granted after a revision of the Russian budget.

In 2014, the Belarusian government was waiting for the last (sixth) tranche of a loan from the EEU Anti-Crisis Fund (USD 440 million), which was not received by the end of the year. Earlier, on June 4, 2011, the Anti-Crisis Fund Council approved a USD 3 billion loan for Belarus in six tranches during 2011–2013 as the Belarusian government was implementing the credit program stage by stage.

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<sup>3</sup> Манёнок, Татьяна. “Эмираты тут не получились, давайте построим что-нибудь другое.” *Наше мнение*. 28 Jan. 2015. Web. 31 Mar. 2015. <<http://nmnby.eu/news/analytics/5700.html>>.

<sup>4</sup> The decision to allocate extra borrowed funds for Belarus for 10 years at the expense of the federal budget and other sources was made in March 2013 following a session of the Supreme Council of the Union State of the Republic of Belarus and the Russian Federation.

In late 2013, the ACF Council adjourned the consideration of the loan for six months because Belarus failed to meet credit program requirements, namely the obligations on gross and net international reserves, privatization, etc. The alignment of the excise rates on alcohol and tobacco products with those established in Russia was not carried out either.

In total, in 2014, Belarus borrowed USD 5,200.8 million and repaid USD 4,563.0 million. Currency payments on public debt will peak again in 2015. Belarus is to pay the creditors USD 4.1 billion (about 3 billion under the principal debt and 1.1 billion for its servicing). In 2015, Belarus will repay USD 716.3 million to Russia, 541.2 million to the Anti-Crisis Fund (indirectly to Russia), 380.4 million to China, 130 million to the International Bank for Reconstruction and Development, and 121.8 to Venezuela.

Last year, the Belarusian government expected that nearly half of the foreign debt could be repaid from the export duties on oil products (around USD 1.9 billion) and the export duties on Belarusian oil (around USD 300 million). However, since the estimated oil revenues were going down, the Belarusian economy needed financial support to pull through the crisis. It is possible that the Belarusian leadership will try to refinance the payments above in 2015 by borrowing more money from Russia.

### **Economic and trade exchanges**

Statistics shows a noticeable decrease in the trade turnover between the founding nations of the EEU over the past *two* years. In 2014, Belarus' turnover with other member of the customs Three dropped to 95.3% against 2013 (94.7% in the trade with Russia). In the past two years, the trade turnover with Russia decreased by 14.2% from USD 43.86 billion to USD 37.63 billion (see Table. 1).

Nevertheless, the proportion of the trade with Russia in Belarus' total turnover remains very high: it increased from 45% in 2011 to 49% in 2014, including exports increased from 34% to 42.4%, while imports shrank from 54.5% to 54.8%, respectively. With respect to a number of important posi-

tions, Russia is practically an exclusive foreign trade partner of Belarus. Russia mainly supplies Belarus with commodities (usually of critical importance) being the main market for Belarusian goods (with some minor exceptions related to oil and oil products, timber and potash fertilizers). In other words, Belarus traditionally supplies Russia with end-use products, which, by the way, Russian consumers can substitute with goods from third countries.

**Table 1. Dynamics of the trade in goods between the Republic of Belarus and the Russian Federation in 2009–2014, USD million<sup>5</sup>**

Index	2009	2010	2011	2012	2013	2014	% against 2013
Trade turnover	23,444	28,035	39,439	43,860	39,742	37,631	94.7
Exports	6,718	9,954	14,509	16,309	16,837	15,346	91.1
Imports	16,726	18,081	24,930	27,551	22,905	22,285	97.3
Deficit	10,008	8,127	10,421	11,242	6,068	6,939	

Besides, Belarus has to pay Russia in currency, while revenues from sales of Belarusian goods in the Russian market are in rubles. This means that the weakening of the Russian ruble, which led to a decrease in Belarusian exports in dollar terms, hit the Belarusian economy much more than the drop of the world oil prices.

Last year, the U. S. dollar officially rose by 72% in Russia. The unwillingness of the Belarusian authorities to adjust the exchange rate in connection with the devaluation of the Russian currency strengthened the Belarusian ruble against the Russian, which, in turn, has led companies controlled by the Belarusian Ministry of Industry to serious financial problems. In January–October 2014, their total losses amounted to nearly one trillion Belarusian rubles<sup>6</sup>. According to the Ministry of Agriculture,

<sup>5</sup> “Foreign trade. Annual data”. *National Statistics Committee of the Republic of Belarus*. Web 2 Apr. 2015. <[http://belstat.gov.by/en/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya\\_2/osnovnyepokazateli-za-period-s-\\_\\_-po-\\_\\_\\_gody\\_10/](http://belstat.gov.by/en/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/osnovnyepokazateli-za-period-s-__-po-___gody_10/)>.

<sup>6</sup> “Экономические итоги-2014: российский рубль выкопал яму белорусскому.” *Naviny.by*. 19 Mar. 2015. Web. 30 Mar. 2015. <[http://naviny.by/rubrics/economic/2015/01/04/ic\\_articles\\_113\\_187908/](http://naviny.by/rubrics/economic/2015/01/04/ic_articles_113_187908/)>.

Belarusian exporters of foods lost USD 362 million due to the same problems<sup>7</sup>.

Belarus reacted to this situation with the declarative commitment to protect the currency equivalent of the cost of Belarusian goods in rubles from a massive decline. At the end of 2014, Alexander Lukashenko demanded to peg the prices of Belarusian goods to the dollar or euro, which, of course, was not done: Belarusian goods are already not very competitive in the Russian market, including that in price terms. The Belarusian economic authorities finally came out with a ‘natural’ reaction—the devaluation of the national currency following the EEU partners.

## Conclusion

Currently, there are no visible prerequisites for overcoming or at least relieving of the regional crisis, which can be characterized as political and economic. Since the Belarusian ruling elite sees the cause of this crisis mostly in transient ‘external’ factors, it does not display any willingness or political will to make changes or reform the system. It is therefore clear that in the ‘hard times’, the Lukashenko regime places its stake on foreign borrowings and a variety of benefits one way or another connected with the post-Soviet integration.

It is easy to predict that in 2015, Minsk will finally receive the last tranche of the loan from the EEU Anti-Crisis Fund (USD 440 million) and repay its debt to the Fund. Belarus applied to the ACF for one more loan in April 2015 and will probably get it. We can only guess whether the first tranche will be received before the end of the year.

As concerns Russian intergovernmental loans, they can be refinanced by means of new borrowings. Russia, as its top officials say, is ready to lend a helping hand “in case of emergency.” Therefore, the question is whether this ‘emergency’ will occur and how Russia will evaluate its helping hand in the context of

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<sup>7</sup> “Из-за девальвации российского рубля экспортеры продовольствия потеряли 362 млн долларов.” *TUT.BY*. 10 Jan. 2015. Web. 30 Mar. 2015. <<http://news.tut.by/economics/430802.html>>.



this 'emergency' in view of the presidential election in Belarus. In short, there are uncertainties in the details.

As is the case with the redistribution of oil rents, due to the shaky situation in the world oil market, the talks between Belarus and Russia over the export duties on oil products in 2016, which the parties agreed to continue in early 2015, can be postponed until the end of the year.

Since Minsk's benefits from the participation in Russian integration projects are becoming less tangible and less and less guaranteed, Belarus will contribute to the creation of a 'common market' accordingly. We believe that in 2015, most likely, the list of exclusions and limitations will not be shortened, or shortened insignificantly. It will be a challenging year for the integration.

## **BELARUS – EUROPEAN UNION: A NEW AGENDA ON THE BACKGROUND OF THE UKRAINIAN CRISIS**

**Dzianis Melyantsou**

### **Summary**

For the first time in many years the relations between Belarus and the EU developed according to a scenario which included talks on visa liberalization and consultations on modernization. An intense diplomatic communication continued. Having become a platform for negotiations to resolve the Ukrainian crisis Belarus significantly improved its international image and relations with the EU.

### **Trends:**

- Building-up of an intergovernmental dialogue on a wide range of issues;
- The problem of democratization in Belarus faded into insignificance in the face of the regional security threats;
- A more constructive mutual rhetoric.

### **Renewed dialogue: visas and modernization**

According to the statements made by Foreign Minister Uladzimir Makei at the Vilnius Summit of the Eastern Partnership the relations between Belarus and the EU in 2014 became distinctive, constructive and slightly more predictable. The parties began negotiations on visa liberalization and consultations on modernization.

On January 29–30, 2014 the Deputy Foreign Minister of Belarus Alena Kupchyna paid a visit to Brussels within the framework of which the negotiations between Belarus and the European Commission on visa liberalization and readmission were started. The sides reached an agreement on the format of negotiations and agreed to hold the next round of talks in Minsk. By the summer Minsk and Brussels had prepared a draft of international agreement on visa liberalization, which was discussed on June 12 by experts from the Belarusian Foreign Ministry and the European Commission. Though they failed to reach mutually acceptable solutions on some issues of the project (for example, the one with the holders of diplomatic

passports), on the whole the negotiation process received a good rating.

On November 24–25 Brussels hosted the second round of talks on visa issues and readmission. The meetings were held behind closed doors and it was hard to say what progress had been achieved. At the same time the press service of the Belarusian MFA continued to point to the fact that Minsk required the visa issues in regard to Belarus to correspond to the approach the EU adopted towards other neighboring countries. Therefore it is possible to think that Brussels tries to introduce additional conditions for Belarus caused apparently by the general level of bilateral relations. According to the results of this round of negotiations Ms Kupchyna said the following: “It is quite difficult to carry out the negotiation process. We believe, and this is our compelling stand, that the agreement on visa liberalization should be based on the principles of equality and non-discrimination similar to the EU agreements with other countries”<sup>1</sup>. However she noted the progress in the negotiations and announced the continuation of consultations in January–February 2015. According to unofficial information Brussels and Minsk would like to end the negotiations by May 2015 in order to sign the agreement on visa liberalization and readmission during the next Summit of the Eastern Partnership in Riga.

During the January visit of Ms Kupchyna to Brussels the sides also reached agreement on the beginning of consultations on the issues of modernization between the Belarusian government and the EU. These consultations are directed towards the search of new forms of interaction, which will complement the *European Dialogue on Modernization with Belarusian Society* that started back in 2012. In a sense, the intergovernmental modernization dialogue is a continuation of *Joint Interim Plan* which was discussed in 2010, but was not put into life due to the sharp deterioration of the situation after the Presidential elections in Belarus in that year.

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<sup>1</sup> “Переговорный процесс по упрощению визового режима с ЕС идёт достаточно сложно, но прогресс есть – Купчина.” *Interfax.by*. 10 Dec. 2014. Web. 23 Feb. 2015. <<http://www.interfax.by/news/belarus/1173590>>.

According to Dirk Schuebel, the head of the European External Action Service's Division responsible for the European Union's relations with the Eastern Partnership countries, Minsk and Brussels began the talks about the launch of the so-called *Interim phase* cooperation.

It is expected that this dialogue platform will be used to find spheres of mutual interests connected with the modernization of Belarus. Dirk Schuebel also noted that the Belarusian authorities admitted the participation of representatives of civil society in the *Interim phase* to any extent. However, later Schuebel's statements were criticized by the press service of the Belarusian Foreign Ministry as premature. At the same time, the official Minsk did not deny them, but only hinted that it does not accept such public statements before the conclusion of formal agreements.

All in all in 2014 there were *four* rounds of consultations on the issues of modernization. At the *first meeting* the problems of development of small and medium-size business, macroeconomic policy, economic governance, privatization, restructuring of the financial system of Belarus were discussed. The *second round* was dedicated to the issues of trade and investment. The third round was devoted to water resources management, waste recycling, biodiversity, improvement of radiological control, development of energy and transport systems in the country, the use of alternative energy sources, as well as the country's accession to the EU themed programs. On the agenda of the fourth round of consultations were education, regional development and social policy in Belarus, also the tools of EU assistance in these areas were discussed.

Since the main objective of the consultations on the modernization is determining the future forms of cooperation between Minsk and Brussels, it is early to talk about any certain results so far. It should also be noted that these consultations are actually measures to enhance confidence in the course of which the sides avoid to touch upon painful political problems (according to U. Makei, they are still taken out of context), and discuss the issues that can be solved without any political concessions. Thus Minsk and Brussels are trying to develop a positive relationship.

## **Diplomatic contacts in the framework of Eastern Partnership**

On February 27–28, 2014 the Minister of Foreign Affairs of Belarus Uladzimir Makei paid a visit to Latvia. He met with the Latvian President, the Foreign Minister and the Minister of Transport. According to the official information, in addition to the bilateral relations the cooperation of Belarus with the European Union was also discussed during the meeting. In particular, the prospect of joint work in early 2015 was set, when Latvia would hold the Presidency of the EU Council. For this period in Riga the next Summit of the Eastern Partnership is planned and the sides hope to sign the *Agreement on Liberalization of Visa Regime between Belarus and the EU*.

Relations between Belarus and the EU were also discussed during Uladzimir Makei's visit to Lithuania and his meeting with the Foreign Minister of this country Linas Linkevičius. The Ministers once again stated that further qualitative changes in relations between Belarus and the EU are possible only when the sides meet mutual conditions: Belarusian authorities free political prisoners and the EU lifts sanctions against some Belarusian citizens and enterprises.

On April 28–29, Alena Kupchyna visited Hungary, where she took part in the meeting of Foreign Ministers of the Visegrad Group and the Eastern Partnership. The organizers of the meeting in Budapest originally invited Uladzimir Makei, however, according to the press Secretary of the Belarusian Foreign Ministry, due to the working schedule of the Minister it was decided to delegate Ms Kupchyna.

Although obviously the main reason for the underrepresentation was different. A few days before that in Prague there had been an informal meeting, on the occasion of the fifth anniversary of the Eastern Partnership. All Presidents of member countries of the initiative, except Belarus were invited there. As far as the organizers did not find the optimal form of invitation that would satisfy all sides, Belarus altogether refused to participate in the event. And delegating Alena Kupchyna instead of Uladzimir Makei to the Budapest meeting became one more reminder from the Belarusian Foreign Ministry about

the importance of observance of the principles of equality and non-discrimination for the official Minsk.

Despite these misunderstandings, on July 22 Uladzimir Makei took part in the Ministerial meeting of the countries of the Eastern Partnership in Brussels. The Ministers discussed the prospects of development of the relations in the light of the situation in the region, as well as the signing by Georgia, Moldova and Ukraine of the Association agreement with the EU. Also the preparation issues for the Summit of the Eastern Partnership in Riga were discussed. In addition, Mr Makei held a number of bilateral meetings with the leaders of the European External Action Service, the European Commission and with the Foreign Ministers of the EU member countries and member states of the Eastern Partnership.

The early release of Alies' Bialiacki, the head of the human rights centre *Viasna*, whom the European Union recognized as a political prisoner, had a positive effect on the relations between Belarus and the EU. By this Minsk shows that under certain conditions it may make concessions to European requirements. Perhaps this step also influenced the decision to adopt Minsk as a platform for negotiations on the crisis in Ukraine.

A landmark event was a visit of the Minister of Foreign Affairs of Lithuania Linas Antanas Linkevičius to Minsk on July 24–25. This is the second official visit of the Foreign Ministers of the EU member countries (the first one was the arrival of the Latvian Minister Edgar Rinkēvičs in Viciebsk in April 2013) since the intensification of the relations of Belarus with the European Union after the election of 2010. During the talks at the Foreign Ministry a range of issues of bilateral contacts and relations between Belarus and the EU was discussed, as well as the prospects for the development of the Eastern Partnership. One of the key issues on the agenda of the visit of the Lithuanian Minister was the situation in Ukraine.

On September 9, Alena Kupchyna represented Belarus at the meeting of Foreign Ministers of member countries of the Eastern Partnership in Baku within the framework of the fourth round of the EP informal Ministerial Dialogues. The main topic of the meeting was the prospects of the EP development on the background of the crisis in Ukraine.

During 2014 there was a rise in diplomatic contacts. If in 2011–2012 the consultations between the Foreign Ministries of Belarus and the EU took place mainly at the level of the heads of the departments of Foreign Ministries, now more often the Belarusian delegations at such meetings are chaired by the Deputy Ministers. In this respect the Belarusian-Finnish political consultations are salient which took place at the level of the heads of the Foreign Ministries of both countries on June 12 in Helsinki.

On December 10, Uladzimir Makei received a delegation of the political Directors of Foreign Ministries of the member countries of the Visegrad Group.<sup>2</sup> The visit of the delegation of such format to Minsk was held for the first time. Another remarkable event occurred on December 11. The heads of the diplomatic missions of the EU member countries were invited to the Foreign Ministry of Belarus. During this meeting Alena Kupchyna informed the European diplomats about the problems in the relations between Belarus and Russia and about the development of the Eurasian integration processes.

This is perhaps the first time since 2010 when Minsk openly appealed to the European Union in the issues of the Belarusian-Russian relations. Now this happened on the background of restrictions on the supply of Belarusian meat and dairy products to Russia. With allowance for the events in Ukraine the situation reminds of the period of 2008–2010 when Minsk also tried to use its uneasy relationship with Russia as a reason for the normalization of relations with the EU, underlining the threat to country's sovereignty and its own stand on Georgia.

During the year, representatives of the Belarusian leadership repeatedly expressed their interest in the Eastern Partnership and in establishing full-scale relations with the European Union. However, they did not forget to constantly announce an official stand on the EP, which lies in the following points:

- The need to rethink the prospects of the Eastern Partnership with regard to the Ukrainian crisis and problems in connection with the signing by Georgia, Moldova and Ukraine of the Association agreement with the EU;

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<sup>2</sup> Poland, Slovakia, Hungary, Czech Republic.

- The importance of an individual approach to all member countries with regard to their national interests, priorities and needs;
- Unconditional observance of the principle of equality of all member countries, regardless of their integration aspirations;
- The need to ensure the practical effect of the Eastern Partnership including the strengthening of business measurement and intensification of project cooperation in transport, trade, energy, border control;
- The importance of dialogue and interaction between the two integration associations – the European Union and the future Eurasian Economic Union.

### **The background effect of Ukraine**

Practically the whole year the relations between Belarus and the EU developed in the shadow of the dramatic events in Ukraine. Having no other way out of a difficult foreign policy situation, Minsk took a position on Ukraine quite separate from the Kremlin's, which supposed to make clear to the West that Belarus has its own interests different from those of Moscow's. This message immediately reached the European addressee and the evidence of it was a telephone conversation between Aleksandr Lukashenka and Polish Prime Minister Donald Tusk held on 17 April at the initiative of the Polish side. According to the press service of the Belarusian President (later the information was removed from the official site for some reason), the sides talked about the international situation caused by the Ukrainian events.

A major diplomatic event of the year was undoubtedly the Summit in the format of the Customs Union – Ukraine – the EU, held in Minsk on August 26. The aim was to initiate the process of settlement of the crisis in Ukraine. On the part of the European Union there were the High Representative of the Union for Foreign Affairs and Security Policy Catherine Ashton, the European Commissioner for Energy Günther Oettinger and the EU Trade Commissioner Karel de Gucht. Catherine Ashton also had a bilateral meeting with Aleksandr Lukashenka during which she thanked the Belarusian President for the initiative in the peace negotiations.



This meeting and this high-level European Union delegation in Minsk became possible only in the context of the Ukrainian crisis. But the fact that high-level contacts took place is also important, which testifies to the profound success of the Belarusian diplomacy including the European direction. It potentially opens up new opportunities for the development of relations between Belarus and the EU.

An example of such potential opportunities was demonstrated almost immediately after the completion of Minsk Summit: on August 28–29 Uladzimir Makei arrived in Poland on a working visit. He met with his counterpart Radosław Sikorski. The key issue was the talks in Minsk and prospects of resolution of the crisis in Ukraine. Also on August 28, Mr Makei held talks with the Polish Minister of Economy Janusz Piechociński.

The mediation efforts of Belarus, however, did not lead to a breakthrough in relations between Minsk and Brussels. But the Ukrainian crisis in general and the role of Belarus in its settlement became a “catalyst for cooperation”, said the Deputy Head of the Foreign Ministry of Poland Tomasz Orłowski, who visited Minsk in late October. Another catalyst was the sanctions that Russia imposed against European food producers.

In autumn, there was a significant activation of the political and business representatives of the neighboring EU countries with the aim to find ways of processing and exports through Belarus. For example, the 10<sup>th</sup> Belarusian-Lithuanian Forum, which was held in Mahilioŭ in early November, was visited by the Prime Minister of Lithuania Algirdas Butkevičius. And according to the Vice-Chairman of the Chamber of Agriculture of Lithuanian Bronius Markauskas, “thousands of tons of [dairy products] were taken out during some three weeks”.<sup>3</sup>

On the New Year’s Eve Aleksandr Lukashenka, introducing a new Head of the Presidential administration Aleksandr Kosiniec, summed up the Belarusian policy towards the EU as follows: “We border with the West and don’t want any collisions – either political or economic. Half of our trade is there.

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<sup>3</sup> “Литовские молочники предлагают Беларуси заработать на реэкспорте в Россию.” *Белорусские новости*. 16 Oct. 2014. Web. 25 Feb. 2015. <[http://naviny.by/rubrics/eu/2014/10/16/ic\\_news\\_627\\_446947/](http://naviny.by/rubrics/eu/2014/10/16/ic_news_627_446947/)>.

If the West gives us a hand of cooperation, we should take it. We will seek to normalize our relations with the West. If they want to cooperate with us on equal terms and give signals, we will accept this signal. We have always said this: let's sit down to talk and negotiate"<sup>4</sup>.

## Conclusions

In 2014 Belarus and the EU passed on to the implementation of the previously scheduled plan, which included negotiations on visa liberalization and readmission, as well as consultations on modernization. As in 2013, diplomatic contacts remained intense, due in no small measure to a neutral position of Belarus in relation to the Ukrainian crisis and promotion of a peace-building process. Thus, we can say that, due to the diplomatic efforts of the official Minsk and the geopolitical context, the EU took part in the dialogue of a higher level with the Belarusian government. The Belarusian side, limiting itself to rather symbolic steps, did not agree to meet the requirements of Brussels (the release and rehabilitation of all political prisoners, improvements in the political rights sphere), which were forwarded as a precondition for the dialogue.

In 2015 the dialogue between Belarus and the EU will expand on the background of the situation in Ukraine and the tension in the relations of the West with Russia. It is likely that at the EP Summit in Riga the agreement *On visa liberalization and readmission* would be signed with the EU. However, future prospects remain uncertain, as they crucially depend on the Presidential election in Belarus in late 2015.

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<sup>4</sup> “Президент: Если Запад протянет руку сотрудничества, надо этим воспользоваться.” *TUT.BY*. 30 Dec. 2014. Web. 24 Feb. 2015. <<http://news.tut.by/politics/429907.html>>.

## **BELARUSIAN-AMERICAN RELATIONS: ONE MORE THAW OR A CHANGE OF THE PARADIGM?**

**Andrei Fyodarau**

### **Summary**

The attempts to surmount numerous obstacles accumulated in the path of Belarus-U.S. rapprochement continued last year. The position taken by the Belarusian authorities in relation to the events in Ukraine contributed to this process to some extent. As a result, statements coming from both sides got milder, dialogue advanced, and some positive developments in bilateral relations took place. Nonetheless, the divergence of views on a number of fundamental aspects persisted, so the interaction could not be taken to a higher level.

### **Trends:**

- Minsk and Washington expand contacts;
- There are prerequisites for thawing relations among other things owing to Minsk's certain distancing itself from Russia's actions against Ukraine and the understanding of the regional geopolitical role of Belarus as a part of 'Not Russia' by U. S. politicians.

### **Politics: Continuation of the dialogue**

Like a year before, Belarus and the United States had a fairly large number of bilateral contacts on different levels in 2014. On February 7, head of the Main Department for Multilateral Diplomacy of the Belarusian Foreign Ministry Yuri Ambrazevich held a series of meetings with heads of several offices of the Department of State in Washington. Official sources said that together with the previous successful cooperation of both nations in combating trafficking in persons under the aegis of the UN, the talks displayed a great potential for further collaboration.

In early June, Deputy Assistant Secretary of State Eric Rubin visited Minsk, where he met with Foreign Minister of Belarus Vladimir Makei. Commenting on the talks, the Foreign Ministry spokesman said, "There are difficult questions in Belarusian-American relations, with the sides holding and declaring their principled views to each other. The Belarusian side has been

consistently and persistently speaking out against the unilateral enforcement of economic sanctions by the United States. We are convinced that the sanctions, which are now in effect against a number of Belarusian enterprises, have to be annulled.”

A U.S. interdepartmental delegation visited Minsk in September. New Chargé d’Affaires to Belarus Scott Rauland, who replaced Ethan Goldrich in July, called it the highest-ranking delegation over the past five years. It included delegates from the Department of Defense, the United States Agency for International Development and the Department of State’s Bureau of Democracy, Human Rights, and Labor. They met with representatives of the government and Foreign Ministry, civil society, political opposition, and business community among other things to explore opportunities to expand cooperation with the Belarusian authorities. Although no big breakthrough happened in this respect, the visit once more signified certain changes.

Since the United States had not seen any important events related to Belarus for long, the Belarusian-American Investment Forum of late September in New York was worthy of note. During the opening ceremony, Prime Minister of Belarus Mikhail Myasnikovich said, “I sincerely believe that, perhaps, with the beginning of this event and a number of large events of political nature, which Belarus initiated, including those regarding the peaceful settlement of the conflict in Ukraine, we will have a substantial reload of relations between Belarus and the United States.” In November, U.S. State Department’s East European affairs chief Alexander Kasanof held several meetings at the Foreign Ministry of Belarus as part of regular consultations between relevant territorial units of the Department of State and the Belarusian Foreign Ministry.

Finally, as if summing up the political results of the year, Assistant Secretary of State for European and Eurasian Affairs Victoria Nuland made a speech on December 17 at the American Enterprise Institute in Washington. She said that the United States was open to improve relations with Belarus. “It’s been interesting, in the course of the last year, you’ve seen what we’ve seen, which is that the leadership in Belarus is quite uncomfortable being offered a binary choice. And, you know, I remember

seeing the prime minister of Belarus in September, and at the UN General Assembly, and telling him that they'd done more for their country in having Minsk the term, the brand Minsk be emblematic of a peace deal than we'd seen in a long time," she said. Probably, having in mind these events, the Belarusian Foreign Ministry was quite restrained when making comments on Washington's decision to give further effect to the Belarus Democracy Act.

The overall results of the bilateral diplomacy were not too impressive, though. In fact, Minsk only allowed the U.S. Embassy to increase its staff by one officer that facilitated visa services to citizens of Belarus and was followed by a reduction in the price of visas and the opening of two honorary consulates of Belarus in Texas and Florida.

Alexander Lukashenko kept criticizing the United States (less often, but all the same), which showed that the bilateral relations were still far from being warm. When in Serbia in June, the Belarusian leader said that the United States and the European Union "were eager to do their best to wreck his visit to Belgrade or at least to make it go totally unnoticed." He told Russia-1 TV channel on September 6 that "Uncle Sam from across the ocean was constantly pushing us toward a massacre in Ukraine."

### **Economy: Efforts are made, but no results are seen**

It seemed throughout the year that a certain progress in economic cooperation was about to be made. At least, the Belarusian side grasped for more chances to convince partners that widening of cooperation would be more than advisable.

On January 30, Washington hosted a presentation of opportunities for business and investment cooperation with Belarus. The Foreign Ministry of Belarus reported that the event was attended by officials from the Congress, Department of State, Department of Commerce, National Academy of Sciences of the United States, World Bank, IMF, governments of Washington and Maryland, U. S. consulting and law firms, think tanks, universities and NGOs. The audience agreed that "Belarus had

created favorable conditions for trade and investment calling on U.S. investors to step up cooperation.” On March 13, the Belarusian embassy hosted one more presentation of economic, trade and investment opportunities in Belarus for members of the young professionals club of Washington.

In March, Belarusian Chargé d’Affaires to the United States Oleg Kravchenko met in Baltimore with the Maryland leadership in charge of economic development and international economic relations. The parties reached an agreement to explore possibilities for trade, economic and investment cooperation.

On April 2, Belarusian Foreign Minister Vladimir Makei accepted a delegation headed by ranking executive of *General Motors* Andy Dunstan to assess the progress of an investment project on the assembly of passenger cars in Belarus. The assembly line was however not launched by July 3 as was initially planned, but the project is reportedly still alive.

A delegation led by Mogilev Mayor Vladimir Tsumarev went to Houston in mid-May. The mayor and his Houston counterpart gave consideration to the outlook for versatile partnerships, and then took part in a Belarusian-Texas Business Forum with a presentation of opportunities for trade and economic cooperation with Mogilev and Belarus in general.

It turned out that the Belarus-U. S. Business Cooperation Council was still active. Deputy Foreign Minister Alexander Guryanov met with its Chairman David Baron on December 12 to discuss the perspectives of trade and investment partnership, sum up the preliminary results of Council’s operations and specify promising areas of interaction in 2015.

And yet the above mentioned Investment Forum in New York was certainly the main event of the year. Sure enough, the Belarusian authorities expressed satisfaction with its outcome. They talked about numerous fruitful contacts and proposals of U. S. companies admitted to examination, such as the 90 million dollars’ worth project on construction of a plant for *Culligan*, which controls 40% of the water purification industry.

Not denying the possibility of some agreements, independent experts were, however, quite skeptical about those optimis-

tic hopes and plans of the government mostly because Belarus generally lacked a proper environment for investment.<sup>1</sup>

There are significant discrepancies when it comes to the mutual trade turnover apparently because different patterns of calculation were used. According to Belarus, in 11 months of 2014, the turnover dropped 10% to USD 547 million year-on-year it decreased by (103 million in exports and 443 million in imports, the deficit being 340 million)<sup>2</sup>. The U. S. Department of Commerce thus only reports 200 million (115 and 85 million, respectively, with a 30 million surplus)<sup>3</sup>. Anyway, regardless of the precision, trade with the world economic leader remains very low.

### Mutual interest vs deep disagreements

There are a number of indicators of expanding contacts between Minsk and Washington. This implies that both sides are interested in doing so. So, what are their angles and how might their interests conjoin?

Belarus' aspirations were no secret to anyone. Generally speaking, the country sought a break from the isolation from the Western world. Importantly, if successful, Belarus would be able to expect assistance in the accession to the WTO and guaranteed access to loans from international financial institutions and investments. The Belarusian regime would like America to stop supporting democratic forces in Belarus.<sup>4</sup>

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<sup>1</sup> Романчук, Ярослав. “Американские порывы. Получится ли у Беларуси завоевать Америку?” *MyFin.by*. 24 Sept. Web. 6 Feb. 2015. <<http://myfin.by/stati/view/3956-amerikanskie-poryvy-poluchitsya-li-u-belarusi-zavoovat-ameriku>>.

<sup>2</sup> “Данные о внешней торговле Республики Беларусь по отдельным странам в январе–ноябре 2014 года.” *Национальный статистический комитет Республики Беларусь*. Web. 6 Feb. 2015. <[http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya\\_2/operativnyye-dannye\\_5/dannye-o-vneshnei-torgovle-respubliki-belarus-po-otdelnym-stranam](http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/operativnyye-dannye_5/dannye-o-vneshnei-torgovle-respubliki-belarus-po-otdelnym-stranam)>.

<sup>3</sup> “Trade in Goods with Belarus.” *United States Census Bureau*. Web. 6 Feb. 2015. <<http://www.census.gov/foreign-trade/balance/c4622.html>>

<sup>4</sup> Мельянцов, Денис. “Беларусь – США: возможна ли перезагрузка?” *Белорусские новости*. 15 Nov. 2014. Web. 6 Feb. 2015. <[http://naviny.by/rubrics/politic/2014/11/15/ic\\_articles\\_112\\_187546/](http://naviny.by/rubrics/politic/2014/11/15/ic_articles_112_187546/)>.

Personal motives were also due in no small part to the government's policy.

In contrast, material interests (if any) in the considerations underlying Washington's actions were most certainly somewhere far in the bottom of the list. Apparently, Belarus will long be of little relevance to the United States in terms of economics.

There is one aspect, though, which still keeps the United States interested, namely the Northern Distribution Network used to supply NATO forces and pull troops out of Afghanistan. Belarus has been a part of it for over a decade now, but the American policy towards the country remains unchanged. Besides, sooner or later, the need for this route will disappear or fade away considerably. Therefore, the United States' interest is reduced almost exclusively to security in the broadest sense. In other words, America just wants Belarus not to create any problems.

Speaking about potential threats on the part of Belarus, the country does not fully deserve to be put on a blacklist. For example, it became widely known in 2014 that Belarus and the United States cooperated in the prevention of illegal transit of nuclear materials that helped to solve several international crimes. Belarus also looks good when it comes to suppression of illegal migration, human and drug trafficking, and arms smuggling. On the other hand, regular military exercises held in Belarus jointly with the Russian military are clearly of anti-NATO orientation that certainly does not contribute to a reduction of tension in the region.

Some experts believe that during acute international crises, like the crisis in Ukraine, geopolitical considerations prevail over traditional values and the West, including the United States, tends to abandon their claims, or at least soften demands considerably for the sake of a hypothetical support from the Belarusian authorities.<sup>5</sup>

This seems to be true. As a matter of fact, official Minsk is trying to use the Ukrainian crisis to improve frosty relations with the West. However, Belarus is unable to make a major contribu-

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<sup>5</sup> Карбалевиц, Валерий. "По новому кругу." *Свободные новости плюс*. 10 Nov. 2014. Web. 6 Feb. 2015. <<http://www.sn-plus.com/ru/page/diagnosis/5324/>>.



tion to the settlement of the Russian-Ukrainian conflict for a number of objective reasons. Besides, the Belarusian government is well aware that the available resources for real rapprochement with the Eastern European region are scarce.

It would be naive to assume that the U.S. Administration is seriously considering Belarus as a part of a strategy to curb Russia's appetite. The efforts to democratize Belarus basically stem from the belief that democratic countries are more reliable partners in terms of international security. Since the Belarusian regime never shows an inclination to listen to admonitions, the White House does not feel the need to reconsider its fundamental approaches, which, in fact, is being seen now: every time when Belarusian and American officials meet, the latter call for a release of political prisoners and liberalization.

## Conclusion

The search for a way to break the deadlock in Belarusian-American relations continued in 2014. Moscow's aggressive policy played into Belarus' hands to a certain extent as Washington cannot but welcome Minsk's attempts to distance itself from its main foreign policy partner.

The trend towards increased bilateral contacts had been observed before the events in Ukraine, which means that a certain thaw is probably based on the fact that after the post-election crackdown of December 19, 2010, the Belarusian authorities have not resorted to overly tough measures. With all that said, it looks like Washington has decided to get back to a softer policy in relation to the Belarusian regime while not forgetting all the negative experience.

Even this non-pivotal change drew a strongly negative response from Russia. Head of the Russian Parliamentary Committee for International Affairs Alexei Pushkov said that the declaration of the United States concerning the openness to dialogue with Belarus means the intention "either to depose Lukashenko, or turn him against Moscow.<sup>6</sup>" In light of the

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<sup>6</sup> "В Госдуме опасаются, что США хотят развернуть Лукашенко против России." *Белорусские новости*. 18 Dec. 2014. Web. 6 Feb. 2015. <[http://naviny.by/rubrics/politic/2014/12/18/ic\\_news\\_112\\_450971/](http://naviny.by/rubrics/politic/2014/12/18/ic_news_112_450971/)>.

events in Ukraine, this statement can be interpreted as a warning, which, together with the categorical refusal of the Belarusian leadership to reconsider approaches to democracy and human rights, gives no reason to hope for more or less substantial rapprochement with the United States.

So, nothing suggests that the paradigm will be changed soon. If the upcoming presidential election will go peacefully, cooperation in several specific areas, mainly related to security issues, can be continued, and all other contacts will most likely remain limited. Otherwise, the situation will be the same as in 2011.

## **POLISH-BELARUSIAN RELATIONS: TIME OF TECHNICAL CONTACTS**

**Anna Maria Dyner**

### **Summary**

The year 2014 did not bring a breakthrough in Polish-Belarusian relations, although compared to previous years, bilateral relations intensified at the technical level. Despite the EU's policy of sanctions, Poland and Belarus developed mutual trade and, partially, cross-border cooperation. Still unresolved remained the issues concerning the activities of the Union of Poles in Belarus and local border traffic. On the other hand, the question of visa outsourcing was resolved. It will not be possible to return to normal neighborly relations until the Belarusian authorities release political prisoners. As a consequence, both countries are not capitalizing on the potential of their neighborhood, historical heritage and tourism development.

### **Trends:**

- Intensification of bilateral technical contacts between Poland and Belarus with the main focus on economic cooperation, historical and cultural dialogue;
- Absence of changes in the resolution of the problems connected with the functioning of the Union of Poles in Belarus, implementation of the agreement on local border traffic and increasing the number of personnel in Polish consulates;
- Poor use of the potential of bilateral cooperation both by Poland and Belarus, mainly due to the frozen relations between the EU and Belarus.

### **Delicate warming**

The year 2014, due to the events in Ukraine, was a landmark for the relations in Central and Eastern Europe. Because of Russian policy towards Ukraine (the annexation of the Crimea, the pro-Russian support for separatists in the Donbas), the European Union imposed a series of sanctions on Russia, to which Russia responded by introducing embargo on food products from the EU. However, in political terms, this situation did not have negative consequences for the relations between Belarus and individual EU member states, including Poland. On the contrary, being a good place both for Ukraine and Russia, Minsk hosted the negotiations on a ceasefire in the Ukrainian Donbas

in September 2014. In this context, it is easy to get the impression that for some EU member states, Belarus gained the reputation of a stable and co-operative neighbor. Ukraine was also a major theme of the Belarusian Foreign Minister Uladzimir Makei's visit to Warsaw in August.

In 2014, Poland and Belarus for the first time in many years managed to avoid major tensions in bilateral relations. The number of meetings on technical cooperation increased significantly. One of the priorities for the Polish side is historical and educational dialogue, but not only in the plane of academic debate on the common Polish-Belarusian history, but also concerning preservation of Polish memorial sites in Belarus, with particular emphasis on Kurapaty, where the remains of Polish citizens murdered by the NKVD (the so-called Belarusian Katyn list) are most likely to be resting. One of the objectives of the Polish side is therefore to facilitate exhumation at this location. During bilateral meetings on historical issues in 2014 an idea was put forward to establish a Polish-Belarusian group on history issues.

In 2014, Poland and Belarus initialed an agreement on education, and the Polish Ministry for National Education made efforts to reactivate the work of the Belarusian-Polish textbook committee, whose task is to agree on the content of textbooks for teaching history and geography. Due to the changes in the Belarusian education law it will also be necessary to regulate the further activity of two Polish schools in Belarus. Signing this agreement should therefore have a positive impact on the functioning of both of these institutions.

A positive sign for the development of relationships is information about the planned prolongation of the cross-border cooperation program 'Poland – Belarus – Ukraine'<sup>1</sup>, implemented within the framework of the *European Neighborhood and Partnership Instrument*, for the next EU budgetary perspective, therefore up to 2020. Intensified dialogue between Belarus and the European Union on the visa regime liberalization, of which Poland is a big supporter, worked out positively on relations between Warsaw and Minsk in 2014.

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<sup>1</sup> Within this program, in 2007-013, Belarus participated in 43 projects with a total funding of EUR 203 mln.

As for visa facilitation, unfortunately, the Polish and Belarusian sides failed to resolve all their problems. The most important of them is the implementation of the agreement on *local border traffic* (LBT), which since 2010 has been being blocked by the Belarusian side. However, despite the lack of LBT, border traffic between Poland and Belarus in 2014, compared to 2013, remained virtually at the same level. Polish border services reported more than 8 million 817 thousand crossings of the Polish-Belarusian border, which accounted for approx. 20% of total passenger traffic at the Polish sections of the external EU border.<sup>2</sup> However, we should not expect a rapid implementation of the LBT, because it is not only for political reasons that Belarus lingers to ratify this agreement, but, first and foremost, for economic ones – the Belarusian side fears increased outflow of capital to Poland from the western districts due to Belarusians' numerous and frequent shopping tours.

Another problem in the sphere of bilateral relations, which failed to be resolved, is the lack of consent of Belarus to increase the number of personnel at Polish consular sections. However, the work of Polish consulates should be facilitated by the agreement signed by Poland and Belarus on commencing visa outsourcing centers in Belarus – they are to be established in Minsk, Mahiliou, Homiel, Brest, Baranavicy, Pinsk, Hrodna and Lida. Streamlining procedures for issuing visas is important all the more so that over 50% of Schengen visas issued to Belarusians are issued by the Polish consuls (in 2014 there were over 400 thousand visas).

2014 was another year when the issues concerning the activities of the Union of Poles in Belarus (UPB) failed to be resolved. Activists of the UPB, which is not recognized by Minsk, are still subject to constant checks both by the police and tax authorities, and their activities are likely to be penalized. The Belarusian authorities did nothing to legitimize the organization recognized only by Warsaw, while the Polish authorities, due to the policy of the Belarusian partner, do not support the pro-regime UPB.

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<sup>2</sup> “Statystyki.” *Straż graniczna. Komenda Główna Straży Granicznej*. 22 Jan. 2013. Web 6 Apr. 2015 <[http://www.strazgraniczna.pl/wps/portal/tresc?WCM\\_GLOBAL\\_CONTEXT=/pl/serwis-sg/SG\\_statystyki\\_logistyka\\_wspolpraca](http://www.strazgraniczna.pl/wps/portal/tresc?WCM_GLOBAL_CONTEXT=/pl/serwis-sg/SG_statystyki_logistyka_wspolpraca)>.

There also remain issues in the legal and regulatory spheres, e. g. signing agreements on the maintenance of bridges and the navigation section of the Augustow Canal on the Polish-Belarusian state border, which, among others, would have a positive impact on the development of tourism cooperation.

We must admit, however, that in terms of developing technical relations between Belarus and the European Union Poland has become one of the most devoted advocates of Minsk. It focused mainly on the visa liberalization dialogue, and all indications are that the relevant agreement will have been signed between Brussels and Minsk before the Eastern Partnership Summit in Riga. Poland also supports Belarus in its efforts to join the World Trade Organization.

### **Economic relations: Fighting against sanctions**

The political crisis between the EU and Russia had a negative influence not only on Russian economics, but also on the economic situation in Belarus, for which Russia, the European Union, and Ukraine are major trading partners.

In addition, the Russian embargo on food import from EU member states caused numerous problems for trade relations between Belarus and the EU, including Poland. Initially, after the introduction of the embargo in August 2014, many people expected the situation to be beneficial for Belarus. There were opinions that due to the regulations of the Customs Union and the Common Economic Space, the Belarusian side would easily re-export food from the EU, and that the EU processing firms working on raw materials imported from the EU, would be forced to leave Russia (especially from the Kaliningrad region) and would start relocating their factories to Belarus. That did not happen, and Russia toughened inspections of food exported from Belarus as well as banned the transit of food from Belarus to Kazakhstan through its territory. Consequently, Belarus reduced import of food, among others, from Poland.

Nevertheless, many Polish companies exporting and investing in the East began to see the perspectives of cooperation with Belarus as part of the Customs Union and the Common Economic Space (and since 1 January 2015 – of the Eurasian

Economic Community). This was greeted with enthusiasm by the Belarusian authorities, the more that, struggling with the economic crisis, Belarus is looking for both new markets and non-Russian sources of foreign investment.

The search by Poland and Belarus for new ways of economic cooperation resulted in an increased number of bilateral meetings and forums. In December 2014, in Warsaw, the third meeting of the Joint Polish-Belarusian Committee on Economic Cooperation was held, with participation of Deputy Prime Ministers Janusz Piechocinski and Mikhail Rusy. Earlier, in Brest, also with participation of these politicians, the 18th Belarusian-Polish Economic Forum 'Dobrasusiedstva-2014 (Neighborliness-2014)' took place. After a five-year break the Belarusian-Polish working group on trade and investment resumed its work.

Cooperation in the field of agriculture also revitalized, as exemplified by the visit of the Polish Minister Marek Sawicki to Minsk. At the same time, Belarus began to be considered a potentially important direction of investment in this area of economics, the more that the country's authorities offered Poland the opportunity to enter with investments and technologies.

Belarus was engaging more and more in cooperation in the sphere of transport, energy and environmental protection, of which examples are further rounds of consultations on modernization between Brussels and Minsk as well as meetings of Polish-Belarusian working groups. In 2014, among others, the groups on transport, on tourism, and on cooperation in the energy sector held their meetings. This tendency became so strong that some Polish-Belarusian working groups resumed their work after many years of downtime (the Forum of Twin Cities of Poland and Belarus resumed its work after a 12-year break). They can be considered the 'first swallows' in the intensification of economic cooperation between Warsaw and Minsk. In the energy sector several issues have surfaced: the question of increasing the transmission capacity of the connector Ros-Narew, as well as the issue of cooperation in peat extraction. The talks on cooperation in the transport sector focused on the need to expand the border infrastructure and the road network, as well as on the possibilities of Belarus using Polish ports to

export its produce. We also hear more and more proposals to develop historical tourism, for which it is however necessary to increase the number of border crossings and to permit pedestrian crossings.

However, regardless of the intensified meetings on economic cooperation, in January-October 2014 the volume of Polish export to its CIS neighbors decreased: by 13% to Russia, 27.1% to Ukraine and 5% to Belarus<sup>3</sup> – here the greatest fall was in sales of leather and leather products (by 32% compared to the previous year) and products of plant origin (by about 59%).<sup>4</sup>

The bilateral Polish-Belarusian sales turnover in monetary terms made USD 2363.3 million, having decreased a bit in comparison with 2013 (USD 2377.8 million).<sup>5</sup> The level of mutual investments remains low – according to the official data, ca. 350 companies with Polish capital operate in Belarus, while in Poland there are only 100 companies with Belarusian capital.

Just like in the case of political relations, Poland and Belarus have enormous untapped potential for economic and cross-border cooperation. The possibilities of development of these relationships, however, depend primarily on the political will of the authorities in Minsk and Warsaw and without returning to the policy of dialogue between the EU and Belarus chances of their development remain small.

## Conclusion

A lot of ‘first steps’ aimed at improving Polish-Belarusian cooperation in the future were made in the political and economic relations in 2014. Unfortunately, despite them, a number

<sup>3</sup> “Handel zagraniczny Polski po 10 miesiącach 2014 r.” *Ministerstwo Gospodarki*. 15 Dec. 2014. Web. 6 Apr. 2015. <<http://www.mg.gov.pl/node/22443>>.

<sup>4</sup> “Informacja o stosunkach gospodarczych Polski z Białorusią.” *Ministerstwo Gospodarki*. 31 Mar. 2015. Web. 6 Apr. 2015. <<http://www.mg.gov.pl/Wspolpraca+miedzynarodowa/Wspolpraca+gospodarcza+z+krajami+Europ>>.

<sup>5</sup> “Внешняя торговля: годовые данные.” *Национальный статистический комитет Республики Беларусь*. Web. 6 Apr. 2015. <[http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya\\_2/osnovnye-pokazateli-za-period-s-\\_\\_-po-\\_\\_\\_gody\\_10/](http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__-po-___gody_10/)>.



of bilateral issues were still unsolved and no major breakthrough in the relations between Poland and Belarus is expected in the nearest months.

Usually, the increase in the number of contacts at the technical level precedes the improvement of political relations. In the case of relations with Belarus, however, it will to a great extent depend solely on Minsk. It first and foremost refers to the release of political prisoners (there are still six political prisoners<sup>6</sup> in Belarusian prisons, which makes it impossible to start a dialogue with the European Union), this year's presidential election, as well as the implementation of bilateral agreements, such as that on local border traffic.

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<sup>6</sup> “Сьпіс палітычных вязьняў.” *Праваабарончы цэнтр “Вясна”*. 31 Jan. 2012. Web. 6 Apr. 2015. <<http://spring96.org/be/news/49510>>.

## **BELARUS – UKRAINE: STRATEGICALLY IMPORTANT NEIGHBORHOOD**

**Oleg Bogutsky**

### **Summary**

In 2014, Ukraine was among the top priorities of Belarusian foreign policy as a strategically important partner. The distancing from the Kremlin regarding the Russian-Ukrainian conflict allowed Minsk to intensify the informal dialogue with the West and, above all, with the United States. Minsk has become an international platform for negotiations to resolve the Ukrainian conflict.

Ukraine remains one of the most strategically important trade partners of Belarus. Against the background of the actual war against Russia, Kiev's attempts to impose restrictions on the import of Belarusian gasoline, which constitutes three-quarters of Belarusian exports to Ukraine, and to revitalize Ukraine's own refineries are no longer relevant.

### **Trends:**

- Stepped up bilateral relations have become strategically important to the leaderships of both countries;
- Belarus and Kazakhstan jointly resist Russia's attempts to force the Eurasian Economic Community partners to take anti-Ukrainian restrictive measures;
- Belarus strives to resolve conflicts in trade (particularly supplies with oil products) that, among other things, has a favorable effect on political relations.

### **The political dimension of relations**

The revolutionary events of the autumn and winter of 2013–2014 in Ukraine led to the freezing of Belarusian-Ukrainian bilateral political relations. In contrast to the Kremlin's position, official Minsk exercised caution throughout this period. On February 24, after Viktor Yanukovich fled from Kiev, Alexander Lukashenko criticized his former Ukrainian counterpart and de facto accepted the results of the Maidan. While the Kremlin unequivocally rejected the new Ukrainian government, the Belarusian president demonstrated a more liberal attitude. He said on February 24 that Belarus "is des-

tined to live with them [the new Ukrainian government] in peace and harmony.”<sup>1</sup>

In the spring of 2014, Ukraine was in the focus of Lukashenko’s public speeches. In March and April, he formulated Minsk’s basic views on the situation in Ukraine:

1) Maidan was instigated by “an economic collapse, rampant corruption, breakdown of authority and people’s distrust of the government”;

2) Belarus advocates the territorial integrity of Ukraine;

3) The annexation of the Crimea is a “dangerous precedent”; the Crimea is de facto a part of Russia, yet, de jure, it is not, as there are no relevant international agreements and international recognition of the peninsula’s independence from Ukraine;

4) Viktor Yanukovich shall not be recognized as legitimate president while Russia insists that he is; the new Ukrainian government shall be recognized legitimate;

5) The territory of Belarus shall never be used as a bridgehead for an attack on Ukraine.<sup>2</sup>

Despite the friendly signals sent by Lukashenko, the post-revolutionary government of Ukraine had been cautious towards Minsk for two months after Yanukovich fled. In many respects, this position was taken due to Belarus’ unwillingness to condemn Russia’s actions in the Crimea, to vote against the resolution on the territorial integrity of Ukraine in the UN, the information about the deployment of Russian Su-27 jet fighters in Belarus and the whole contradictory policy of Minsk, which was crucially bound up with strategic partnership commitments to the Russian Federation.

A certain progress in bilateral relations was achieved on March 29 when interim President of Ukraine Oleksandr Turchynov made an unexpected visit to Belarus. As a result of three-hour talks with Alexander Lukashenko, the tension

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<sup>1</sup> “Никто не должен “раздербанить” Украину.” *Корреспондент.net*. 24 Feb. 2014. Web. 17 Feb. 2015. <<http://korrespondent.net/ukraine/politics/3310335-nykto-ne-dolzhen-razderbanyt-ukraynu-lukashenko>>.

<sup>2</sup> See “Развитие отношений Беларуси с Украиной.” *Белорусский внешнеполитический индекс № 18*. Jan.-Feb. 2014. Web. 23 Feb. 2015. <[http://belinstitute.eu/sites/biss.newmediahost.info/files/attached-files/BISS\\_FPI18\\_2014ru.pdf](http://belinstitute.eu/sites/biss.newmediahost.info/files/attached-files/BISS_FPI18_2014ru.pdf)>.

between the two leaderships was relieved. After the talks, both told reporters that they were satisfied with the results, and Turchynov said that “Ukraine will never face aggression from the territory of Belarus.”<sup>3</sup>

Belarus was among the first to recognize the legitimacy of the presidential election in Ukraine in May 2014. On June 7, President Lukashenko took part in the ceremony of Poroshenko’s inauguration. He even called on the new government of Ukraine to “destroy the militants, who are fighting against Ukrainians.”<sup>4</sup> This statement was met with heavy criticism in Russia.

Belarus systematically opposed (usually together with Kazakhstan) the Kremlin’s attempts to take anti-Ukrainian measures within the EurAsEC. For example, at a session of the Eurasian Economic Commission Council on June 23, Belarus blocked the introduction of import duties on Ukrainian goods.

Since May, Belarus took a series of public and non-public mediation initiatives to resolve the crisis in Ukraine. Already in May, Ukrainian Defense Minister Mikhaylo Koval said that Belarus was assisting in the Ukrainian weaponry pullout from the Crimea occupied by Russia, and Minsk helped Moscow and Kiev to reach an agreement on the withdrawal.

A. Lukashenko came out with a number of new initiatives in July, which resulted in Kiev’s request to hold a trilateral meeting of a contact group on Donbas attended by Leonid Kuchma (Ukraine), Mikhail Zurabov (Russia) and an OSCE officer in Minsk.

Lukashenko continued his peacekeeping efforts in August trying to retain the status of Minsk as a permanent negotiation platform. He initiated consultations between the Eurasian Three and Ukraine involving representatives of the European Union. On August 26, Minsk hosted a tripartite summit with the par-

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<sup>3</sup> “Турчинов: из Беларуси никогда не будет агрессии на территорию Украины.” *Информатор*. 29 Mar. 2014. Web. 23 Feb. 2015. <<http://www.informator.su/turchinov-iz-belarusi-nikogda-ne-budet-agressii-na-territoriyu-ukrainyi/>>.

<sup>4</sup> “Лукашенко: Боевиков, которые воюют против украинцев, нужно уничтожать.” *Сегодня.ua*, 7 Jun. 2014. Web. 23 Feb. 2015. <<http://www.segodnya.ua/politics/pnews/lukashenko-boevikov-kotorye-voyuyut-protiv-ukraincev-nuzhno-unichtozhat-527051.html>>.

icipation of Alexander Lukashenko, Nursultan Nazarbayev, Vladimir Putin, Petro Poroshenko and European Commissioners Catherine Ashton, Guenther Oettinger and Karel De Gucht. Formally, the summit focused on building relations between EurAsEC and Ukraine after the latter entered into an *Association Agreement with the European Union* and settlement of the conflict in the Donbas region. Belarus had its political benefits, as Minsk was declared a permanent platform for tripartite meetings of the contact group on Ukraine.

In the autumn of 2014, Lukashenko formulated a more definite position on the Russian-Ukrainian confrontation. "It is inadmissible if any state violates the territorial integrity, which has been guaranteed, and annexes a part of a territory of another nation." He also stated the impossibility to recognize the so-called Dnepropetrovsk and Lugansk People's Republics. "I have been saying from the very beginning that I cannot accept such projects as Novorossia. I advocate the unity and integrity of Ukraine," he said.<sup>5</sup>

In September, Minsk served as one of the main negotiation platforms for dialogue to settle the conflict in Ukraine again. As a result of the agreements achieved in the Belarusian capital, the confronting parties ceased fire in Donbas. Kiev thus rejected Lukashenko's proposal to send peacekeepers to Ukraine. The Ukrainian Foreign Ministry said that there was no need for Belarusian peacekeeping troops in Ukraine, and the country would be able to establish order in its own territory in case the Minsk agreements were not executed.

Alexander Lukashenko made a short visit to Kiev (almost simultaneously with President of Kazakhstan Nursultan Nazarbayev) on December 21 amid severely aggravated economic and trade problems with Russia. Poroshenko called the visit "well-timed, important and symbolical" and stressed that "neither Belarus and Alexander Lukashenko, nor Kazakhstan and Nursultan Nazarbayev have recognized the Crimea as a Russian

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<sup>5</sup> "Интервью телеканалу "Евроньюс". Официальный Интернет-портал Президента Республики Беларусь. 14 Oct. 2014. Web. 23 Feb. 2015. <[http://president.gov.by/ru/news\\_ru/view/intervju-telekanalu-evronjju-9901/](http://president.gov.by/ru/news_ru/view/intervju-telekanalu-evronjju-9901/)>.

territory or the fake elections in Donetsk and Lugansk.”<sup>6</sup> This visit caused a sharp response from Moscow. Parliamentarian Mikhail Yemelyanov even called Lukashenko a “traitor to Russia.”<sup>7</sup>

The Russian-Ukrainian confrontation overshadowed an important aspect of Belarusian-Ukrainian relations, i.e. the demarcation of the shared border. A substantial progress in this regard was achieved in 2013. The demarcation process continued throughout 2014. In November, the two governments approved the *Regulation on the Demarcation*, and then Foreign Minister of Ukraine Pavlo Klimkin announced that the marking would begin soon.

### Trade and economic relations

In 2014, Ukraine was Belarus’ second biggest partner in terms of trade turnover and exports and the fourth in terms of imports. A significant trade surplus was maintained for a long time. It was at 2,400.8 million U. S. dollars at the end of 2014 being up from 6,249.2 million to 5,778.1 million year-on-year despite a decline in turnover. Belarusian exports decreased from 4,195.8 million to 4,089.5 million and imports went down from 2,053.5 million to 1,688.7 million year-on-year.<sup>8</sup>

Belarus mostly exported oil products and liquefied gas worth USD 3,292.8 million (80.52%) against 2,950.3 million in 2013. Also, Belarus supplied tires (USD 51.8 million), tractors and truck tractors (USD 41.6 million), charred coal and oil bitumen

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<sup>6</sup> “Ни Беларусь, ни Казахстан никогда не признавали Крым российским – Порошенко.” *Обозреватель*. 29 Dec. 2014. Web. 23 Feb. 2015. <<http://obozrevatel.com/politics/28739-ni-belarus-ni-kazahstan-nikогда-ne-priznavali-kryim-rossijskim.htm>>.

<sup>7</sup> “В Госдуме заявили, что Лукашенко предатель России.” *УРА-Информ*. 23 Dec. 2014. Web. 23 Feb. 2015. <<http://ura-inform.com/ru/politics/2014/12/23/v-gosdume-zajavili-chto-lukashenko-predatel-rossii>>.

<sup>8</sup> “Внешняя торговля. Годовые данные.” *Национальный статистический комитет Республики Беларусь*. 23 Dec. 2014. Web. 23 Feb. 2015. <[http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya\\_2/osnovnye-pokazateli-za-period-s-\\_\\_-po-\\_\\_\\_\\_gody\\_10/](http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__-po-____gody_10/)>.

(USD 40.3 million), mineral fertilizers (USD 37.7 million), polished glass (USD 35.3 million), and tobacco products (USD 33.8million).

The major items of import from Ukraine include oil cakes (USD 156.6 million) and electric energy (USD 146.5 million), as well as metallurgy products, vegetable oils, rail cars, confectionery, and pharmaceuticals.

Belarusian-Ukrainian trade relations sharply deteriorated in May and June despite a serious political thaw between Minsk and Kiev. Belarus stirred up a conflict when a number of restrictions on Ukrainian confectionery and beer were imposed. In July, the Ukrainian Cabinet retaliated with harsh measures establishing a 55.29% duty on Belarusian confectionery and dairy products until December 31, 2016, and a 60.05% duty on beer, rubber tires, refrigerator components, light bulbs and mineral fertilizers until 2017.<sup>9</sup> Both governments eagerly sought to develop political cooperation at that time and the trade war came to an end in August after both sides lifted the restrictions at once following a series of intergovernmental consultations.

The trade in oil products became the most important aspect of trade relations again. This time, Kiev was interested not in a reduction in supplies, but in their increase. Russia cut oil supplies to Ukraine as a result of the conflict with Kiev, making the resumption of Ukraine's domestic refining irrelevant. In August, the Belarusian Oil Company notified Ukraine of a 20% to 30% reduction in supplies due to an overhaul at the refineries. Lukashenko however assured Poroshenko on the phone that he understood the severity of the problem and that he would use his best efforts to help Ukraine out. Belarus offered Ukraine the transit of 15,000 metric tons of oil products from the Netherlands through the Ventspils port and fulfilled the promise in September-October. The Belarusian Oil Company substituted the fuels intended for Ukraine with those from Lithuania and Poland instead of the Netherlands as was initially planned.

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<sup>9</sup> “Украина ввела 55-процентную пошлину на кондитерскую и молочную продукцию из Беларуси.” *ГОРДОН*. 16 July. 2014. Web. 24 Feb. 2015. <<http://gordonua.com/news/money/Ukraina-vvela-55-poshlinu-na-konditerskuyu-i-molochnuyu-produkciyu-iz-Belarusi-31863.html>>.

Another problem concerned Kiev's decision to suspend the electric energy export to Belarus due to an energy shortage in Ukraine (electric energy had been the main item of Ukrainian exports to Belarus over the past three years). In October, Ukraine announced that energy supplies might be resumed in 2015. Belarus said it was ready to import 2.5 billion kWh. Ukraine may thus be interested in importing electric energy from Belarus in the future.

## **Conclusion**

Post-revolutionary Ukraine has become a strategically important vector of Belarus' foreign policy. Minsk wants to still have access to one of the largest markets for its products, and Kiev wants to ensure maximum security of its northern border and uninterrupted supplies of oil products. The Ukrainian crisis has raised the value of the transit through Belarus, because many freight forwarders are trying to bypass unsafe Ukraine.

Kiev is not interested in isolation in the post-Soviet space and intends to neutralize Russia's attempts to impose Eurasian Economic Community's joint trade restrictions. Minsk's support can be essential in this respect. As a matter of fact, Minsk is as much concerned about the aggressive foreign policy of the Kremlin, which multiplies the regional security threats.

Against the background of Russian politics last year, Belarusian President Alexander Lukashenko is getting rid of his image of the main villain in the region that gives hope for a thaw in relations between Belarus and the West. It is quite likely that Kiev will offer its intermediary services to improve relations between Belarus and the United States and the European Union in exchange for Minsk's continued peacekeeping efforts.



## **BELARUS AND DEVELOPING COUNTRIES: LOOKING FOR NEW ‘VENEZUELAS’**

**Andrei Yeliseyeu**

### **Summary**

In 2014, Belarusian diplomats kept looking for new ‘Venezuelas’ (as President Alexander Lukashenko used to say) in Asia, Africa and Latin America. Certain progress was achieved in this direction: the assembly of tractors was launched in Cambodia, and similar contracts were signed with Mozambique and Nigeria. However, in general, Belarus’ achievements in fostering trade and economic relations with developing countries<sup>1</sup> are quite modest.

The cultivation of new foreign markets is sluggish not only because Belarusian goods are poorly competitive and the state-run economy is usually shiftless, but also due to a variety of external factors. Political and military tension in the Middle East impedes Belarus’ trade with the region. Uncertainty about the future of a number of joint projects in Latin America is caused by a global oil price downturn, which hits the economies of the partner countries.

Last year, Belarus’ foreign trade balance with developing countries slightly improved mainly owing to increased supplies of Belarusian potash fertilizers.

### **Trends:**

- Trade, credit and investment cooperation with China is officially recognized disadvantageous;
- Trade and economic cooperation with Venezuela and other partners in Latin America and Africa is in decline due to the economic recession;
- Turkey has become the main political and economic partner of Belarus in the Middle East. Trade relations with other countries of the region stagnate;
- The patterns of Belarus’ trade with a number of developing countries have changed after the break-up of the Belarusian-Russian potash cartel.

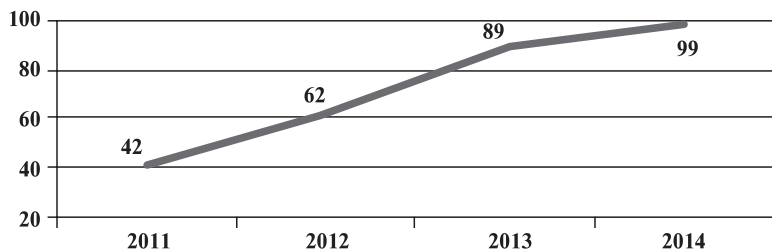
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<sup>1</sup> For conceptual convenience, the term “developing countries” refers to the CIS members and Georgia, the countries of former Yugoslavia, and also the countries not described as “developed” like members of the European Union and associated nations, the United States, Canada, Australia, New Zealand, Japan, South Korea, Singapore, Taiwan, Israel, and the South African Customs Union.

## The intensity of foreign policy contacts is growing from year to year

A steady increase in the number of political and diplomatic contacts between Belarus and developing countries has been observed over the past few years. The increasing intensity of relations between Belarus and developing countries can be represented as numerical values based on the methodology used in regular monitoring reviews made under the auspices of the Belarusian Institute for Strategic Studies (BISS) (see Figure 1).<sup>2</sup>

**Figure 1. Dynamics of Belarus' foreign policy contacts with developing countries**



*Note:* The dynamics of Belarus' foreign policy contacts with China is not included.

*Source:* Foreign Policy Index, BISS, 2011–2014.

## Clouded relations with China: A critical revision

China holds a special place in the system of relations between Belarus and developing countries. *Firstly*, the volume of Belarus-China trade exceeds the volumes of Belarus' trade with all other developing countries combined (although the proportion of the trade with China remains relatively small making up 3.9% in 2014). *Secondly*, Belarus and China have established large-scale credit and investment cooperation. *Thirdly*, since China was declared one of the foreign policy priorities in 2006, Belarus has

<sup>2</sup> "Belarus Foreign Policy Index". *Belarusian Institute for Strategic Studies*. Web. 20 Mar. 2015. <<http://www.belinstitute.eu/en/analyticscomments/belarus-foreign-policy-index>>.

considerably intensified political contacts and cooperation with China in the security, humanitarian and other sectors.

However, the trade and investment cooperation with China remains unfavorable for Belarus.<sup>3</sup> A trade deficit is still a serious problem, although it decreased year-on-year from USD 2.37 billion to 1.73 billion year-on-year.<sup>4</sup> As before, Belarus mostly exports natural raw materials (potash fertilizers) and petrochemical products with low added value. Contrary to Belarus' expectations, Chinese direct investments in the Belarusian economy remain insignificant, and the influence of Chinese tied loans on the economy and some particular enterprises is often questionable.

2014 was a year of truth in Belarusian-Chinese relations. Complexities and contradictions in bilateral relations were obvious before as well<sup>5</sup>, but officials preferred not to talk about them in public hoping for a positive change. Last year, criticisms about the massive deficit in the foreign trade with China and the practice of using Chinese tied loans were officially voiced for the first time.

In February 2014, Alexander Lukashenko scarified the project of the Chinese-Belarusian Industrial Park (CBIP) in harsh terms. The preparation for the CBIP launch started as far back as 2010. It all goes very slow, and the measures taken to invite investors and residents of the Park are inconclusive. The kick-start production in the Park is hardly possible in 2015 as was officially announced.

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<sup>3</sup> Yeliseyeu, Andrei. "Belarus and Developing Countries: Faulty Single-commodity Export Orientation". *Belarusian Yearbook 2012*. Minsk, 2013. 112–124. Print.

<sup>4</sup> "Данные о внешней торговле Республики Беларусь по отдельным странам в 2014 году." *Национальный статистический комитет Республики Беларусь*. Web. 20 Mar. 2015. <[http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya\\_2/operativnye-dannye\\_5/dannye-o-vneshnei-torgovle-respubliki-belarus-po-otdelnym-stranam/](http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/operativnye-dannye_5/dannye-o-vneshnei-torgovle-respubliki-belarus-po-otdelnym-stranam/)>.

<sup>5</sup> Елисеев, Андрей. "Беларусь — Китай: слыть, но не быть. Некоторые аспекты белорусско-китайских отношений в региональном измерении." *BISS Research Paper, SA #08/2013RU*. Web 20 Mar. 2015. <[http://belinstitute.eu/sites/biss/newmediahost.info/files/attached-files/BISS\\_SA08\\_2013ru\\_0.pdf](http://belinstitute.eu/sites/biss/newmediahost.info/files/attached-files/BISS_SA08_2013ru_0.pdf)>.

At a presidential meeting in August, a regular portion of criticism was directed at Chinese tied loans, which were finally officially recognized as having certain negative effects. For example, the deadline set for an upgrade of the Svetlogorsk Pulp and Cardboard Mill (a joint project with Chinese partners) was missed.

Belarus declined a Chinese companies' proposal to participate in the construction of the second runway at the Minsk National Airport. The estimated cost set by the Chinese was said to be *four times* higher than the Belarusian side expected. The future of the joint project on the assembly of Geely cars is uncertain, as China and Kazakhstan have agreed on the large-scale production in Kazakhstan.

It is quite indicative that Deputy Prime Minister Anatoly Tozik, Belarusian Ambassador to China in 2006-2010, who was considered the main lobbyist of Belarusian-Chinese relations in the government, was dismissed from office in late 2014 during a massive staff reshuffle. This, however, does not mean that Minsk's skepticism seriously affects the future plans of dealing with China, first of all because China has tried to smooth things up between the two partners.

In September, China promised free aid worth nearly USD 25 million for the electrification of the CBIP, and, in November, a Chinese military delegation announced the intention to provide gratuitous military aid to the Belarusian armed forces. Also, in September 2014, the Ministry of Finance of Belarus and China Development Bank signed a memorandum of understanding, according to which China will open two long-term credit lines totaling up to USD 1 billion. In the autumn of 2013, Chinese President Xi Jinping announced the commencement of the '*Silk Road*' *Economic Belt* project, which involves creation of a comprehensive logistics infrastructure linking China and the European Union through Kazakhstan, Russia and Belarus.

### **Low oil prices affect Belarus' relations with countries of Latin America**

Ironically, the prospects for relations with Latin America diminished even more after Belarusian Foreign Minister Vladimir

Makei's trip to Nicaragua, Ecuador and Cuba in June. His visit concurred with a drop in world oil prices, which hit Venezuela's economy the most, given that the sectors associated with the production and export of oil provide 96% of Venezuela's export revenues.

Although Minsk and Caracas agreed on a road map to promote economic cooperation in 2013, businesses with this Latin American country, which faces the threat of default, turned troublesome. Ecuador—another important partner of Belarus in the region—experiences similar economic problems as an oil exporter (less pronounced than in Venezuela, though, yet still very serious).

Also, the decline in oil prices can negatively affect cooperation between Belarus and other Latin American importers of oil, first of all Cuba and Nicaragua, recipients of Venezuelan subsidies primarily through cheap oil supplies or favorable business deals in the energy sector, which decreased considerably due to the aggravating crisis in Venezuela. Accordingly, their paying capacity and the ability to develop industrial cooperation with Belarus are brought into question.

The volume of Belarusian exports of industrial goods to Brazil is still marginal. Meanwhile, in 2014, Belarus boosted supplies of potash fertilizers to Brazil, which resulted in a considerable increase in the volume of exports in monetary terms up to USD 709.6 million against 518.8 million in 2013.

### **Mozambique, Nigeria and Ethiopia as potential African 'Venezuelas'**

Belarus has found three potential 'Venezuelas' in Africa: Mozambique, Nigeria and Ethiopia. Belarus was very active promoting foreign policy contacts with these countries in 2014, as well as with Kenya and Sudan.

Although certain progress in establishing ties with these African partners has been achieved, playing a Venezuelan scenario will take more than a year. Trade and economic relations with Nigeria, which Belarusian Foreign Minister Vladimir Makei visited in September, are complicated due to a crisis in Nigeria's economy, which is heavily dependent on oil prices. The

start of the assembly of Belarusian MTZ tractors in Nigeria was scheduled for late 2013, but it is hard to forecast the future of this joint project.

The prospects for the assembly of Belarusian machinery in Ethiopia and Mozambique are still not clear either. In 2014, Belarusian exports to these countries were tiny standing at USD 3 million and 1.8 million, respectively.<sup>6</sup>

### **Turkey becomes a key partner of Belarus in the Middle East**

Turkey is the only country in the Middle East and one of the few among those regarded as developing nations, with which Belarus has a steadily increasing turnover in recent years from USD 266 million in 2009 to 628.7 million in 2014, the range of imported and exported goods being quite wide. Belarus kept working to invite Turkish investors and greatly intensified political contacts last year. In June 2014, Belarus and Turkey abolished visas for short trips and put a readmission agreement into effect. What is notable is that Belarus had no readmission agreements with foreign states before: this one with Turkey was enacted even earlier than the same agreement with Russia.

Last year, Belarus also significantly intensified contacts with Iran (Foreign Minister Makei visited the country twice in one year) and the United Arab Emirates, where Lukashenko made an official visit in October. Belarusian exports to both countries increased significantly: from USD 46.2 million in 2013 to 97 million in 2014 to Iran, and from 41.2 million in 2013 to 59.3 million in 2014 to the UAE. Egypt is another country in the region, to where Belarusian exports increased considerably from 36.3 million in 2013 to 134 million in 2014.

Cooperation between Belarus and other countries of the Middle East was developing much less intensively over the year.

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<sup>6</sup> Here and elsewhere: “Данные о внешней торговле Республики Беларусь по отдельным странам в 2014 году.” *Национальный статистический комитет Республики Беларусь*. Web. 20 Mar. 2015. <[http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya\\_2/operativnye-dannye\\_5/dannye-o-vneshnei-torgovle-respubliki-belarus-po-otdelnym-stranam/](http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/operativnye-dannye_5/dannye-o-vneshnei-torgovle-respubliki-belarus-po-otdelnym-stranam/)>.

Belarusian diplomats made serious efforts to develop relations with Iraq. Foreign Minister Makei held meetings with Iraqi President Muhammad Fuad Masum during an official visit to Baghdad in August and leader of Iraqi Kurdistan Massoud Barzani during a working visit to the region in September. Belarus is eager to participate in the recovery of the country, but the military conflict with the Islamic State is unlikely to end soon. The restoration of the once close ties with Syria, Libya and Tunisia is also going slowly.

### **Relations with South and Southeast Asia**

In South and Southeast Asia, Belarus strengthened its traditionally developed relations with Vietnam. President Lukashenko wants Vietnam to be “a kind of a springboard to promote Belarus’ economic interests in the region.”<sup>7</sup> In late 2014, the Customs Union and Vietnam agreed on key provisions of the agreement on a free trade zone, which may be the first agreement of the kind between the Eurasian Economic Community and a foreign country.

In March, Vladimir Makei visited Vietnam, Laos and Cambodia. Belarus launched a tractor assembly in Cambodia (which is the first one in the region) with a capacity of 400 tractors a year.

No considerable progress was achieved in the partnership with Sri Lanka. At the same time, Belarus intensified cooperation with Pakistan, including that in the military-technical sector. As concerns the rapidly developing industrial Malaysia and Indonesia, Belarus increased potash supplies there by USD 150.7 million and 190.9 million, respectively.

### **Conclusion**

Minsk’s hope to extrapolate the experience of cooperation with Venezuela to other countries came true to a small extent.

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7 “Вьетнам может стать плацдармом для продвижения экономических интересов Беларуси в Юго-Восточной Азии – А. Лукашенко.” *БелТА*. 26 Oct. 2014. Web. 20 Mar. 2015. <[http://www.belta.by/ru/all\\_news/president/Vjetnam-mozhet-stat-platsdarmom-dlja-prodvizhenija-ekonomicheskikh-interesov-Belarusi-v-Jugo-Vostochnoj-Azii---Lukashenko\\_i\\_687296.html](http://www.belta.by/ru/all_news/president/Vjetnam-mozhet-stat-platsdarmom-dlja-prodvizhenija-ekonomicheskikh-interesov-Belarusi-v-Jugo-Vostochnoj-Azii---Lukashenko_i_687296.html)>.

The progress achieved in building productions capacities in foreign states (Cambodia, Mozambique and Nigeria) was negligible and nothing is likely to change dramatically in the coming years. In 2014, Belarus' foreign trade balance with developing countries improved mainly owing to a reduction in imports from China and an increase in revenues from sales of potash fertilizers to China, Brazil, Indonesia, Malaysia and India.

The Belarusian government was obviously disappointed with the once promising benefits of cooperation with China. The official discourse on bilateral relations became more prudent.

The prospects for cooperation with a number of states in Latin America and Africa are discouraging due to the economic crisis there caused by a global oil price downturn.

Turkey has become a key political and economic partner of Belarus in the Middle East. Although relations with Iran have intensified, the Belarusian-Iranian trade turnover is much lower than the turnover with Turkey. Future relations with many other countries of the region (Iraq, Syria, Libya and others) do not instill confidence because the social and political situation there will hardly come back to normal any time soon.



**SOCIETY**



## **CIVIL SOCIETY: AWAY FROM POLITICS TOWARDS COOPERATION WITH THE AUTHORITIES**

**Yuri Chausov**

### **Summary**

The state keeps its tight legal framework for the registration and activity of non-profit organizations (NPOs). However, in recent years the dynamics of the legislation is targeted primarily at improving existing restrictions instead of introducing new ones. The practice of targeted repressions against the most influential leaders of the sector is continued. In the process of adaptation to the existing conditions, an increasing number of agencies are trying to distance themselves from formal politics (elections, parties) and thus to take a stand convenient for a dialogue with the authorities, or at least one that would prevent state interference into their activities. Today this trend is carried out with varying degrees of success: in the area of entrepreneurship, agro-tourism and ecology the dialogue is assessed by public actors as productive, in the area of human rights defense it is seen as ineffective and formal. Non-membership based NPO forms (institutions) are registered in the simplest way; their share in the structure of newly registered organizations is growing. At the same time mass membership organizations are gradually replaced by institutions and funds.

### **Trends:**

- Change of the legislation regulating NPO creation and activities on the background of no further tightening;
- Rise in the number and growth of importance of non-membership based NPOs (agencies and foundations);
- Maximum distance of NPOs from political activity;
- Desire of NPOs to build a constructive dialogue with the authorities.

### **The legal framework of nonprofit organizations**

In 2014 the legislation regulating the questions of creation and activity of public associations (PA) underwent some changes: on February 20, there came into effect the law *On changes and amendments being made to some laws of the Republic of Belarus on the activities of political parties and other public associations*, adopted on November 4, 2013. However, the overall legal environment for nonprofit organizations (NPOs) remained the

same. The main obstacles for NPO activity are both at the level of legal regulation and enforcement practice:

a) the order of state procedure of registration of public associations, political parties, their organizational structures, as well as funds is complex and cumbersome and makes it possible for state registration authorities to arbitrarily deny registration on minimal grounds;

b) there is a ban for various forms of NPOs without state registration, the violation of which provides criminal penalties under article 193 of the Criminal Code – up to *two years* of imprisonment;

c) the legislation establishes significant limitations to obtain financing of NPOs from domestic and foreign sources, at the same time tax incentives for donors are minor and do not contribute to charity and philanthropy;

d) the right of NPOs to conduct peaceful assembly is limited, so is the freedom of expression.

On February 20, 2014 the changes and amendments to the law *On public associations* came into effect. They were introduced by the law of November 4, 2013 *On changes and amendments being made to some laws of the Republic of Belarus on the activities of political parties and other public associations*. Among the positive novelties of the law are the mitigation criteria of regional representation of the founders while creating republican NPOs. The general requirement regarding the number of founders has not changed: to create a national association one needs 50 people. But if earlier it was necessary to have no less than 10 founders from the *four* regions and the city of Minsk, now the minimum representation is at least 1 founder from the *four* regions and Minsk.

The law also reduced the list of documents necessary for registration, clarified some issues of international NGOs registration and foreign offices of NGOs, made other technical improvements. At the same time, the law introduced a new ground for liquidation of NGOs: failure for three consecutive years to submit annual reports to the registration authority.

The act imposed the rule about the possible establishment of political parties by the conversion of NGOs (article 10 of the Law *On political parties* in a new edition). However, the at-

tempt of the Belarusian Slavic Committee to use this provision underwent failure: the reorganization of the association into a party encountered pressure from the security services.

In February 2014 by-laws were adopted aimed at bringing about the registration of associations in accordance with the new edition of the Law of the Republic of Belarus *On public associations*. On February 3, the Belarusian Ministry of Justice adopted resolution No. 32 *On amendments and additions to the decree No. 48 of the Ministry of Justice of the Republic of Belarus of August 30, 2005*. This regulation establishing the procedure of processing and reviewing documents related to the registration of political parties, trade unions and other NGOs was published very late – only on February 20, i.e. on the day when the amended version of the law *On public associations* entered into force.

This decree does not regulate the issues of registration, liquidation, de-registration of organizational structures of political parties and NGOs any more. For them the Council of Ministers issued resolution No. 141 dated of February 18, 2014 that introduced two separate decrees which entered into force on February 20: *Decree on the procedure for record of organizational structures of political parties and public associations* and *Decree on the procedure of termination of the activity of organizational structures of political parties and public associations*.

Decree No.19 of the Ministry of Justice of the Republic of Belarus of January 21, 2014 changed the application forms for state registration of non-profit organizations and for state registration of changes and/or amendments to the charters of such organizations. These changes are relevant for NPOs that are created or registered in the form of institutions or associations (unions).

In accordance with decree No. 799 of the Council of Ministers of Belarus of August 18, 2014 the validity of the certificate of approval of the name of newly created institutions and associations is reduced from *three* to *one* month. This change came into effect on November 30, 2014 and limited the founders of newly established institutions in the possible duration of the activities aimed at registration of a legal entity.

In accordance with decree No. 55 of the President of the Republic of Belarus dated January 30, 2014 the funding of

costs of the NGO *Belarusian Republican Youth Union* will be continued in 2014–2015. At the same time the expense items for which the NGO *Belarusian Republican Youth Union* receives direct governmental funding, are not published, as the list of these items is for office use only.

### Statistics of the growth of the nonprofit sector

According to the Belarusian Ministry of Justice, in 2014, 86 new NGOs were registered (1 international, 72 local and 13 national), 3 Unions (associations) and 11 new local funds. These figures are slightly higher than in 2013, when 70 new NGOs, 1 association and 11 funds were registered. Nevertheless, the figures of the last two years were below the indicators of 2007–2012 (see Table 1).

**Table 1. Dynamics of the number of public associations in Belarus**

	1 January 2006	1 March 2007	1 January 2008	1 January 2009	1 January 2010	1 January 2011	1 January 2012	1 January 2013	1 January 2014	1 January 2015
The number of newly registered associations (based on the results of the previous year)	85	100	94	–	94	134	118	111	70	86
The total number of registered associations in the country on a specified date	2247	2223	2255	2221	2225	2325	2402	2477	2521	2596
Dynamics in comparison with the previous year	–12	–24	+32	–34	+4	+100	+77	+75	+44	+75

*Source:* Ministry of Justice of the Republic of Belarus.

As of January 1, 2015 in Belarus 37 trade unions (33 republican trade unions, 1 territorial and 3 trade unions in organizations) and 23,032 trade union organizations, 2,596 NGOs, including 228 international, 709 national and 1,659 local were

registered. 40,259 organizational NGOs, also 33 NGO unions (associations), 155 funds (14 international, 5 republican and 136 local), 7 republican state-public associations were registered.

Compared with 2013, the total number of public associations increased by 2.9%. The number of registered funds increased by 6.9%.

In general, newly created associations do not differ greatly in the nature of their activity. Basically, their work does not focus on societal challenges and the achievement of socially significant aims; in most cases they try to meet the interests of the members of these associations. As in previous years, more than half of the newly registered NPOs in 2014 are sports ones, which corresponds to the long-term trends for the third sector: the share of sports associations reached 57% (in 2013 – 53%, in 2012 – 51%, in 2011 – 53%). Out of 11 new funds 8 position themselves as charity organizations, while in 2013 their number was 9.

In 2014, there were registered 44 non-government organizations, which is the highest rate of NPO registration of this legal form (in 2013 there were 39, in 2012 – 26, in 2011 – 27). The tendency towards growth had been observed since 2011.

A new trend is registration of institutions whose goals are similar to goals of commercial structures or contributing to business development: institutions of financial intermediation, consulting, mediation, etc. This trend of newly registered establishments took the first place (11 new organizations), having pushed aside to the second place social assistance and the provision of services (fell to 9 from 13 in 2013). At the same time, unlike in 2013, there were no records of registration of human rights agencies (as well as other forms of NPOs) or agencies that protect the rights of certain categories of citizens.

### **Restrictions on the activities of civil society organizations**

According to the Ministry of Justice<sup>1</sup>, in the first half of 2014 the registration authorities checked the activity of *fifteen* NGOs. During this period there were issued 51 written warnings, out

<sup>1</sup> “Аб дзяржаўнай рэгістрацыі грамадскіх аб’яднанняў, фондаў у 2014 годзе.” *Міністэрства юстыцыі Рэспублікі Беларусь*, 6 Feb. 2015. Web. 7 Apr. 2015. <[http://minjust.by/ru/site\\_menu/news?id=1761](http://minjust.by/ru/site_menu/news?id=1761)>.

of which 42 were issued by the Ministry of Justice and 9 – by Regional Offices of Justice. For violation of legislation activities two NGOs (1 national and 1 local) are suspended by legal means; two local NGOs are closed down judicially at the suit of Regional Departments of Justice.

In September the Justice Department of Mahiliou region filed a lawsuit on suspension of the activity of the public association *Mahiliou Human Rights Center* (one of the few regional human rights organizations that have a registered status) for *three months*. The basis for the suit was the claim about the legal address which the judicial authorities had refused to re-register upon the application of the organization. During the trial, the organization found a new legal address and submitted the relevant documents for registration, the case of the suspension of activities was annulled.

A political prisoner, significant for the Belarusian third sector, the head of the Human Rights Center *Viasna* (devoid of registration by court decision in 2003) Ales' Bialiacki was released on amnesty on June 21, 2014.<sup>2</sup> In 2011 he was sentenced to 4.5 years for tax evasion on donations that were used for human rights activities of this NGO.<sup>3</sup>

The educational institution *Centre for Legal Transformation* faced serious pressure. On October 29 in respect of the chairperson of the Board of this organization Elena Tonkachyova, a Russian citizen who has lived in Belarus for the last 30 years, the decision was taken to cancel her permanent residence permit. On November 5, the Department of Internal Affairs of the Administration of Pervomaisky district of Minsk made the decision to expel Ms Tonkachyova from the country. At the same time she is denied entry to Belarus for the next three years.<sup>4</sup>

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<sup>2</sup> "Ales Bialiatski released on amnesty on 21 June 2014." *Frontline Defenders*. 23. Jun. 2014. Web. 8 Apr. 2015. <<http://www.frontlinedefenders.org/AlesBialiatskireleased>>.

<sup>3</sup> "Opinions adopted by the Working Group on Arbitrary Detention concerning Ales Bialiatski's case." *Viasna*. 24 Feb. 2012. Web. 7 Apr. 2015. <<http://spring96.org/en/news/60213>>.

<sup>4</sup> The basis for the deprivation of Ms Tonkachyova's residence permit and expatriation was minor speeding of the car that belonged to Ms Tonkachyova.



Higher authorities and the courts refused to satisfy the complaint of the human rights activist. Representatives of the Belarusian civil society and several international organizations link the expulsion of Tonkachyova with her professional activities and consider such a decision a form of politically motivated pressure on the human rights organization. On February 21, 2015 Ms Tonkachyova left the territory of Belarus.

### **Depoliticization of civil society**

The trend of depoliticization of the “third sector”, observed during the last decade, acquired in 2014 the most prominent features. If during the presidential elections of 2001 and 2006 a significant part of civil society organizations was involved in the political process (different kinds of mobilization, youth campaigns, election observation) in the run-up to the election of 2015 the situation is qualitatively different. NGOs do not bind the realization of their missions with the opportunities provided during the election period. For many organizations, the experience of the 2010 election resulted in a negative relation to the presidential elections destabilizing the planned strategy.

Exceptions are rare and highly conditional: such formally social and non-political structures as the campaign *Tell the truth!* and the movement *For Freedom*, in practice, operate in the field of political opposition and are identified as parties and even play a leading role in the coalition *Popular Referendum*. However in both existing opposition coalitions (*Talaka* and *Popular Referendum*) numerous NGOs, declared as members, do not work de facto. This situation contrasts with the 2006 election, when a single candidate from the opposition was a person from the structures of civil society and became a single candidate largely due to the support of NGOs.

On the contrary, the scope of activities formerly associated with the opposition, received an impetus to the development in 2014 due to a complete break with the political agenda. Initiatives in support of the Belarusian culture (*Budzma Belarusami* (‘Let’s be Belarusians!’), language courses (*Mova nanova*, *Mova ci Kava*, etc.), distribution of embroidered shirts and Belarusian national symbols (symbal.by, *Paznač Siabe Belarusam* (‘Mark

yourself as a Belarusian') and other numerous and Internet-coordinated charitable, humanitarian, animal welfare projects ceased to encounter resistance from the authorities, and then received the support of business.

In the end, in the Belarusian civil society the final understanding was formed that is the mission of any organization, no matter how this mission is linked to political objectives (strengthening of national identity and advocating the interests of business, the protection of human rights), can be sooner implemented if the question of power and the unacceptability of the regime are removed from the agenda. Recent protest activity is increasingly taking place spontaneously, without the participation of civil society organizations and even without the desire of NGOs to use or accept the agenda, created in the process of expression of social discontent and protests against the deteriorating socio-economic situation in the country.<sup>5</sup>

### Elements of public dialogue

In December 2014 the Ministry of Foreign Affairs of Belarus invited human rights NPOs to discuss the draft national report of the Republic of Belarus on the implementation of recommendations received by the end of the first round in 2010, in the framework of the II round of the United Nations Universal Periodic Review (UPR) of human rights.<sup>6</sup> The invited organizations had the opportunity to provide comments to the draft national report. However, unlike during the preparation of the report within the first round of the UPR in 2009–2010, this time representatives of unregistered NPOs were not involved in the discussion. In the final version of the national report recommendations made by NPOs were not taken into account, the

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<sup>5</sup> Чыжова, Таццяна. “Праэтэстныя акты ў насаць ў Беларусі ў 2014 годзе (вулічныя акцыі, выбарчыя пікеты, сацыяльныя канфлікты).” *Інстытут “Палітычная сфера”*. Web 8 Apr. 2015. <[http://palityka.org/wp-content/uploads/2015/03/Chyzhova\\_Pratesty-2104.pdf](http://palityka.org/wp-content/uploads/2015/03/Chyzhova_Pratesty-2104.pdf)>.

<sup>6</sup> “Национальный доклад к универсальному периодическому обзору (второй цикл). Республика Беларусь. Минск, 2015 год.” *Министерство иностранных дел Республики Беларусь*. Web. 8 Apr. 2015. <[http://mfa.gov.by/upload/UPR\\_Belarus\\_National\\_Report.pdf](http://mfa.gov.by/upload/UPR_Belarus_National_Report.pdf)>.

consultations of NPOs with the government were of a purely formal character.<sup>7</sup>

According to the results of the first round of the UPR in 2010, Belarus received recommendations to improve the observation of freedom of association and the legal environment for civil society organizations. Some of these recommendations were recognized by Belarus as acceptable, but in the end no changes for the better happened in this area: the legal conditions for the implementation of freedom of association and NPOs remain the worst in the region. NPOs prepared a number of alternative reports to the UPR, including a General Report of a Broad Coalition of Human Rights Organizations,<sup>8</sup> as well as a Special Report on the Legal Status of NPOs and Freedom of Association.

In December 2014 the Ministry of Economy submitted for public discussion a draft *National strategy of sustainable socio-economic development of the Republic of Belarus* for the period till 2030 (NSSD–2030). A number of nonprofit organizations sent their proposals to the draft of this document, most of which were not taken into account.

In comparison with previous years the dialogue platform of the civil society forum *Eastern Partnership* lost its significance. Ignoring by the state of this structure has led to the fact that NPOs ceased to consider it as an effective tool: the intensity of communication in the framework of the forum decreased, and the annual conference of the forum ceased to be an event in the sector and collected fewer participants than in previous years.

NGOs attempts to influence the dialogue about the possible entry of Belarus to the Bologna process were active but not efficient. However, the promotion of the public dialogue by the

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<sup>7</sup> “Ольга Смолянок: В Нацдокладе МИД нет объективной оценки ситуации со свободой ассоциаций в Беларуси.” *EuroBelarus*. 1 Apr. 2015. Web. 8 Apr. 2015. <<http://www.lawtrend.org/freedom-of-association/olga-smolyanko-v-natsdoklade-mid-net-obektivnoj-otsenki-situatsii-so-svobodoj-assotsiatsij-v-belarusi>>.

<sup>8</sup> “Второй периодический обзор Беларуси. Доклад коалиции белорусских НПО.” РППА “Беларускі Хельсінкскі Камітэт”. 15 Sep. 2014. Web. 8 Apr. 2015. <[http://belhelcom.org/sites/default/files/Альтернативный\\_доклад\\_по\\_УПО\\_Беларусь\\_ru.pdf](http://belhelcom.org/sites/default/files/Альтернативный_доклад_по_УПО_Беларусь_ru.pdf)>.

state is observed in those areas where such a dialogue serves as an additional incentive to attract foreign financial assistance.<sup>9</sup>

## Conclusion

It is likely that the above mentioned trends are long-term. Provided that the political regime remains the same, NGOs will distance themselves from political activities, tending to occupy a favorable position in the process of interaction with the state (even if this interaction is ineffective) to avoid repressive reactions to their activities.

Tough legislation has probably reached its peak, which allows the state to control civil society within the required limits. New restrictive regulations may be introduced, but they are rarely enforced and rather serve as a preventative means to keep NPOs within the required bounds and support the mentioned trend of depoliticization.

This trend can be changed by events associated with the presidential election of 2015, if a repressive response from the authorities goes beyond the ordinary level, as it happened in 2010. At the long-term normalization along the line *official Minsk – Europe* some gradual qualitative changes aimed at normalizing relations between the state and civil society can be expected, including gradual change to the legal framework for NPOs.

The second factor that may influence the development of the NPO sector, and the country as a whole, is the conflict in the East of Ukraine. Along with the development of humanitarian initiatives (assistance to victims and reception of refugees) a possible escalation of the war may, on the one hand, transform the agenda of NPOs in the direction of greater depoliticization and orientation on the stability of the political system, on the other hand, it may contribute to the radicalization of some social groups.

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<sup>9</sup> Зуйкова, Алена and Андрей Егоров. “Роль и место гражданского общества в системе донорской помощи для Беларуси (2006–2012).” *EuroBelarus*. 12 Dec. 2014. Web. 8 Apr. 2015. <<http://cet.eurobelarus.info/ru/library/publication/2014/12/09/rol-i-mesto-grazhdanskogo-obschestva-v-sisteme-donorskoy.html>>.

# POLITICAL PARTIES: A CONCEPTUAL CRISIS AND THE SEARCH FOR ALTERNATIVES TO PLOSHCHA<sup>1</sup>

**Dzmitry Kukhlei**

## **Summary**

During 2014 oppositional parties were negotiating about a single candidate for the presidency but failed to agree. Among the leading political structures there was cooperation in the framework of two opposition blocs – *Narodny Referendum* ('Popular Referendum') and *Talaka* ('cooperative work/mutual aid') which had started as early as in 2013.

Local elections on March 23, 2014 were considered by opposition parties as a technical campaign with no chances for electoral victory. The parties tried to use the election campaign to strengthen their structures in the framework of long-term strategies and to prepare for the presidential election. However, the abilities of the opposition narrowed due to a deepening split in the Belarusian society caused by the Kiev Maidan and Russian media coverage of the Ukrainian events. As a result of the serious crisis of the concept of the Ploshcha (on the background of the Russian invasion into Ukraine) the position of supporters of gradual transformation of the Belarusian regime increased greatly in the democratic party environment.

The government continued to create unfavorable conditions for party development. Also the expectations of the governing elites to transform the Republican Public Association *Belaya Rus* ('White Ruthenia') into a political party did not materialize. At the same time *Belaya Rus* is gradually increasing its political potential.

## **Trends:**

- The opposition redefines the concept of Belarusian regime change and softens its rhetoric against the authorities of the state against the background of the rising tension in the East of Ukraine and the threat of Russian invasion;
- Senior management of the state holds back the development of the party system in the country, including pro-governmental parties;
- Politicized Public Association *Belaya Rus* continues to strengthen its position in the local representative bodies;
- The opposition failed to agree on a common coalition and the nomination of a single candidate for the presidency.

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<sup>1</sup> *Ploshcha* – Belarusian Maidan.

### **Coalition building: failure of talks on a single candidate**

Throughout the year, the leaders of the major opposition parties tried to agree on the procedure of nominating a single candidate for the presidency. The dates of the Congress of Democratic Forces, where it was planned to determine a single leader of the opposition, were constantly postponed. As a result, last year's attempt to build up a coalition around the election of a single candidate failed.

Among seven leading opposition organizations that were trying to agree on the organization of the Congress, there was a clear division into two blocks. The strongest position was taken by the initiators of the campaign *Popular Referendum* namely the Movement *For Freedom*, the public campaign *Tell the Truth*, the Belarusian Popular Front Party and the Belarusian Social Democratic Party *Hramada* ('Assembly'). These opposition groups managed to gain the trust during a long-term joint campaign in support of national plebiscite. According to the statements of the leaders of the *Popular Referendum*, they managed to reach a consensus, agreeing on a common position on the election of a single candidate at the Congress.

Later the Organizing Committee of Belarusian Christian Democrats (BChD), whose leaders throughout the year were unsuccessfully trying to bring to the agreement the representatives of the *Popular Referendum* and the alternative coalition *Talaka*, joined the initiators of the popular plebiscite. As a result five opposition parties signed the Agreement on the Congress of Democratic Forces. However, according to the original agreements of seven parties that had had the negotiations, this decision requires the consent of one more party, without which it cannot be implemented.

Representatives of the *Talaka* alliance from the United Civic Party (UCP) and *A Just World* Party refused to join to the General Agreement, dissatisfied with the procedure of the nomination of members of the Congress and by the lack of other leaders who could declare their intention to become a single candidate from the opposition. Unlike UCP leader Anatoly Liabiedzka, who

as early as in May 2014 announced his presidential ambitions, the organizers of the Campaign *Popular Referendum* did not announce the name of their potential aspirant for the opposition leadership.

During the local elections in March the members of the coalition *Talaka* on the initiative of the UCP once again tried to realize the idea of the pre-election of the single candidate. However, according to the party leaders the authorities were able to disrupt the primary that the alliance had planned to hold in Babrujsk. It is obvious that the members of *Talaka* do not have resources and reliable mechanisms to organize such an initiative by themselves.

The opposition failed to unite for the joint election campaign in a single district in Homiel, where together with local election a by-election of the Member of Parliament was held. The organizations supporting the initiative *Popular Referendum* agreed on a common MP. However, the coalition *Talaka* nominated both representatives of the UCP and the Belarusian Leftist Party *A Just World*. Despite the claims of the opposition structures about the joint 'demonstration' election campaign, the plurality of the opposition candidates in Homiel showed a low level of trust among them.

The bloody events in Kiev during the overthrow of Ukraine's President Victor Yanukovich, the Russian annexation of the Crimea and the military conflict in the East of Ukraine caused the debate among the opposition about the transformation of the Belarusian regime. This significantly strengthened the position of those who criticize the concept of power change as a result of taking people to Ploshcha, i.e. the protests on the election day. While a number of organizations started searching for an alternative to the Ploshcha scenario to transform the Belarusian regime after the brutal post-election repressions in 2010–2011.

The initiators of the *Popular Referendum* in 2014 continued to implement activities in the framework of their long-term strategy of gradual changes of the Belarusian regime. They try to use public pressure to initiate changes in the spheres that are non-critical for the chain of command, having identified among them the most important ones for the Belarusian society. For

this purpose, in 2013 by means of consultations they selected six priority issues for joint campaigns in order to initiate a national plebiscite.

On the other hand, the members of the coalition *Talaka* consider it possible to transform the Belarusian regime as a result of the fair and honest election. However, as 2014 local election showed, the authorities impair the conditions of election campaigning for their opponents, and the majority of the population does not care about the problems of honesty and fairness of elections. Opposition parties and human rights activists organized observation and post-election agitation during a number of political campaigns, which, however, failed to stimulate civic activism.

During the local elections of 2014 the members of *Popular Referendum* and *Talaka* did not agree upon the unification of the efforts for general party monitoring. At the same time the initiator of *Popular Referendum* and BChD were able to agree on the organization of joint public campaign *Right for Choice* which became a permanent party initiative on election observation.

### **The opposition vs. power at the local elections: agree to differ**

The election organizers had a task to ensure a high voter turnout under the conditions of a low level of society politicization. In their turn the opposition parties considered the participation in the election campaign as an opportunity for the organizational development of structures, promotion of their programs during the preparation for the presidential election of 2015. The average contest for the parliamentary seat was 1.2 persons and did not differ from the previous campaign of the election to local councils of 2010. Traditionally the most active opposition candidates were found in the capital and major cities.

Although the Central Election Commission (CEC) recorded a high election turnout – 77.4%, according to the IISEPS, about 57% of the respondents voted. At the same time the party observers in the framework of the initiative *Right for Choice* stated



that at some polling stations of Minsk and other large cities the turnout was less than 50%.

Once again close to the presidential campaign the authorities successfully tested changes to the Election Code. Innovations restricted even more the use of opposition election campaigns to communicate their ideas and impose their scenarios of elections on the authorities. For example, a number of opposition activists were prosecuted for calling for a boycott of the election, which had been forbidden after the parliamentary election campaign in 2012. In addition, according to legislative innovations all costs of the production of campaign materials must be covered solely from electoral funds created by candidates. The occasion to form their funds was taken only by 816 candidates out of 22 thousand. As a result, the election campaign of 2014 has become even less noticeable than the previous ones.

Compared with the previous election the authorities worsened the conditions of 2014 local election campaign for the opposition starting from the very first stages of it. During the formation of the election commissions a significant number of opposition candidates were excluded: out of the nominees only 11.4% were included into the territorial election commission (TEC), 5.95% went for the district election commission (DEC) and 5.6% were included into the precinct election commissions (PEC).<sup>2</sup> At the same time, pro-governmental parties' nominees got the majority of seats in the election commissions: 80% – in TEC, 69.6% – in the DEC and 86% – in the PEC.

Among the candidates registered at local councils only 2.6% were from registered political parties, while 62.5% were nominated by petition, and 30.5% – by workers.<sup>3</sup> Out of 15

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<sup>2</sup> “Отчёт по итогам наблюдения за выборами депутатов местных Советов депутатов 27-го созыва.” РПОО “Белорусский Хельсинкский комитет”. Web. 27 Feb. 2015. <<http://belhelcom.org/sites/default/files/spravzdacha-vybary-rus.doc>>.

<sup>3</sup> “Сведения о регистрации кандидатов в депутаты местных Советов депутатов.” Центральная комиссия Республики Беларусь по выборам и проведению республиканских референдумов. Web. 27 Feb. 2015. <<http://rec.gov.by/sites/default/files/pdf/Elections-MS27-sved16.pdf>>.

officially registered political parties only 10 took advantage to nominate their representatives for the local councils. Some pro-governmental parties, such as the Belarusian Patriotic Party, the Belarusian Social Sports Party and the Social Democratic Party *National Consensus* could register only 3 candidates for 18,816 places in the councils.

The authorities continue to reduce the number of MPs, especially in rural areas. This is not only a reduction in the number of rural administrative units in the country, but also the reluctance of the population to participate in the elections. Earlier, the head of the Belarusian Central Electoral Committee L. Jarmošyna complained about the growth of absenteeism in the Belarusian society, which creates difficulties for local administrations even in the search of loyal candidates: “The issue whether to save village councils is a very acute one, because it is extremely hard to find candidates and then to ensure the work of these representative bodies that have very little power”<sup>4</sup>.

It should be noted that in the Belarusian society the popularity of leftist/Communist ideas is still alive. The pro-government Communist Party of Belarus could nominate into the regional, city and district councils the biggest number of candidates – 253 people. Although the last councils of the 26th convocation had had even more representatives of the CPB – 360 people. While their opposition colleagues from the Belarusian Leftist Party *A Just World*<sup>5</sup> also traditionally have a high level of participation in elections.

A significant amount of opposition organizations, especially those that do not have official registration, had nominated their candidates by petition. However, compared with the pro-governmental candidates the representatives of opposition organizations were denied registration more often (see Table 1).

With the decline of social guarantees to the population, the authorities sought to prevent the growth of protests in the society

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<sup>4</sup> “Л. Ермошина: В Беларуси могут отменить выборы в сельские и поселковые советы.” *TUT.by*. 4 Feb. 2013, Web. 26 Feb. 2015. <<http://news.tut.by/politics/333184.html>>.

<sup>5</sup> Before 2009 it was called Belarusian Party of Communists.

and identified a more rigid framework for the activities of their opponents. In its turn, the opposition failed to politicize the Belarusian society, despite some attempts to use the discontent of the population of the state socio-economic policy.

**Table 1. Registration of the members of opposition organizations<sup>6</sup>**

Political party / movement	Registered candidates	Applied for registration	Percentage of candidates registered, %
Belarusian Christian Democrats	42	131	32
Belarusian Social Democratic Party ( <i>Hramada</i> )	52	99	52
The movement <i>For Freedom</i>	38	85	44
<i>A Just World</i>	89	120	74
<i>Tell the Truth</i>	103	487	21
United Civil Party	91	126	72

Power structures tried to restrict the activities of those candidates and political forces that transcended certain limits imposed by the authorities. For example, the authorities persecuted those activists who at pre-election mass events raised the issue of boycott of the election or the problem of the political prisoners in the country. The local administration derailed the agitation campaigns, isolated the most active opposition leaders by arresting them for a day or giving big fines.

The events in Ukraine also significantly narrowed the field of activity of the opposition. Pro-Ukrainian rhetoric of the vast majority of opposition leaders who with sympathy reacted to the protests in Kiev and the overthrow of Ukraine's President Victor Yanukovich, was contrary to the opinion of the overwhelming majority of the population. Under the influence of the official Belarusian and above all Russian media the split in the Belarusian society increased. The majority of the population supported the Kremlin's point of view of the Ukrainian events. According

<sup>6</sup> Murphy, Michael. "Belarus Local Elections Update – One Month Until Election Day." *Belarus Digest: News and Analytics on Belarusian Politics, Economy, Human Rights and More. The Ostrogorski Centre*. 28 Feb. 2014. Web. 27 Feb. 2015. <<http://belarusdigest.com/story/belarus-local-elections-update-one-month-until-election-day-17055>>.

to the observations of IISEPS sociologists in 2014 the lowest level of readiness of the Belarusian citizens to participate in public protests was recorded, also the rating of the authorities increased against a lack of income growth.<sup>7</sup>

It should be noted that the Belarusian leadership hinders the development of not only the opposition, but also of pro-governmental parties. As a result of the local election only 33% of the nominees of the opposition and pro-governmental parties got into the councils that is 248 people out of 748. In general, among the MPs, representatives of political parties made up only 1.3%. The number of opposition representatives in local councils, which was a tickle, continues to decline as a result of the local elections.

However, according to the IISEPS, about 9% of voters chose candidates from opposition parties and organizations. However, the support of the political parties decreased a bit against the events in Ukraine, which increased the number of supporters of the idea of a 'strong state'. According to the March survey, only 14.9% of respondents expressed confidence to the opposition parties, and 66.3% said they do not trust them.

The pro-governmental parties are used by the Belarusian authorities mainly to demonstrate political pluralism during the election campaigns, as well as to ensure the requirements of the legislation on the presence of representatives of parties and NGOs in the election commissions. Under the conditions of a low party representation in the local government authorities the Republican Public Association *Belaya Rus*, whose leadership has repeatedly attempted to transform their organization into a 'party of the authority' continues to secure its position in the councils. Compared with the previous convocation the Association has increased its representation in local councils almost twice. 5114 members of the Republican Public Association *Belaya Rus* became deputies of all levels elected in 2014, while in 2010 – this number was 2885.

Thus, out of 18816 deputies of local councils one in four is a representative of the politicized Association *Belaya Rus*.

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<sup>7</sup> "К народному единству через разделение на своих и врагов." *НИСЭПИ*. 6 Jan. 2015. Web. 27 Feb. 2015. <<http://www.iiseps.org/analitica/820>>.

The Minsk City Council contains 77% of their members, in Brest, Hrodna and Mahiliou district councils this figure is more than 55%. 1579 members of the Republican Public Association *Belaya Rus*, or 35% of the total number of deputies of the primary level, are elected members of the district councils.<sup>8</sup> Out of all nominees from this organization 93.7% got into the local representative bodies. These figures clearly contrast with the performance of the opposition parties that were able to promote just a couple of their representatives and even with other pro-governmental parties which showed more modest results.

The Republican Public Association *Belaya Rus* is gradually increasing its influence on political processes as a public organization. It should be noted that close to the local elections certain changes into the legislation were made. According to these innovations a public association may be converted into a political party. However, in 2014 *Belaya Rus* did not see the change in its political status. The Belarusian leadership begins the discussion about the creation of the ‘party of the authority’ on the basis of this politicized Public Association close to the election campaigns. In this way each time the governing establishment is given the hope to increase its role in the political process, which allows to retain the loyalty of the bureaucracy in order to achieve the targeted turnout and voting results.

## Conclusion

The participants of the negotiations of the Congress of Democratic Forces in fact abandoned the idea of nominating a single candidate from the opposition. The lack of agreement among the leaders on this issue increases the likelihood of nomination of several opposition candidates. However, the lack of

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<sup>8</sup> “Статистические данные по итогам участия организационных структур РОО “Белая Русь” в избирательной кампании по выборам депутатов местных Советов депутатов Республики Беларусь 27-го созыва.” *Республиканское общественное объединение “Белая Русь”*. 23 Apr. 2014. Web. 27 Feb. 2015. <<http://www.belayarus.by/news/primary/1656.html>>.

resources and more stringent conditions for the elections created by the authorities will make the parties cooperate in the framework of the opposition blocks *Popular Referendum* and *Talaka* which gained trust among themselves in the last election campaigns. The authorities are also interested in a limited competition from their opponents and in the nomination of 2–3 opposition candidates who will share the protest electorate among them.

# **NATIONAL MEDIA SYSTEM: THE SPIRAL OF INEFFICIENCY**

**Alena Artsiomenko**

## **Summary**

The structure of media consumption in Belarus changes slightly: the role of traditional media with the dominant position of the TV on the country's media market hardly decreases. Meanwhile the events of 2014 and their reflection in the public conscience showed the whole weaknesses of the national media. As for the Russian-Ukrainian conflict a pro-Russian position which was broadcast by foreign, mainly Russian, media was dominant in public opinion.

The situation with the freedom of speech has deteriorated significantly with the adoption of amendments to the Law "On Mass Media". The new law imposes additional restrictions on the activities of Internet resources and traditional media. The economic crisis which started in 2014 will contribute to the further degradation of the Belarusian media system.

## **Trends:**

- The lack of preconditions for development of the media market;
- The reduction of the role of social media, primarily newspapers;
- The formation of a dominant public opinion regarding the Russian-Ukrainian conflict contrary to the position of the national state and independent media;
- Substantial restriction of freedom of speech connected with the adoption of the new Law "On Mass Media".

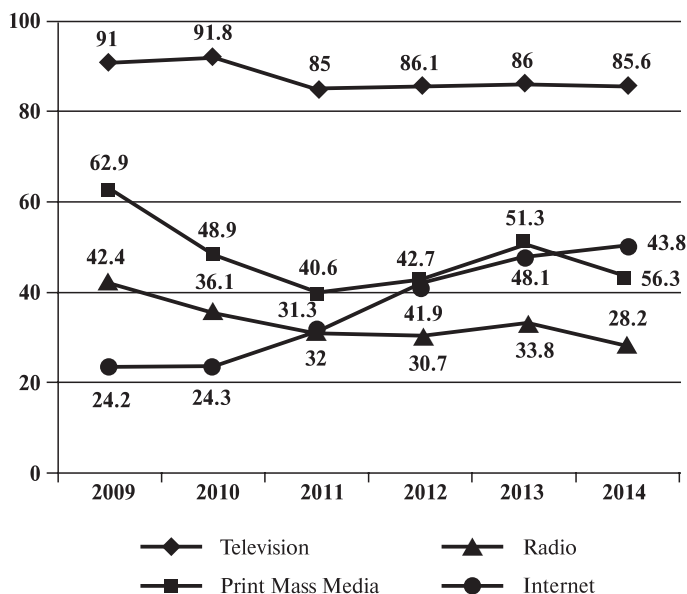
## **Introduction: quantitative characteristics and the structure of media consumption**

In recent years, the structure of media consumption in Belarus has slightly changed. The role of traditional media has not practically decreased with a clear dominance of television in the information market of the country.

Changes in the structure of use of information channels can be considered inconspicuous in comparison with 2013, which is confirmed by the results of Media Sphere Study carried out by the experts of Information-Analytical Center (IAC) at the

Presidential Administration.<sup>1</sup> According to the study, answering the question: “Where do you usually get the necessary information about life in Belarus and abroad?” 85.6% of respondents named TV (see Figure 1). This indication has remained stable: 2011 – 85.0%, 2012 – 86.0%, 2013 – 86.1%.

**Figure 1. Evolution of answers to the question: “Where do you usually get the necessary information about life in Belarus and abroad?”, 2009–2014, percent**



The popularity of television remains high despite the growing number of people who consider the worldwide web a primary source of information: for *four* years their share has increased from 32% to 53%. On the one hand, this suggests that in real terms consumers combine the use of different communication channels. On the other hand, on the background of a rising demand for Internet information the coverage of online news resources does not increase.

<sup>1</sup> “Медиафера Беларуси. Социологический аспект.” *Информационно-аналитический центр при Администрации Президента*. 2014. Web. 11 Mar. 2015. <[http://iac.gov.by/sbornik/Mediasfera\\_Belarusi.pdf](http://iac.gov.by/sbornik/Mediasfera_Belarusi.pdf)>.



Along with the continued leading role of television, the popularity of other traditional means of communication does not reduce or reduce slightly over time. In 2014, 43.8% of respondents named printed press the primary source of information (in 2011 – 40.6%), 28.2% gave their vote to radio (in 2011 – 31.3%).

In the state segment of the traditional media the steps to improve the quality of the service are taken but we are talking only about the technical improvement. According to the *State Program for the Introduction of Digital Television and Radio Broadcasting in the Republic of Belarus up to 2015*, in the last year the range of broadcasting of digital television expanded; the process of gradual switch-off of analogue television broadcasting began. The official website of the Republican Unitary Enterprise “Belarusian Broadcasting Center” informed that the broadcasting of “public compulsory package of TV programs” is carried out throughout the whole territory of Belarus.

Moreover there is a gradual abandoning of wired radio. “Taking into account the big financial costs necessary for maintenance of the wire broadcast and in order to provide the public with a technical possibility of full-time reception of RUE *Beltelekom* sound programs we regularly organize a number of measures to optimize the network”, says the *Beltelekom* website.<sup>2</sup>

One of the main motives of the technology revision is the optimization of costs.

For the same reason, related to the optimization of costs, the changes in the structure of the management of state-controlled print media are introduced. At the moment the Ministry of Information plans not only to unite the editorial offices of the leading national editions, but also to reduce their number. It is intended to issue a single Republican socio-political edition by efforts of the media holding *Sovetskaya Belorussia*, which currently publishes the following newspapers *SB*, *Belorus Segonia*, *Respublika*, *Belorusskaya Niva*, *Znamya Yunosti*, *Narodnaya Gazeta*.

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<sup>2</sup> “Оптимизация сети проводного вещания.” *Белтелеком*. Web. 11 Mar. 2015. <<http://www.beltelecom.by/optimizatsiya-seti-provodnogo-veshchaniya>>.

Meanwhile, it should be noted that the printed media market is growing. As of the end of 2013, the total number of publications registered in Belarus was 1,555, including 1,145 private and 410 state ones; in 2013<sup>3</sup>, 82 publications were registered. On October 1, 2014 the number was 1,572 titles. In Belarus, according to the study “Media Sphere in Belarus. The Sociological Aspect” the influence of newspapers in the print media decreases. The authors note that at the beginning of 2014, in comparison with 2012, the number of magazines increased by 2.7% and the annual circulation increased from 65.4 to 75.7 million copies. While the number of newspapers decreased by 1.2%, and the annual circulation fell down from 467.3 to 455.0 million copies.<sup>4</sup>

To save resources it is planned to centralize the printed media market. This may have a negative impact on the competitiveness of non-state publications. The movement from pluralism and segmentation to centralization of print media reduces the effectiveness of advertising in this type of mass communication, which can have a negative impact on the financial position of the printed media in general. Furthermore, the role of socio-political editions which are primarily newspapers is reducing compared with magazines that offer thematic or entertainment content. Plans to optimize the market of political media can lead to the fact that this trend will only intensify.

### **Public opinion: the fiasco of the national media**

The Russian-Ukrainian conflict and its reflection in the Belarusian public conscience demonstrated an extremely low efficiency of the national socio-political media both state-controlled and independent. Despite a cautious, balanced position of national media in coverage of the events in Ukraine, the majority of Belarusians took the ‘pro’ point of view. According to the June

<sup>3</sup> “Сведения о СМИ и лицензиатах.” *Министерство информации Республики Беларусь*. Web. 10 Mar. 2014. <<http://www.mininform.gov.by/smi>>.

<sup>4</sup> “Медиафера Беларуси. Социологический аспект.” *Информационно-аналитический центр при Администрации Президента*. 2014. Web. 11 Mar. 2015. <[http://iac.gov.by/sbornik/Mediasfera\\_Belarusi.pdf](http://iac.gov.by/sbornik/Mediasfera_Belarusi.pdf)>.

study made by the Independent Institute of Socio-Economic and Political Studies (IISEPS)<sup>5</sup> answering the question: “How do you assess the annexation of the Crimea to Russia?” 26.9% of Belarusians chose the answer “This is imperialist occupation” and 62.2% said “This is the return of the Russian land to Russia, the restoration of historical justice”. Answering the question: “How do you assess the events that happened in the spring of this year in the East of Ukraine, primarily in Donetsk and Luhansk regions?” 65.5% of respondents said: “This is the people’s protest against the illegitimate government”, while only 23.2% said that “It is a rebellion organized by Russia”.<sup>6</sup>

It is possible to suggest that the “pro” point of view is a ‘primary’ and clearly articulated position that is why it is shared by a majority of Belarusians. Domestic independent media were unable to have any decisive influence on public opinion, while the official media could not offer any clearly stated position to their audience. Further on this dominant point of view had an impact on the choice of information sources by the Belarusians. In 2014 there was a growing popularity of the Russian information resources. In August 2014, according to *GemiusAudience* data the reach to audience by news agency *RIA.ru* exceeded the reach by *Naviny.by* resource.<sup>7</sup>

The data of IAC study *Media Sphere in Belarus. The Sociological Aspect* also point to the growing popularity of the Russian media. The monthly reach to the audience by ONT TV-channel, according to the survey decreased from 72.1% in 2013 to 67.7% in 2014, by Belarus-1 TV-channel accordingly – from to 64.6 to 62.3%, while the reach by the Russian NTV-Belarus TV-channel increased from 57.0 to 59.4%, and the Russian RTR-Belarus TC-channel increased from 49.7% to 53.6%.<sup>8</sup>

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<sup>5</sup> See also the article by Yuri Drakohkrust “Public Opinion: Under the Sign of the Events in Ukraine” of this Yearbook.

<sup>6</sup> “Всесильна ли пропаганда?” *НИСЭПИ*. 5 Jul. 2014. Web. 11 Mar. 2015. <<http://www.iiseps.org/analitica/590>>.

<sup>7</sup> “GemiusAudience: Belarus, August 2014”. *Gemius*. Web. 11 Mar. 2014. <<http://www.audience.by/pages/display/reach>>.

<sup>8</sup> “Медиафера Беларусі. Соціологічны аспект.” *Інфармацыйна-аналітычны цэнтр пры Адміністрацыі Прэзідэнта*. 2014. Web. 11 Mar. 2015. <[http://iac.gov.by/sbornik/Mediasfera\\_Belarusi.pdf](http://iac.gov.by/sbornik/Mediasfera_Belarusi.pdf)>.

The process of redistribution of the Belarusian audience in favor of the Russian media and, consequently, promotion of the pro-Russian position in relation to the events in Ukraine is becoming self-sustaining. Because of their weak capacity the Belarusian media do not have a significant impact on this process, which is largely determined by the effects of the ‘spiral of silence’, in Elisabeth Noelle-Neumann’s terminology. Due to the fact that the pro-Ukrainian position is not articulated in the national media, including public figures whose opinion is easy to appeal to, it is much easier for the citizens of Belarus to demonstrate their commitment to the dominant pro-Russian position.

However, we cannot say that this position corresponds to the underlying beliefs and worldview of Belarusians. The growth of Aleksandr Lukashenko’s rating who during the past year tried to remain neutral and generally spoke in support of the new Ukrainian authorities testifies to this. The fact that Belarusians do not identify themselves with the Russians or Soviet people, is confirmed by the results of the June poll connected with the Annual President’s Address to the Belarusian People and the National Assembly (see table 1).<sup>9</sup>

**Table 1. Evolution of answers to the question: “What do you think about the following statements which President Lukashenko made during his Address?”, percent**

Answer	I agree	I disagree
“We are neither pro-Russian nor pro-Ukrainian or pro-Polish, we are not Russians, we are Belarusian!”	71.3	19.4
“In the society there should be tolerance towards the diversity of views, discussions and criticism”	72.1	20.8

Some contradiction between the pro-Russian position and the growth of Lukashenko’s rating with his ‘isolationist’ statements indicates that the support of the Russian side by the Belarusians is mostly informational and propaganda-like, which testifies to the ill-preparedness of the national media system to the external information intervention.

<sup>9</sup> “Консолидирующий потенциал уникальности.” *НИСЭПИ*. 5 Jul. 2014. Web. 11 Mar. 2015. <<http://www.iiseps.org/analitica/584>>.

## **Law “On Mass Media”: the deterioration of the situation with the freedom of speech**

One of the effects of the loss of control over public opinion by the state was the emergency adoption of the new law “On Mass Media”. On December 17, 2014 the draft law on amendments to the Law “On Mass Media” was adopted in two readings by the House of Representatives, on December 18 approved by the Council of the Republic, on December 20 it was signed by the Belarusian President. Analyzing the basic changes to the Law “On Mass Media” the Deputy Chairman of the Belarusian Association of Journalists (BAJ) A. Bastunets lists the main limitations for mass media.<sup>10</sup>

In the new law the owners of Internet resources are defined as “distributors of mass media production” instead of “mass media editorial office”. They are deprived of the right to give their employees the ID of a journalist, as well as other rights of an editorial office. At the same time they are required to publish contradictions and track comments to the posts. The official authorities get the legal right to block access to Internet resources of the Belarusian segment of the network, as well as of sites located outside the country. Blocking is carried out by the Ministry of Information on an out-of-court basis, and the law says nothing about the possibility of judicial appeals against such decisions.

In addition to the control over Internet resources, there appeared additional levers of control over the media in general. The State Registers of Distributors of Print Media and Distributors of Television and Radio Media are introduced; the activity that is not included in the Register will be considered illegal. Also the list of information prohibited for distribution is extended. The criteria of the definition of ‘prohibited’ information are blurred, which provides the authorities with opportunities to bring pressure on the media and distributors. The periods of

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<sup>10</sup> Бастунец, Андрей. “Анализ основных изменений в закон Республики Беларусь “О средствах массовой информации”.” *ОО “Белорусская ассоциация журналистов”*. Web. 11 Mar. 2015. <[http://baj.by/sites/default/files/law\\_and\\_media/analiz\\_osnovnyh\\_izmenenij\\_v\\_zakon\\_respubliki\\_belarus.pdf](http://baj.by/sites/default/files/law_and_media/analiz_osnovnyh_izmenenij_v_zakon_respubliki_belarus.pdf)>.

sanctions and the time limits of the suspension of the release of the media by the Ministry of Information are increased.

In the annual monitoring of the situation with the freedom of speech<sup>11</sup> the specialists of BAJ note some decrease in the number of detentions of journalists (from 50 people in 2013 to 23 in 2014). However, the persecution of journalists, a restricting access to information, obstructing the work of journalists working with foreign media and economic discrimination against independent media organizations continue.

In addition, in 2014 new illegal practices of pressure on the media were used. After the devaluation of the national currency on December 19, 2014 more than ten online resources were blocked and the authorities took the responsibility for blocking only *onliner.by*. The general conclusion of the authors of monitoring, with account of the adoption of the amendments to the Law “On Mass Media” is that last year the situation with the freedom of speech in Belarus deteriorated.

## Conclusion

In 2014 in Belarus no prerequisites appeared for the development of the media sphere, moreover the factors of its degradation became more evident. One of the characteristics of the domestic media market is the dominance of external sources of information (Russian propaganda) in the aspect of public opinion formation.

The policy regarding the state-controlled media is directed primarily at saving resources rather than at the development of the national system of mass media. Modernization of the media is largely of a technical nature.

With the adoption of the new Law “On Mass Media” the conditions of the functioning of independent media worsened. To influence independent resources some illegal methods were used, such as the blocking of Internet sites at the end of December 2014.

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<sup>11</sup> “Нарушения свободы выражения мнения в Беларуси в 2014 году (обзор).” *ОО “Белорусская ассоциация журналистов”*. Web. 11 Mar. 2015. <[http://baj.by/sites/default/files/monitoring\\_pdf/brief\\_2014\\_mass\\_media\\_in\\_belarus\\_ru.pdf](http://baj.by/sites/default/files/monitoring_pdf/brief_2014_mass_media_in_belarus_ru.pdf)>.

A tougher policy towards independent media against the background of a deepening economic crisis will lead to the compression of the media market, which may jeopardize its future development.

## **INTERNET: INFRASTRUCTURE, USERS, REGULATION**

**Mikhail Doroshevich, Marina Sokolova**

### **Summary**

By the end of 2014, Belarus totaled over 5 million Internet users, which constitutes 70% of the population aged 15 to 74. The Internet has become not only an integral part of everyday life, but also a platform for activities of state-controlled and private companies and organizations. Infrastructural development (like broadband Internet) remains a key element of the strategy of an information-oriented society. The download speed in Belarus is lower than in the neighboring countries and the cost of services is higher.

The Internet is still not available to all, which poses a serious problem when it comes to the offered *e-government* services. Only half of households have access to the Internet from home computers. The proportion of such households in rural districts is much lower than in urban areas.

The Belarusian authorities extensively use Internet surveillance and censorship technologies being armed with information exchange regulations legally adopted for this particular purpose.

### **Trends:**

- The growth of the number of users is slowing down, while the infrastructure is developing rapidly;
- The state retains the monopoly on telecommunication networks and channels;
- Belarusian citizens are geographically and demographically unequal in terms of access to the worldwide web;
- The rights of Internet users are infringed upon due to the repressive legal regime in the field of the free exchange of information.

### **The use of the Internet by individuals and organizations**

By the end of 2014, Belarus had over 5 million Internet users, which constitutes 70% of the population aged 15 to 74. Most of them (around 4.2 million people.) go online every day. They browse for information (90% of the users), use social networks (70%) and video services (55%), read news (50%), and make



payments (20%). No less than 65% of Belarusian users have made online purchases at least once.<sup>1</sup>

Foreign websites are still visited the most: *google.com* (the audience coverage at 67.81%), *vk.com* (57.24%), *mail.ru* (53.61%), and *yandex.by* (50.20%). *Tut.by* is among the top five with 47.89%, and *onliner.by* is the seventh with 28.50%.<sup>2</sup>

The Internet has become not only an integral part of everyday life, but also a platform for activities of state-controlled and private companies and organizations. Almost all business entities submit tax declarations (91.0%) and departmental reports (80.6%) on the Internet; 29.7% of organizations fill in customs forms online; 18.6% of business entities went through the registration procedure online.<sup>3</sup> The *National Statistics Committee* reported in 2014 that among organizations, which have their own websites, financial institutions lead with 95.7%; 67% are organizations that provide housing, social and personal services; 40.9% receive and 53.6% place orders online.<sup>4</sup>

The Belarusian government is going to considerably expand the scope of *e-services* in the next year and a half. By January 1, 2016, all government agencies and legal entities with a government stake are to connect to a single electronic document management system. Currently, they receive less than half of documents (42.35%) and send only 31.4% in electronic form.<sup>5</sup>

In 2014, new regulations on the access to information of public agencies specified the rules to obtain such informa-

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<sup>1</sup> “Какие тренды на белорусском рынке E-commerce в этом году.” *Data Insight*. 15 Oct. 2014. Web. 17 Mar. 2015. <<http://probusiness.by/markets/154-kakie-trendy-na-belorusskom-rynke-e-commerce-v-etom-godu.html>>.

<sup>2</sup> “Gemius Audience Study Results / Belarus”. *Gemius*. Jan. 2015. Web. 17 Mar. 2015. <<http://en.audience.gemius.com/2046.html>>.

<sup>3</sup> Зиновский, Владимир. “Информационное общество в Республике Беларусь, 2014.” *Национальный статистический комитет Республики Беларусь*. 17 Sept. 2014. Web. 17 Mar. 2015. <[http://belstat.gov.by/bgd/public\\_compilation?id=520](http://belstat.gov.by/bgd/public_compilation?id=520)>.

<sup>4</sup> Соколова, Марина. “Доступ к информации и приватность онлайн. Беларусь 2014.” *Центр правовой трансформации*. 1 Jan. 2014. Web. 3 Mar. 2015. <[https://www.academia.edu/11004000/Доступ\\_к\\_информации\\_и\\_приватность\\_онлайн.\\_Беларусь\\_2014](https://www.academia.edu/11004000/Доступ_к_информации_и_приватность_онлайн._Беларусь_2014)>.

<sup>5</sup> Ibid.

tion thus strongly limiting the access for individuals. A check of official websites of 180 national and local governments revealed that none of the sites complied with the national legislation.<sup>6</sup>

## Twenty years of .by domain

The .by domain has been on the net for 20 years totaling over 116,000 registered domain names. In recent years, the .by zone is ranked first in Europe in terms of growth: 55% of all domains in the Belarusian zone were registered in 2013–2014, Minsk city and the Minsk region being the leaders in this respect.

In August, the International Corporation for Assigned Names and Numbers (ICANN) approved the Cyrillic domain .*бел* for Belarus in addition to the Latin .by. Domain names can be registered in the Russian and Belarusian languages provided that there will be a possibility of an apostrophe and the letters ‘ÿ’ and ‘i.’ The final decision on the delegation of the domain to the Presidential Operations and Analysis Center (domain zone administrator) and Unitary Enterprise *Nadyozhnye Programmy (Reliable Programs)* (technical administrator *hoster.by*) will be made in February 2015.<sup>7</sup>

## Infrastructural development

As in previous years, infrastructural development (particularly broadband Internet) remains a key element of the strategy of information-oriented society (see Table 1). By the end of 2015, 70% of the existing broadband subscriber lines are supposed to provide a bandwidth capacity of at least 10 Mbps.

<sup>6</sup> Sokolova (Соколова), sp. source.

<sup>7</sup> “Байнет ожидает введения кириллических доменов.” *Naviny.by*. 10 Oct. 2015. Web. 17 Mar 2015. <[http://naviny.by/rubrics/computer/2013/10/10/ic\\_articles\\_128\\_183284](http://naviny.by/rubrics/computer/2013/10/10/ic_articles_128_183284)>; “DomainWire. Domain Name Stat Report.” Centr.org. Council of European National Top Level Domain Registries. 12 Dec. 2014. Web. 17 Mar. 2015. <[https://centr.org/system/files/share/domainwire\\_stat\\_report\\_2014\\_4.pdf](https://centr.org/system/files/share/domainwire_stat_report_2014_4.pdf)>.

**Table 1. Types of Internet access, 2010–2014, %<sup>8</sup>**

Type of access	2010	2012	2013	2014
Broadband	52.40	69.68	70.78	73.15
Dial-up	18.70	4.90	4.60	4.86
Mobile (GPRS/EDGE/CDMA)	5.60	11.97	10.53	8.52
Other, do not know	23.03	14.29	14.12	13.47

Although the infrastructure is developing quite rapidly (in 2014, the exterior gateway capacity increased more than 15-fold against 2010<sup>9</sup>), the growth of the number of users is slowing down. In 2013, the number of Belarusian Internet users increased by 223,000 persons (4.8%). In 2014, it increased by 157,000 (2.7%).

The download speed in Belarus is lower than in the neighboring countries and the cost of services is higher (see Figure 1). Users rate the average quality of data transmission services rendered by 45 leading providers 3.3 on a 1–5 scale.<sup>10</sup>

As before, any attempt to enhance the quality of Internet services would break against the state telecommunications monopoly (*Beltelecom* and the National Traffic Exchange Center). The progressive reduction in the number of providers in Belarus is symptomatic: there were 237 licensed providers in 2010, 213 in 2011 and 177 in 2013.<sup>11</sup>

Internet is still not accessible for all, which is quite a problem given the advancing *e-government* services. Half of households have very limited access to the Internet: the proportion of those going on-line from home is at 86.3% and those using the Internet at school or at work make up 5.8%. But only half of households

<sup>8</sup> “GemiusAudience Study Results”. *Gemius*. Jan. 2015. Web. 17 Mar. 2015. <<http://en.audience.gemius.com/2046.html>>.

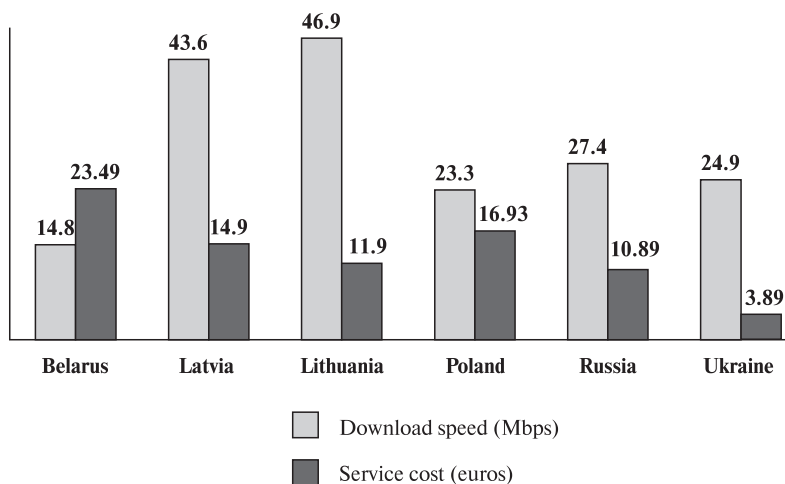
<sup>9</sup> “Байнет ожидает введения кириллических доменов.” *Naviny.by*. 10 Oct. 2015. Web. 17 Mar 2015. <[http://naviny.by/rubrics/computer/2013/10/10/ic\\_articles\\_128\\_183284](http://naviny.by/rubrics/computer/2013/10/10/ic_articles_128_183284)>; “DomainWire. Domain Name Stat Report.” Centr.org. Council of European National Top Level Domain Registries. 12 Dec. 2014. Web. 17 Mar. 2015. <[https://centr.org/system/files/share/domainwire\\_stat\\_report\\_2014\\_4.pdf](https://centr.org/system/files/share/domainwire_stat_report_2014_4.pdf)>.

<sup>10</sup> “Анализ состояния рынка услуг передачи данных.” *Оперативно-аналитический центр при Президенте Республики Беларусь*. Web. 17 Mar. 2015. <<http://oac.gov.by/print/ikt/regulator/analysis.html>>.

<sup>11</sup> Ibid.

(51.9%) have access to the Internet from home computers. The proportion of such households in rural districts is much smaller than in urban areas (31.8 and 59.5%, respectively). The number of public multiple-access facilities has thus gone down to the level of 2009.<sup>12</sup>

**Figure 1. Internet access: bit rates and prices<sup>13</sup>**



The ‘digital gap’ between urban and rural localities and between the capital and other areas with respect to the number of Internet users is still large. Competition in the market of stationary broadband access was observed in 18 cities, mostly big ones. In other localities, Beltelecom was the only provider. Forty-five percent of data transmission revenues were obtained from commercial activities in Minsk.<sup>14</sup>

<sup>12</sup> Zinovsky (Зиновский), sp. source.

<sup>13</sup> “Real-time global broadband and mobile data”. *Ookla.com*. Web. 17 Mar. 2015. <<http://www.netindex.com>>; Дорошевич, Михаил. “Стоимость оптического интернета в Беларуси и странах-соседях.” *Information Policy Biz*. 3 Mar. 2015. Web. 5 Mar. 2015. <<http://www.infopolicy.biz/?p=6943>>.

<sup>14</sup> “Анализ состояния рынка услуг передачи данных.” *Оперативно-аналитический центр при Президенте Республики Беларусь*. Web. 17 Mar. 2015. <<http://oac.gov.by/print/ikt/regulator/analysis.html>>.

Users at the age of 55 and over constitute 10.7% of the Internet audience and those over 65 only make up 1.7%.<sup>15</sup> The proportion of retirees (women over 55 and men over 60) is at 5.56%.<sup>16</sup>

## The legal framework of information exchange

Amendments to laws and regulations made in 2014 and orders issued by the executive branch significantly limit the free flow of information online:

- The restrictions on the access to information imposed by the Law on Information, Informatization and Protection of Information and the Law on State Secrets are too extensive, and new restrictions can be added to the list by statutory and regulatory enactments of many levels;
- A special commissions formed in 2014 to detect elements of extremism can be used as a tool of censorship;
- Amendments to the criminal, criminal procedure and other codes establish a penalty for posting slanderous statements and calls to seize power or overthrow the country leadership in a violent manner, and, separately, for defamation of the president (it is thus not specified whether it is applicable to opinion pieces on websites, or in anonymous comments to posts);
- The relevant laws still lack provisions that would define the procedure of decision-making when it comes to denying access to websites for the advocacy of violence or other acts forbidden by law.<sup>17</sup>

In other words, the gap between the international obligations of Belarus and the national legislation is getting wider.

The present repressive legal regime in the field of the free exchange of information results in numerous violations of the rights of Internet users. The authorities make heavy use of various technologies of surveillance and censorship on

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<sup>15</sup> Zinovsky, sp. source.

<sup>16</sup> “GemiusAudience Study Results”. *Gemius*. Jan. 2015. Web. 17 Mar. 2015. <<http://en.audience.gemius.com/2046.html>>.

<sup>17</sup> Sokolova (Соколова), sp. source.

the Internet.<sup>18</sup> Decree No.60 and regulations that followed directly postulated the need to monitor and technically filter web content. Providers must at their own expense procure, install and service hardware to support the system of operative-investigative measures (SOIM).<sup>19</sup> In spring 2012, Beltelecom implemented a SOIM project with the *byfly* network, and upgraded the screening software in summer. A “hardware and software package for research and monitoring of information resources of the national segment of the Internet” is about to be completed.<sup>20</sup>

According to the annual Freedom on the Net report (May 2013 through May 2014), Belarus was rated “not free.”<sup>21</sup> This status was perfectly substantiated by the events of late 2014: on December 19, the authorities restricted access to the most popular Belarusian independent information online resources *belapan.com*, *belapan.by*, *charter97.org*, *naviny.by*, *belaruspartisan.org*, *udf.by*, *21.by*, *gazetaby.com*, *zautra.by*, and *racyja.com*. Most of them were not available in the country until December 23. On December 19, *tut.by* and *onliner.by* were not available for several hours allegedly due to a DDoS-attack. Tut.by owner Yuri Zisser directly linked the blocking of independent sites with the attack on *tut.by*. The Belarusian Association of Journalists released a statement on December 22 saying that “the blocking of a number of sociopolitical websites, for which no one has claimed responsibility yet, is a legal mayhem. There are no legal grounds to limit the access to information about events in the country.”<sup>22</sup>

<sup>18</sup> Sokolova (Соколова), sp. source.

<sup>19</sup> SOIM is a set of technical means and measures designed to take operative-investigative measures in telephone, mobile and wireless communication networks and radio. SOIM-1 is a system of wiretapping. SOIM-2 is a logging system intended to monitor access to the Internet.

<sup>20</sup> Sokolova, sp. source.

<sup>21</sup> “Freedom on the Net. 2014”. *Freedom House*. 4 Dec. 2014. Web. 17 Mar. 2015. <[https://freedomhouse.org/report/freedom-net/freedom-net-2014#.VP\\_5lvmsXzc](https://freedomhouse.org/report/freedom-net/freedom-net-2014#.VP_5lvmsXzc)>.

<sup>22</sup> “БАЗ: Блокировка сайтов – правовой беспредел.” *Naviny.by*. 22 Dec. 2014. Web. 17 Mar. 2015. <[http://naviny.by/rubrics/society/2014/12/22/ic\\_news\\_116\\_451208/](http://naviny.by/rubrics/society/2014/12/22/ic_news_116_451208/)>.

**Conclusion**

While the number of Internet users in Belarus is increasing and the infrastructure is growing rapidly, half of households have very limited access to the Internet. Any attempt to enhance the quality of Internet services would break against the state telecommunications monopoly. Given the lack of information on the development of programs aimed at bridging the digital gap, reducing the cost of Internet services, and promoting media literacy, there is no reason to believe that this situation will change for the better in the coming years.

The amendments to laws and regulations made in 2014 and orders issued by the executive branch, and, generally, the legal regime in the field of the free exchange of information indicate that the gap between the international obligations of Belarus and the national legislation is getting wider.

## **EDUCATION: REFORMERS' SUCCESSES AND FAILURES**

**Vladimir Dounaev**

### **Summary**

The year 2014 is marked by a deepening crisis in Belarusian education. Failures of the enrollment campaign finally made the authorities and society recognize the catastrophic state of secondary education and a serious decline in academic standards at the tertiary level. The request for education reform coming from the heads of universities and some governmental officials questioned the ability of the presidential chain of command to formulate and monitor educational policies. However, such claims for decentralization of control and revision of the policy framework in the education sector could not remain unpunished. By the end of the year some reformers had to leave the political scene and the rest were taught a lesson.

### **Trends:**

- Decline of the quality of education and a growing shortage of funding at a high accessibility to all levels of education;
- Increased tension between populism and efficiency in education policy;
- Growing demand of the heads of higher institutions and officials of the Ministry of Education to increase the autonomy of educational institutions;
- Blocking of any education reforms by the Administration of the President within the context of a new electoral cycle.

### **Prerequisites for the reform**

2014 began with great expectations of changes in Belarusian education policy. In December 2013 parliamentary hearings on modernization of the legislation were held. The agenda included decentralization of education management and expansion of the autonomy of educational institutions. Calls from universities heads and education officials sounded very unusual and awakened the hope for substantial changes in academic life.

It seemed that we were one step away from the reform of the *Educational Code* that would give the autonomy to educational institutions in personnel, financial and educational spheres. As it turned out, some thought about almost the impossible i.e. the restoration of the concept of election of university heads



cancelled in 1997. This organizational autonomy is supposedly necessary in order to avoid another failure in the admittance of Belarus to the Bologna process.

Indeed, in 2012, the Bologna Secretariat at the request of the Belarusian Ministry of Education to admit Belarus to the European space of higher education explained that the low level of institutional autonomy along with the suppression of academic freedoms and the weak participation of students in the governance of universities made the Europeans postpone the decision until 2015. It should be added that in 2012 the memories of repressions in the universities against students and professors after the December protests in 2010 were still fresh. Therefore, the election of university heads could have become a significant step towards the democratization of the governance of universities, and also to weaken the political instrumentalization of higher education.

It is possible to indicate one more factor that supported the request for the return to the election of the heads of universities. The heads of universities felt their helplessness before the administrative arbitrariness on the part of higher authorities. The dismissal in February 2013 of the head of Hrodna State University showed that the resignation of a head of an institution does not require even minimal legal grounds. Any whim of the Governor would do. In this atmosphere the call for the establishment of at least some of the barriers against tyranny could not but find the understanding and support on the part of university heads. Moreover, it is possible to justify it by the Bologna requirements. But on the part of the presidential chain of command the idea of decentralization of educational management always met with the growing resistance.

It is probable that the reformers and their supporters overstepped the line when the Presidential Administration was forced to agree to a new version of the rules of the enrollment to universities and colleges. A long-term struggle for the abolition of the separate competition for graduates of rural and urban schools seemed to end with the victory of university heads.

On March 20, 2014 President Lukashenko signed Decree No. 130 *On amendments and additions to the Decree No. 80 of the President of the Republic of Belarus dated February 7, 2006,*

which approved a new edition of the rules of enrollment to institutions of higher and vocational secondary education. Separate competition not only cultivated the inequality of the requirements for enrollment, but was also one of the cornerstones of the educational policy that had been formed after the presidential elections of 2001. At that time the fear of protest made the government begin to create the system to ensure the loyalty of students. One of the main instruments was the manipulation of the social makeup of students. The privileges for enrollment to the institutions of higher education for rural youth were to weaken the critical mood in the student's environment, because the rural population was seen as loyal to the President.

The abolition of separate competition in order to improve the quality of entrants meant real claims of the heads of universities to participate in the formation of educational policy, infringing on the President's exclusive powers fixed in the *Educational Code*. And these claims could not remain without consequences. In March, during the discussion of the new rules of enrollment to universities and colleges, it became clear that the responsibility for the failures in educational policy would be laid at the Ministry of Education instead of the true culprit. Although the draft changes and amendments to the *Educational Code*, brought up for public discussion by the Ministry in May 2014, had little from the original request to strengthen the autonomy of educational institutions and the decentralization of industry, the mechanism of repressions had already started to work. The occasion occurred pretty soon.

### **Achilles' heel of the educational system**

Another scandalous failure of the enrollment campaign made it clear what had before been ignored both by the authorities and the society: a challenging low quality of secondary and tertiary education. Despite the reduction plan of enrollment and admission requirements they failed to fill even the budget places. On August 8, receiving the Minister of Education Sergei Maskevich and the First Deputy Head of Administration Alexander Radkov with the report, President Lukashenko threatened to

seriously investigate the whole system of education of Belarus.<sup>1</sup> This led to establishing a working group headed by the Deputy Prime Minister Anatoly Tozik on the integrated analysis of the educational system.

On September 9 the group started to work under conditions of unprecedented openness. On the one hand, the mandate of the working group explicitly intended to optimize budget expenditures on education. On the other hand, it was necessary somehow to explain the depressing decline of academic standards and the quality of education. Although Anatoly Tozik had earlier also complained about the waste and inefficiency in education funding, this time he suggested the saving be done at the expense of the intensification of the teachers' work and the shifting of costs onto the shoulders of parents.

However, the recommendations of the working group included other measures except for these unpopular ones. Basically, Anatoly Tozik suggested quite a modern strategy of changes of the principles of financing education: "We believe that schools must be transferred into a normative financing on the principle "money follows the student". Thus the right should be given to the head of the school to reallocate funds from one expenditure to another and to use budget savings for teachers' higher salaries".<sup>2</sup> In some countries, this policy has led to a considerable improvement in the quality of education, having made the school administration reckon with the public assessment of the performance of educational institutions. Especially if changes in management and financing are combined with the development of real competition among schools for students. In the heat of a battle against the collapse of the social obligations of the state, the public just didn't notice these innovative proposals

<sup>1</sup> "Доклад Министра образования Сергея Маскевича и Первого заместителя Главы Администрации президента Александра Радькова." *Официальный Интернет-портал Президента Республики Беларусь*. 8 Aug. 2014. Web. 25 Feb. 2015. <[http://president.gov.by/ru/news\\_ru/view/doklad-ministra-obrazovanija-sergeja-maskevicha-i-pervogo-zamestitelja-glavy-administratsii-prezidenta-9493/](http://president.gov.by/ru/news_ru/view/doklad-ministra-obrazovanija-sergeja-maskevicha-i-pervogo-zamestitelja-glavy-administratsii-prezidenta-9493/)>.

<sup>2</sup> "Толик резюмировал проблемы образования: не хватает и часов по ключевым предметам, и способных думать кадров в Минобразования." *TUT.BY*. 28 Oct. 2014. Web. 25 Feb. 2015. <<http://news.tut.by/society/421504.html>>.

of Anatoly Tozik. But they were appreciated by the World Bank that supported the project of modernization of the secondary education in Belarus and contributed USD 50 million.

The working group soundly focused on the problems of the secondary school which Anatoly Tozik called the ‘Achilles’ heel’ of the educational system. For the first time since the discussions about the return to the 11-year education, the 2008 reform of secondary education had been so strongly criticized by one of the leaders of the government. The main conclusion of the working group was as follows: due to the 11-year secondary education and a 5-day school week the Belarusian school lagged behind the world leaders in a quality of secondary education.<sup>3</sup> Six years ago a fatal mistake was made, the responsibility for which is laid personally to the president. And although no one dared publicly indicate the person guilty of the disaster in education, the role of the president in pushing this disastrous reform seemed obvious.

The sequence of reforms and counter-reforms is a usual thing. The whole history of the Soviet education is a witness to this. But unlike the fuzzy collective responsibility for the failures of the educational policy in the USSR, the Belarusian exclusive right of the president on the formation of public policy in education turned into a known penalty associated with the concentration of power. Hardly Anatoly Tozik had the intention to discredit the President. But such harsh assessment of educational policy was a real request for decentralization of education management and empowering not only officials but other actors in strategic decision-making as well.

A specific signal, calling employers to connect to the management of the quality of professional education at all levels, was Decree No. 34 of the Council of Ministers dated January 17, 2014 *On some issues of the development of the national system of qualifications in the Republic of Belarus*. It promised a long-awaited transition from the Soviet system of tariff-qualification reference to the European framework of qualifications. Until recently Belarus was the only country in the region where employers do not have the mechanisms to influence the training

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<sup>3</sup> Ibid.

system. Although innovation never went beyond the belated pilot project, even this step revealed some prospects of public participation in the management of education.

However, it should be recognized that the chosen model does not encourage the initiative of the unions and associations of employers in the development of the requirements to the quality of education. But, in spite of a tough bureaucratic control over the process of the development of professional standards it is possible to see in the new system of professional qualifications the seedlings of a more active labor market participation in the requirements for university graduates and other professional institutions.

### Counter-reform

To share power, even in such an area as education, was not included in the President's plans. Risks of external threats and the upcoming presidential election did not leave the reformers a chance. The catastrophic situation in education was turned by the President into an argument against those who thought about reforms. The school curriculum is halfway 'rubbish', the higher education system is based on the needs of the past, but those are guilty who criticize the educational policy.<sup>4</sup> The fact that our education is no good, does not justify calls for changes. In the Belarusian political dictionary the word 'reform' is a strict taboo, because whatever the euphemisms are used by hidden and explicit reformers, they impinge on power.

The Education Minister Sergei Maskevich, and Vice Premier Anatoly Tozik were dismissed at the end of 2014. It seemed that all their critical evaluation and reform plans should have been discarded and forgotten. At the end of the year the President said that the Commission headed by Anatoly Tozik did not cope with the task and the circumstances of its work would

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<sup>4</sup> "Встреча с финалистами республиканского конкурса "Учитель года Республики Беларусь". *Официальный Интернет-портал Президента Республики Беларусь*. 9 Oct. 2014. Web. 25 Feb. 2015. <[http://president.gov.by/ru/news\\_ru/view/vstreche-s-finalistami-respublikanskogo-konkursa-uchitel-goda-respubliki-belarus-9934/](http://president.gov.by/ru/news_ru/view/vstreche-s-finalistami-respublikanskogo-konkursa-uchitel-goda-respubliki-belarus-9934/)>.

be checked by law enforcement.<sup>5</sup> The previous openness and public debate vanished without a trace. Therefore nothing is known about the objections to the Commission and about the work of a new group.

A new working group, headed by Henadz' Palchyk, the Chairman of the State Commission for Academic Degrees and Titles has learned a lesson. But the question whether the secret reformers drew correct conclusions from the signal sent to them by the supreme power, remains unanswered. 2015 will show whether it became possible to free the political scene of education from the 'frauds'.

## Conclusion

The populist policy during the year of the presidential election means that any attempts to reform the educational system will be blocked. Using the fear rooted in the society of radical changes in education (as in other spheres), the presidential chain of command neutralizes the demands of various interest groups to participate in the formation of educational policy.

Some local projects with international participation and the willingness of the European partners to put up with the academic repressions in the Belarusian universities will allow the authorities to cultivate the illusion of a successful internationalization of secondary and tertiary schools in Belarus.

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<sup>5</sup> "Встреча с председателем Высшей аттестационной комиссии Геннадием Пальчиком." *Официальный Интернет-портал Президента Республики Беларусь*. 9 Dec. 2014. Web. 19 Feb. 2015. <[http://president.gov.by/ru/news\\_ru/view/vstrecha-s-predsedatelem-vysshej-attestatcionnoj-komissii-gennadiem-palchikom-10391/](http://president.gov.by/ru/news_ru/view/vstrecha-s-predsedatelem-vysshej-attestatcionnoj-komissii-gennadiem-palchikom-10391/)>.

## SCIENCE AND INNOVATION 'UNDER MARTIAL LAW'

**Andrei Laurukhin**

### Summary

In 2014, the government's attempts to reform the science sector came to naught. The funding of science from the national budget and extra-budgetary resources decreased considerably. Technological innovation costs passed from the national budget on to enterprises, which are supposed to use their own funds and loans to cover the expenditure.

The cut in funding of science has inevitably resulted in a degradation of the key performance indicators of the innovation-driven growth, as well as the continuous brain-drain. The number of 'innovation-active' industrial enterprises goes down, while the proportion of 'innovation-lazy' enterprises is increasing, which particularly concerns the oil industry. Against the background of the economic slowdown, the government places its stake on a mobilization model of industrial development, which is also close to resource exhaustion.

### Trends:

- The proportion and amount of the central funding of science is reducing;
- Highly skilled professionals tend to seek better employment options given the risk of imbalances in reproduction of the workforce capacity in Belarusian science;
- The key indicators of innovative development reflect a progressive deterioration of the situation;
- A structural reform of the science sector has failed, while the mobilization model is used at full blast to develop the innovation system;
- Social sciences and humanities undergo ideologization and political instrumentalization.

### Overview

In 2014, while Ukraine was in the middle of rampant warfare, Belarusian science was in the calmest and most tranquil period over the past five years. The years-long attempts of the government to modernize science using command-and-control methods have apparently come to naught. During the traditional New Year 'talk between the president and scientists', we did

not hear any ultimatums (as in 2011<sup>1</sup>) or passionate calls for modernization of science (as in 2013<sup>2</sup>). Lukashenko unusually humbly asked for improvements rather than a reform<sup>3</sup>, and not of the entire system, but at least one of its components — the Higher Attestation Commission (HAC). So, the years of ‘reforming’ reduced to a trivial ‘optimization’, i.e. a staff reduction and a cut in public funding (the year 2014 saw a peak of staff losses).

Regretfully, positive trends associated with higher science intensive GDP index in 2013, were not observed in 2014. Belarus’ science intensive GDP index remained below the internationally accepted threshold and even below the level set by the *Program of Socioeconomic Development of the Republic of Belarus for 2011–2015* and the *State Program of Innovative Development for 2011–2015*.

There were some improvements in 2014, though, such as certain revitalization of international cooperation when Belarusian teams took part in the Seventh Framework Programme for Research and Technological Development of the European Union (*Horizon 2020*); a positive trend towards the presence of Belarusian scientists’ research findings in international databases (an increase in the number of references in the *Web of Science* and *Scopus*); the retaining of a quite high position of Belarus in international rankings in 2012–2013 (the Knowledge Index; Knowledge Economy Index, the number of applications for inventions); the rapid development of the High-Technology Park (148% growth against 2013 and a 30% increase in exports).

Among the top 10 scientific achievements of the National Academy of Sciences *in the field of basic and applied research* in 2014 were the creation of new magnetoplasmon crystals; a new mechanism for the creation of solid-state diamond-based

<sup>1</sup> “Лукашенко предлагает пересмотреть структуру организации науки в Беларуси.” *БелТА*. 24 Nov. 2011. Web. 2 Mar. 2015. <[http://www.belta.by/ru/all\\_news/president/Lukashenko-predlagaet-peresmotret-strekturu-organizatsii-nauki-v-Belarusi\\_i\\_582374.html](http://www.belta.by/ru/all_news/president/Lukashenko-predlagaet-peresmotret-strekturu-organizatsii-nauki-v-Belarusi_i_582374.html)>.

<sup>2</sup> “Как Лукашенко собирается модернизировать белорусскую науку?” *Бизнес-лидер*. 25 Jan. 2013. Web. 2 Mar. 2015 <<http://www.profi-forex.by/news/entry5000017156.html>>.

<sup>3</sup> “Лукашенко потребовал качества и честности в подготовке.” *TUT.BY*. 9 Dec. 2014. Web. 2 Mar. 2015. <<http://news.tut.by/society/427256.html>>.



quantum computers; a new method of phase-time recognition of subsurface objects in pulsed radar; discovery of a new marker of thyroid tumors; deciphering of the three-dimensional structure of the membrane bound hemoprotein; detection of polymorphic variants of human genes that can be used as effective markers to assess the susceptibility to osteoporotic changes; discovery of the causes of respiratory failure in patients with a diagnosed obstructive sleep apnea; creation of a multi-parameter stochastic model for estimating the secondary redistribution of radionuclides in natural ecosystems resulted from forest fires; assessment of ultra-structural signs of early myocardial cell injury; assessment of the efficiency of complexes including polyamidoamine and phosphorus ribonucleic acid related dendrimers for the genetic therapy of malignant tumors.

### **Funding: Switching to ‘field ration’**

Gross domestic expenditure for research and development (% of GDP) went up a bit (by 0.3% against 2013) primarily owing to a small increase in budgetary (4.0%) and non-budgetary funding (0.4%). At the same time, their proportion still remains at 0.69% of GDP, which is 0.3% less than in the good year of 2007 and much less than in developed countries (0.92% in Lithuania, 0.77% in Poland, 2.75% in Austria, 2.84% in Germany, and 3.78% in Finland), and in the neighboring countries involved in costly armed hostilities (1.21% in Russia and 0.73% in Ukraine).

The composition of domestic expenditure for research and development (by the funding source) has been changing as before: budgetary funds are decreasing (by 9.5% over the past eight years) together with non-budgetary funds (down 4.4%) and funds provided by other organizations (down 3.2%), while the proportion of own funds is going up (by 9.4%) together with funds provided by foreign investors (by 1.6%) and other resources (by 7.1%). A small spending reduction/increase surplus (1.0%) apparently cannot compensate for the devaluation of the national currency and the erosion of own funds, as the trend towards a decrease in absolute terms is still observed. The greatest funding gap in domestic current expenditure for research and development is reported in the sector of fundamental scientific

research. The proportion of this spending is slowly yet steadily reducing (by 2.3% against 2010).<sup>4</sup>

It is particularly remarkable that the warring sides – Russia and Ukraine – have been and will increase public funding of the scientific and innovation sector, while neutral and peaceful Belarus apparently switches to scarce field ration ‘under martial law.’

### **Staff losses: At any cost?**

The president once said that the scientists’ profession “was the hardest one.” This seems to be true given that the number of personnel engaged in research and development almost reached its all-time minimum over the past two years: 28,000 persons. There were fewer of them only in the late 1990s. The number of researchers went down the most (more than 1,000 persons, or over 5% against 2012). This means that the most productive professionals, who are always welcome in the neighboring countries, leave science careers in Belarus. Most of those who choose to leave are specialists without scientific degrees and masters of sciences.

It is worthy of note that not only men but also women, who usually tolerate low salaries and the lack of opportunities for self-fulfillment better than men, have been leaving Belarusian science as well since 2011. It is no less significant that staff losses are reported in all regions of science. The highest rates of staff losses are reported in the field of engineering and natural sciences. The lowest rate is reported in the humanities. Staff losses are occurring in almost all age groups (40 to 49 years the most) except for those at the age of 60 to 69, who slightly grew in number. Geographically, the decrease in the personnel capacity was mainly due to the Minsk region (a two-thirds loss).

The situation goes worse as the number of post-graduate students, which peaked in 2011, went down as well. At the moment, the decrease in the personnel capacity is not compensated even by potential researchers, i.e. the resource base of masters

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<sup>4</sup> *Наука и инновационная деятельность в Республике Беларусь. Статистический сборник.* Минск: Белстат, 2014. 43. Print.

of sciences is at risk. At the same time, the composition of personnel engaged in research and development changed insignificantly in terms of proportion: researchers constitute nearly two-thirds; technicians make up less than 8% and support staff accounts for less than one-third.<sup>5</sup>

### **Innovations under existing conditions: The dominance of ‘lazy innovative enterprises’ in the oil industry**

The negative trends in the innovation sector outlined in 2012–2013 were not reversed last year. The index of inventive activity (the number of patent applications for inventions filed in Belarus per 10,000 of the population) continues to decline.<sup>6</sup> A decline is seen in the number of patents registered by Belarusian nationals and foreign applicants.

The same concerns innovation-active industrial organizations (down more than 7% against 2011).<sup>7</sup> The proportion of such organizations shrank by over 2% against 2012, mostly, as before, due to the key organizations essential for innovative development, specifically those conducting research and development of new products, services and production methods (transfer), new production processes, industrial processes, and production designing.

A reduction in the number of innovation leaders is accompanied by an increase in the number of ‘innovation-lazy enterprises’, which choose to import foreign innovative machines, technologies, equipment and software. The dominance of such enterprises in the industry leads to a dropout of non-demanded research and human resources from the innovation cycle.

Innovation-active companies are distributed unevenly in terms of geography: they are mainly located in the Vitebsk, Grodno and Minsk regions. The large majority of spending for

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<sup>5</sup> Ibid. 14–33. Print.

<sup>6</sup> *Беларусь: наука, технологии, инновации*. Минск: ГУ “БелИСА”, 2014. 24. Print.; *Наука и инновационная деятельность в Республике Беларусь. Статистический сборник*. Минск: Белстат, 2014. 10. Print.

<sup>7</sup> *Наука и инновационная деятельность в Республике Беларусь. Статистический сборник*. Минск: Белстат, 2014. 56–58. Print.

innovative technologies accounts for enterprises of the processing industry engaged in the production of oil products, other non-metallic mineral products, manufacture of vehicles and transportation equipment, and machinery and equipment. It is noteworthy that the highest spending for organizational innovations falls at very different manufacturing industries: the chemical industry, production of electrical and optical equipment, electronics and foods.

Most of the innovation costs are covered from own funds, which, in conditions of their erosion (due to the economic recession in the region) has a negative impact on successive investment in innovation. Moreover, the funding of technological innovation costs in the industry has been decreasing year after year. There is a degeneration of the institution of innovation funds (on both national and local levels). A relatively small increase in the funding of technological innovation costs is only observed in the service industry. Service providers thus almost have not used local budgets over the past few years.

There is a relatively small decrease in the number of innovation-active companies in the service industry, which is not as bad as it could be. At the same time, increasing is the number of companies engaged in market research related to technological innovation in the service industry, industrial design, other types of pre-production, provision of new services or production methods (transfer), and training of personnel in the field of technological innovation in the service industry.

However, the overall negative trend in the innovation sector manifested itself in a declining proportion of innovative products in the total volume of shipped industrial products, which had been going on throughout 2013 and in the first quarter of 2014. The decline largely affected innovative products exported outside the CIS.

### **‘Prison research laboratory’ v2.0?**

The concept ‘Belarus-2020: Science and Economics’ was adopted on March 20, 2014 at a session of the Presidium of the National Academy of Sciences (Minutes No. 3). The concept repeats priorities of the scientific and innovation policy for the

short-term already pointed out in other documents: development of the unified state system of scientific and technical expertise promoted by the State Committee for Science and Technology; introduction of new methods to finance scientific research (credit, venture, trust, etc.) based on the analysis of their effectiveness with the application of international practices; greater commercialization of completed research and development, including those funded from the national budget; large-scale introduction of automated intelligent systems supporting the research process and its management.<sup>8</sup> Given the crisis in the economy and a further reduction in resources allocated to science and innovation, the government relies on the stepped up mobilization model of development.

The political and ideological instrumentalization of sociopolitical sciences and humanities is indicative in this respect. The document prescribes “to focus social scientists’ efforts to generalize the experience of sovereign Belarus towards selection, systematization and application of the accumulated historical data in the ideological sector to consolidate society, ... and popularize the historical heritage as a foundation for patriotic education.”

However, the problem is that the existing mobilization model is already very close to the point of resource exhaustion. *Three* short-term scenarios are possible in this situation: (a) a slow, chronic stagnation; (b) a significant rise in the ‘pain threshold’ of the mobilization model, which is a highway to the Soviet ‘sharashka’ (the popular nickname of research laboratories formed of imprisoned scientists and technicians in the time of the Stalinist repression), or (c) innovative structural reforms. Considering the *path dependence* of the past 10 to 15 years, most likely, it will be a combination of (a) and (b) scenarios.

## Conclusion

Since the modernization reforms in the science and innovation sector have failed against the background of the economic crisis

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<sup>8</sup> *О состоянии и перспективах развития науки в Республике Беларусь по итогам 2013 года. Аналитический доклад.* Минск: ГУ “БелИСА”. 2014. 212. Print.

in the region, the government launches a stricter mobilization model of development. In fact, this scenario revives the Soviet ‘sharashka’, which blocks the development of knowledge-based innovation economy.

Tightened funding of science and innovation, unarticulated infrastructural policy and strengthened disciplinary monitoring turns the state into a whipmaster, who thoughtlessly and inefficiently exploits financial, intellectual and institutional resources. The excessive administrative intervention without proper funding adequate to the scope and profoundness of the reforms, major changes in the infrastructure and methods of control in conditions of facilitated labor migration within the Eurasian Economic Community will inevitably result in further intensive outflow of highly-qualified personnel that will significantly reduce the scientific and technical capacity of the country and will be a serious barrier to innovative development of Belarus.

## THE STATE AND THE CHURCH: DECLARATIVE ‘CLOSE COOPERATION’

Natallia Vasilevich

### Summary

In 2014 in Belarus the religious sphere remained under strict governmental control. Aside from ‘small’ mopping-ups of unregistered groups, there were no headline cases of repression in the religious field, and the conflictual situation due to the arrest of the Roman Catholic priest Lazar was settled by his release. In the public activities the Church again promoted *pro-life* values.

For the Belarusian Orthodox Church (BOC) 2014 was the first year of a new era with a new head Metropolitan Pavel (Panamarou), whose appointment at the beginning of the year highlighted the topic of the need for a greater independence of the BOC from the Russian center. At the end of the year Metropolitan Pavel suddenly became the mouthpiece of greater self-government, but the issue was quickly ‘closed’. The relations of authorities with the Roman Catholic Church did not see any changes.

### Trends:

- Fewer cases of pressure in the religious field with the general maintenance of the repressive ‘rules of the game’;
- Public activity is still based around pro-life topics, however, despite the consolidated and protest potential it remains unfulfilled;
- The launch of the personnel and structural reformatting of the Belarusian Orthodox Church;
- The conflict point in relations between the authorities and the Roman Catholic Church in Belarus is the question of foreign priests, at the same time the authorities try to maintain good relations with the Vatican.

### General characteristics

Religious affiliation and practice of the Belarusian society has the following features: (1) low religiosity at loose bounds of religious beliefs with daily life; (2) multi-religiousness with the quantitative dominance of Orthodoxy and a significant presence of Catholicism and Evangelical Protestantism; (3) the heterogeneity of the quality indicators of religiosity depending on the type of the religion: low religious activity of Orthodox believers, average activity of Catholics and low activity of Protestants; (4)

regional heterogeneity.<sup>1</sup> Despite the colorful confessional palette and a significant number of active Protestants, the major role in the public sphere is played by Orthodox and Catholic Churches.

### **Legislation and institutions: persecution and lobby**

Regarding the suppression of freedom of religion in 2014 Belarusian human rights defenders prepared an alternative report on the procedure of the UN Universal Periodic Review<sup>2</sup>, which in particular says about the following problems in this area: (1) prohibition of religious activities without state registration according to Article 16 of the law *On freedom of conscience and religious organizations* and criminal penalties under Article 193.1 of the Criminal Code; (2) the need for a special permission to conduct religious activities outside religious buildings according to the law *On mass events*; (3) restriction of the right to freedom of religion for foreign citizens, as well as the inability for them to head religious organizations and a complicated procedure of inviting foreigners to carry out religious activities; (4) restriction of religious organizations that are not religious associations. The following recommendations are suggested:

- To abolish compulsory registration;
- To abolish the necessity to obtain a permit to conduct religious activities in places that are in lawful possession of religious organizations;
- To abolish restrictions on the establishment of media;
- To ensure a complete set of rights to freedom of religion for foreigners;
- To abolish restrictions in the territory on religious organizations specified in the Charter.

Despite the positive steps taken by the authorities, including consultations conducted with human rights defenders the

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<sup>1</sup> See: Василевич, Наталья. “Свобода религии и вероисповедания в Беларуси в 2014 году.” *За свободное вероисповедание*. 2 Feb. 2015. Web. 6 Mar. 2015. <<http://forb.by/node/506>>.

<sup>2</sup> “Альтернативный доклад по II циклу Универсального периодического обзора (Беларусь).” *За свободное вероисповедание*. 2 Feb. 2015. Web. 6 Mar. 2015. <<http://forb.by/node/437>>.



National Report for the UPR<sup>3</sup>, the problems with the freedom of religion are ignored and there is not even a minimal shift – no confirmation of inviting a special reporter on freedom of religion in Belarus.

Despite the lack of cases of criminal prosecution for religious activities, according to Article 193-1 warnings of the prosecution office were issued and criminal cases were opened, and in 2014 new cases of persecution of unregistered organizations in administrative procedure were registered. Since the corpus delicti for the activities of religious organizations without state registration was excluded from the first part of Article 9.9 of the Administrative Offences Code in 2011, the prosecution was made under other Articles: part 1 and 2 of Article 23:34 – *Violation of the established procedure of assembly, organization and conduct of services*; Article 21:16 – *Violation of the rules of the use of premises*.<sup>4</sup>

The most pressing issues for the Roman Catholic Church are restrictions on religious activities of foreigners under the special procedure of the approval of an Authorized Representative enshrined in the regulations on the procedure of invitation of foreign citizens and stateless persons in the Republic of Belarus for the purpose of religious activities. The reduction in the number of foreign (especially Polish) Roman Catholic priests in Belarus is a deliberate policy of the Belarusian authorities that in a number of cases deny the obtaining or renewal of a permit for service to priests. While in the case of the head of the Belarusian Orthodox Church Metropolitan Pavel (Panamarou) the Belarusian authorities do not take any actions concerning the norms that forbid foreigners to head a religious organization (Article 13 of the law *On freedom of conscience*) ignoring them and creating ambiguous legal consequences.<sup>5</sup>

<sup>3</sup> “Национальный доклад к Универсальному периодическому обзору (второй цикл – Республика Беларусь).” *Министерство иностранных дел*. Минск, 2015. Web. 6 Mar. 2015. <[http://mfa.gov.by/upload/UPR\\_Belarus\\_National\\_Report.pdf](http://mfa.gov.by/upload/UPR_Belarus_National_Report.pdf)>.

<sup>4</sup> Василевич, Наталья. “Свобода религии и вероисповедания в Беларуси в 2014 году.” *За свободное вероисповедание*. 2 Feb. 2015. Web. 6 Mar. 2015. <<http://forb.by/node/506>>.

<sup>5</sup> Ibid.

Thus, it can be stated that repressive legislation regarding religious activities that do not comply with international standards in this area, are combined with the application of additional pressure mechanisms, as well as with a selective use of the law. This allows making repressions selective.

As for the question how churches and religious organizations lobby values, one will see that the greatest attention is paid to pro-life. It is in this area of public policy that one has achieved the most significant results. In particular, a new issue was introduced into Article 27 of the law *On health care* according to which a doctor may refuse to perform abortions under certain conditions; pre-abortion counseling. Besides, the Ministry of Health narrowed the list of medical indications for abortion.<sup>6</sup>

In the framework of anti-abortion campaigns a number of events ranging from street protests to state programs took place. Within the pro-life organizations there are contradictions associated not only with the politicization of the agenda (e.g. the petition of the Belarusian Christian Democrats), but also with a different vision of the activity and competition in connection with various campaigns. As a result an alternative petition<sup>7</sup> calling for a total ban of abortion appeared. The head of *Pro-life Belarus* movement Ms Tarasevich criticized the event “A Week without Abortions” and pre-abortion counseling which is performed by many pro-life organizations. Contradictions limit the consolidating potential for cooperation between churches and pro-life associations.

In addition, the unprecedented attention to the stance of the Belarusian Orthodox Church was given by parliamentarians in the discussion of the law *On burial and funeral processions*. Also BOC participated in conferences dedicated to the abolition of the death penalty. In both cases, however, BOC firstly has no clear stance and secondly those issues are not the most important on the agenda, and their discussion is initiated by other entities. The law *On alternative service* was adopted in first reading without lobbying by churches. According to the new law

<sup>6</sup> Decree No. 88 of the Ministry of Health of December 10, 2014.

<sup>7</sup> “Кампанія “За заперт абортв в Беларусі”.” *Пролайф Беларусь*. 11 Jan. 2014. Web. 6 Mar. 2015. <<http://www.pro-life.by/life-protection/kampaniya-za-zapret-abortov-v-belarusi-podpishis/>>.

it is possible to replace military service by an alternative on the basis of religious belief.

## **Belarusian Orthodox Church**

The most significant event in the Belarusian Orthodox Church was the change of its leader: the new Patriarchal Exarch is not connected with the Belarusian Church elites and external to the Belarusian context – Metropolitan Pavel (Panamarou). After his appointment the new Hierarch began a structural reform of the BOC, which generally corresponded to the overall strategy of the Russian Orthodox Church to fragment dioceses and increase bureaucracy.

*First*, it is necessary to note the establishment of new dioceses – the basic administrative units of the Orthodox Church, whose number increased from 11 to 15 (by a third). The Minsk diocese was divided into four: Minsk, Sluck, Maladziečna and Barysau<sup>8</sup>, and Navahrudak diocese was divided into two: Navahrudak and Lida.<sup>9</sup> New local bishops were elected to head the new dioceses: Anthony (Daronin), Pavel (Cimafiejenkau), Parfiry (Predniuk). A former vicar Venjamin (Tupeka) became a managing Bishop. The change of leadership at the level of the Bishop provides new ways of governance at the local level, as well as at the level of the Synod of the Belarusian Orthodox Church, the structure of which also changes its format.

*Second*, the fragmentation of the dioceses affects the decentralization of power in the Exarchate but only what concerns parish life, while at the highest level the reverse process of centralization of power takes place. On the one hand, this is because the smaller size of the administrative units gives less weight to their heads; on the other hand, a deliberate process

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<sup>8</sup> “Журналы заседания Синода Белорусского экзархата от 22 сентября 2014 года.” *Официальный портал БПЦ*. 23 Oct. 2014. Web. 6 Mar. 2015. <<http://church.by/sinod/zhurnaly-zasedaniya-sinoda-belorusskogo-ekzarhata-ot-22-sentjabrja-2014-goda>>.

<sup>9</sup> “Журналы заседания Синода Белорусского экзархата от 19 ноября 2014 года.” *Официальный портал БПЦ*. 24 Dec. 2014. Web. 6 Mar. 2015. <<http://church.by/sinod/zhurnaly-zasedaniya-sinoda-belorusskogo-ekzarhata-ot-19-nojabrja-2014-goda>>.

of centralization is carried out, which is associated with the creation of the Minsk Exarchate to manage the BOC.<sup>10</sup> Anthony (Daronin) was appointed a Chancellor of the Minsk Exarchate and since 2014 he has been one of the key figures of the Belarusian Exarchate.

*Third*, there was an attempt to change the status of the BOC inside of the ROC, which manifested itself in the statement about self-government initiated by the Metropolitan Pavel (or his entourage) on December 16 at the General meeting of the Minsk Metropolis. On the one hand, this step fits into the overall process of the administrative reorganization and centralization of power within the BOC; on the other hand the articulation of this idea identified the emotional support of the aspiration for a greater independence from the ROC among the clergy. However, after the meeting of Metropolitan Pavel with the leadership in Moscow the statement was disavowed, which showed the stance of the Moscow center and the possibilities of the BOC.<sup>11</sup>

*Fourth*, the new Metropolitan initially tried to outline a number of major proposals-requirements for the authorities: abortions only for medical reasons, the prohibition of surrogacy and the restriction of the use of assisted reproductive technologies; permission for a simplified procedure for approval of the allocation and construction of churches for the BOC, reduction of income taxes for taxpayers engaged in helping the BOC, exemption from taxation for the organizations founded by the BOC to carry out statutory activities; recognition of theology at the level of the State Commission for Academic Degrees and Titles (including theological educational institutions); the introduction of a Orthodox culture course in the curriculum of secondary schools; opening of Orthodox schools and kindergartens with state funding; allocation of land for construction and restoration of churches in Minsk, etc.

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<sup>10</sup> “Журналы заседания Синода Белорусского экзархата от 26 февраля 2014 года.” *Официальный портал БПЦ*. 26 Feb. 2015. Web. 6 Mar. 2015. <<http://church.by/sinod/zhurnaly-zasedaniya-sinoda-belorusskoj-pravoslavnoj-cerkvi-ot-26-fevralja-2014-goda>>.

<sup>11</sup> Василевич, Наталья. “Единожды солгавшему кто теперь поверит.” *Портал “Царква”*. 19 Jan. 2015. Web. 6 Mar. 2015. <<http://churchby.info/bel/983/>>.

Despite the fundamental impossibility of most of the points, at the level of declarations Church-State relations remain in the paradigm of 'close cooperation': speeches, related to Lukashenko's policy and his personality, made by Metropolitan Pavel are complimentary. Moreover, the closeness is evident even on a personal level: Metropolitan Pavel settled in Drazdy (the place of the Presidential residency).

### **Roman Catholic Church**

In 2014 a resonant 'espionage case' against the priest Lazar was closed. He was released from prison without undue attention. This along with the continuation of the authorization to the service for Roman priest Raman Schultz, one of the priests who earlier had no such permit, reduced the tension of the State's attitude towards the Roman Catholic Church. The tension was removed due to the registration of a new Catholic Academy in January 2015, which was a success only after the third attempt.

In regards to the Roman Catholic Church in Belarus in the framework of the state government policy the authorities try not to step the pressure line, so that, on the one hand, the Catholics are not allowed to 'relax', but, on the other hand, sharp conflict and confrontation are avoided. In relations with the Vatican, which is a part of diplomatic policy, the Belarusian authorities are trying to be expressly friendly at least at the level of declarations, putting foreign policy objectives first, leaving the possibility of a 'Vatican script' to solve diplomatic problems of the Belarusian regime. Thus the policy has a twofold line of 'governance and diplomatic relations'.<sup>12</sup>

### **Conclusion**

In connection with the structural and personnel transformation of the BOC, new elites and their coalitions will continue their formation. An intense confrontation and the struggle for

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<sup>12</sup> Василевич, Наталья. "Белорусское государство, Римско-Католическая Церковь в Беларуси, Ватикан и польские священники." *Сайт "За свободное вероисповедание"*. 2 Feb. 2015. Web. 6 Mar. 2015. <<http://forb.by/node/499>>.

influence in the new context are observed, which can create instability. Further high-profile personnel changes and appointments, structural reforms aimed at establishing greater control from the Minsk centre are possible. After the disavowal of the statement about the need to raise the status of the BOC up to a self-governing Church, the likelihood of a new attempt in this direction is low.

In relations with the Roman Catholic Church the authorities will continue to exploit its foreign policy potential, especially in the context of the 'Minsk peace process'. The intensification of relations with the Vatican can lead to situational and strategic benefits of the Roman Catholic Church in Belarus, however taking into account the experience of the bilateral relations after 2008 the probability of significant steps is small. However, the period before the Presidential election may witness some populist steps from the authorities.

## **HEALTH CARE: LOST OPPORTUNITIES**

**Andrey Vitushka**

### **Summary**

The year of 2014 was characterized by a relatively favorable demographic situation. The functioning of the health care system went in a mode of costs optimization and savings. As a result it became possible to slightly reduce the load of outpatient and inpatient management. Outpatient service once again was named a priority of medical care but its funding has not increased. The reduction of procurement of foreign medical equipment, consumables items and imported components for equipment of domestic production continued. As before nothing has been done to optimize the use of the existing equipment. The staffing issue, which they had promised to address to in 2014, was not resolved. Measures of financial stimulation of employees did not have any significant effect.

### **Trends:**

- There is still a trend for saving resources and their optimization;
- The emphasis on the development of primary care is stated, which is however not supported by resource provision and staffing support;
- There is still no systemic vision of the reforming of the sector that would correlate with modern challenges and threats.

### **Demographic and health care indicators of the Belarusian population**

According to the Minister of Health Care Vasil Zharko, in 2014 Belarus “came closer to ‘demographic entrapment’: the birth rate is almost equal to the mortality rate (12.5 newborns against 12.8 deaths per 1,000 people, respectively it is minus 2.9 thousand Belarusians per year). This fact was repeatedly praised by officials of different rank, as well as the fact that two regions of the country (Minsk and Brest regions) were marked by a population increase of 3.0 and 0.8 per 1,000 people respectively. It should be noted that the birth rate had not changed for a year and the mortality rate decreased by 0.5%.

Population growth in the capital is predictable (it attracts young people from all over the country, and it has one of the lowest mortality rates), and modest achievement of Brest region can not cheer up, especially against neighboring Hrodna region where the number of children born was 296 children less than last year.<sup>1</sup> However there is no hope for a significant increase in birthrate in the near future because the economic situation is not getting better, and a generation that now enters the intense childbearing age is non-numerous that appeared during the crisis in the 1990s.

The mortality rate in 2014 in Belarus is a perfect illustration of relativity of an “average temperature in hospital”, as in Viciebsk region it is 1.7 times more than in Minsk. If to compare mortality rate with the neighboring countries it is also not in our favor: Belarus is significantly ahead only of Ukraine (15.7), a little bit ahead of Russia and Latvia (13.03 and 13.6 per 1,000 people, respectively), and Poland with Lithuania are only 1.5% away from us. Diseases of the circulatory system, external causes and oncological diseases traditionally make the top three. What worries is a trend of overall mortality from cardiovascular disease, which is twice higher than in Poland and 1.3 times higher than in Lithuania. The reduction of mortality rate by 4.1% from heart attacks and strokes among people of working age achieved in 2014, looks more than modest because the mentioned indicator is 10 times higher in Belarus than in France or Switzerland.<sup>2</sup>

The ways to longer life expectancy and reduction of mortality rate are known and identical on both an individual level and within the country. They are the reduction of alcohol and tobacco consumption, a healthy diet with less salt and optimal physical activity. Belarus has nothing to be proud of concerning these points. Many years of significant investment in sports do not lead to a substantial increase in mass physical activity. As the economic situation will continue worsening, the population

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1 “Инициатива. Преемственность. Профилактика.” *Медицинский вестник*, № 6 (1205). 4 Feb. 2015. Web. 12 Apr. 2015. <[http://www.medvestnik.by/ru/issues/a\\_11415.html](http://www.medvestnik.by/ru/issues/a_11415.html)>.

2 Nichols, N., N. Townsend, P. Scarborough, and M. Rayner. “Cardiovascular Disease in Europe 2014: Epidemiological Update.” *European Heart Journal*, 35.42 (2014): 2950–2959. Print.



will increasingly switch not to very healthy but available potato with cured pork instead of fruits and vegetables with sea fish. Still almost half of Belarusian men smoke. Also the number of tobacco users among young women is growing. Meanwhile, the draft law *On protection of population from consequences of tobacco consumption and exposure to tobacco smoke* prepared in 2013, which imposes serious restrictions on smoking in public places, for some mysterious reasons was not included in the work plan for 2015 of the House of Representatives.

The alcohol topic was a bit embarrassing. According to the World Health Organization (WHO), last year Belarus came in first place in alcohol consumption in the world with a rate of 17.5 liters per citizen over the age of 15 (a 'safe' level of consumption is 8 liters). The national Ministry of Health complained loudly about the announced results and the methodology, but the fact remains.

According to the WHO criteria, about 50% of the assessment of the health care system in each country is life expectancy at birth. In 2013 this figure reached 67.3 years for Belarusian men<sup>3</sup>, and 77.9 years for women (average — 72.6). According to the National Statistics Committee since 1995 life expectancy in Belarus has grown by 4 years (with an average annual growth rate of 0.3%) and almost reached the maximum values of the BSSR (72.9 years). It is 6 years less than the average rate for developed countries and 10 years less than the indicators for the Nordic countries. A record difference in life expectancy of men and women remains (10–12 years, at the norm of 5–6).

Life expectancy is a component of several international rankings, in particular the human development index, which is annually prepared by the UNDP. Belarus traditionally ranks among states with a high value of this index, ahead of all countries, which is constantly used as patriotic propaganda to illustrate our success in the international dimension. Over the past year the situation in Belarus has deteriorated (53<sup>rd</sup> position instead of 50<sup>th</sup>), but the leadership among the countries of the Customs Union is preserved. Meanwhile, our Western neighbors are in the highest group of countries (with a very high index value).

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<sup>3</sup> Data of 2014 were not available at the moment of writing of this article.

## Health funding, priorities of medical care

In 2013 World Bank experts noted that government spending on health care in Belarus is higher than in CIS countries (with an average of 2.7% of GDP) but it remains significantly lower than in 10 new EU countries (5.4%). In 2014 it was planned to use 4.2% of GDP. According to the operative data of the Ministry of Finance, the expenditure on social services amounted to more than 98%, so probably that is why they were funded.

As promised, last year costs rose but only slightly (0.11%). The ratio of the budget provision expenditure on health per capita was just over BYR 3 million, which at the beginning of the year corresponded (an optimistic estimate) to about USD 322. The point of view of WHO experts, according to which the health care system (especially public) can develop only if not less than 5% is spent, and also the opinion that the implementation of the biological possibilities of a citizen for at least 75% the amount of costs should be close to USD 1000, again were not updated.

An important criterion of the effectiveness of the health care system is an indicator of equitable funding so that funds allocated from the budget are spent on ensuring the right of most citizens to the preservation of health. Most effectively this right is guaranteed through the development of primary health care, which is used by up to 90% of the population, which is why it is usual to allocate most funds here.

In 2013, the leaders of the medical sphere announced the shift of the development of medical aid to its primary health care level. Last year, much was said about the reorientation of the flow of patients to outpatient and ambulant clinics, about their importance for the health maintenance of the population. But the talks did not receive any adequate financial support: if in 2013 the share of the primary health care level in total funding for the sphere increased from 30 to 40%, in 2014 this growth was not observed. The reflection of tension at the primary health care level is the increase of the number of complaints about the work of out-patient hospitals by 25% last year.

Still Belarus ranks *first in the world* by the number of hospital beds per capita, and their reduction goes very slowly. A large stationary segment takes a lot of resources (an average day stay

at Minsk hospital last year was worth 652 thousand BYR, while the visit to a clinic was about BYR 92 thousand). Meanwhile, the indicators of high-tech care (what hospitals should do) is not satisfactory: the queue for replacement of joints is at least 1.5–2 years; emergency cardiac interventions carried out, for example, at myocardial infarction and that have life-saving value occur only in regional cities and also there are waiting lists for them.

According to experts, the lack of funds in the stationary segment of medical care will continue to increase. It is worth recalling that the state program on reconstruction and re-equipment of operating rooms and intensive care units, the results of which are a reason of pride for the national medical authorities, was carried out in 2006–2007. This means that the majority of the equipment acquired at that time, is almost worn out and requires replacement. Now the country needs 500 anesthetic machines, 500 lungs ventilation devices, 22 substitutive renal therapy apparatus, 811 monitors of patient's condition and a certain number of less valuable equipment.<sup>4</sup>

There is no way to solve the problem through import: according to the chief non-staff anesthesiologist-resuscitator of the Ministry of Health Alexander Dziadko, during five years of work of the Republican Center of Transplantation of Organs and Tissues most of domestic equipment supplied there is out of order. The devaluation of the beginning of 2015 significantly reduced the opportunities for the purchase of imported equipment, and a number of companies canceled previously concluded contracts. Audit of the use of the already purchased equipment could solve the problem, and main specialists have insisted on that for many years.

### **Optimization of the medical sphere and staffing problem**

The trend of 2013 in seeking additional funding mechanisms of the system from the pockets of citizens came to an end in 2014

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<sup>4</sup> Листопадов, Виктор. “Кадровый голод и допотопное оборудование: от чего нужно лечить реанимационную службу.” *Заўтра тваёй краіны*. 6 March 2015. Web. 17 Apr. 2105. <[http://www.zautra.by/art.php?sn\\_nid=17827](http://www.zautra.by/art.php?sn_nid=17827)>.

(symbolic fees for visits to outpatient hospitals, denial of disability benefits as a result of alcohol intoxication, etc.). Still there is a lack of a systematic approach and clear objectives and models of reforming the sector, every year it is replaced by different campaigns ending with ‘-tion’. In 2013 there was ‘modernization’, in 2014 – ‘optimization’. According to the Minister Zharko, ‘excessive’ visits to outpatient hospitals, hospitalization norms, emergency calls were revised. As a result the pressure on the health care system declined, but not dramatically: the average annual number of visits to outpatient hospitals decreased from 13 to 12 for each person (for example, in Lithuania this number is 7), the number of hospitalizations decreased from 6 to 5 per year and the average duration of treatment – from 10 to 9 days. However, according to the Minister, “*the preparatory work on creation of conditions for the intensification of the treatment process was done*”. As it can be seen, the wording itself shows hyper-readiness to quick and quality responses to system calls of the economic crisis of 2015.

The lack of a systematic approach is vividly demonstrated in the most resonant events of 2014 in healthcare – Decree No. 66 of the Ministry of Health Care which significantly changes the procedure for prescribing, making patients visit outpatient hospitals more often and making doctors spend more time for prescriptions. It is no secret that reducing the number of visits to the outpatient hospitals was achieved partly due to the allowance to give to patients with chronic diseases prescriptions of a repeated use for a longer period. After the Decree entered into force, this order was cancelled: people started to make scandals in pharmacies, and immediately there appeared queues in outpatient hospitals at the expense of patients who need a prescription. Now to solve this problem, they propose to introduce electronic prescriptions, but it is unknown whether there will be money for its development and whether the staff will have a desire to learn. It is known that the document aims to make doctors prescribe Belarusian drugs and to make pharmacies sell them, but as usual they forgot to take ‘side effects’ into account.

Many domestic and foreign experts agree that the strength of the system is ensured by the capacity of its staff, who continue to do their work regardless of changing circumstances. The

staffing issue, which was planned to address to in 2014, was not solved, however, much attention was paid to the improvement of financial incentives in the system: they promised a ‘decent’ salary increase at the expense of extra-budgetary activities and economize resources. As a result a twofold increase in salaries raised the income by an amount less than the rent for a one-room apartment in Minsk, and at the end of the year officials struck into the old song about the oath of Hippocrates and service to people. The Russian-Ukrainian conflict and the deteriorating economic situation of the Eastern neighbor slowed down the emigration of Belarusian doctors.

### **Conclusion**

The previous year did not bring any positive changes. Old systemic problems were not solved, and the attitude of the leadership of the sector was absolutely not critical. In the end, we missed a year of a relative economic stability and the next chance for positive changes. Further it will get all the worse.

## CULTURE / TRIUMPHS OF DECOR: NATION AS A POINT AND GADGE

**Maxim Zhbankov**

### Summary

Being one of the most poorly funded spheres of society (0.56% of the annual 2014 budget) culture in its sovereign variant loses even the ghostly opportunities to participate in the social planning and shaping of values. In this situation equally problematic are both innovative and reactionary practices: both do not affect the innermost layers of mass consciousness. The war of cultures is naturally transferred to the sphere of the profane, replacing existential choice with the fight for consumer preferences.

At the same time the work on the cultural archives is becoming more intense, moving from cataloging to conceptualizing. The tradition (including the informal one) starts to be mastered not as an absolute dead canon, but as a natural basis of self-identification of local culture activism. Accordingly, the former struggle for a certain type of the targeted “political” is transformed into a struggle for specific forms of the national culture – ranging from multimedia statehood to trendy versions of cultural autonomy and social mobility.

### Trends:

- The revival of *'nation light'* style by pop culture in all its dimensions (official and alternative);
- Active replication of Belarusian symbols in a form of mass entertainment – selling exhibitions, mass celebrations and craft fairs;
- Creation of the scenarios of the past, including the recent one instead of the scenarios of the future;
- Transition of the conflict between the formal and informal cultures from the ritual mode of citation into the stage of museumification.

### ‘Motherland Light’: dress-making courses

In the absence of a global social confrontation, real market competition and the underlying shifts of people's soul, the cultural partisan struggle is simplified to the size of sound satires (a revived program by Liavon Volski *Sauka dy Hryška* on Radio Liberty), anti-Soviet couplets by a folk-punk band *Dzjeciuki* (‘Young men’) and blokey chants with foul language about sports and freedom by *Brutto* – a music brigade under the direction

of Sergey Mikhalok. The war with unformatted culture in its turn dries out to the size of administrative pressure of unwanted characters (e. g. prohibitions of Zmicer Vajtiuškevič's and *Brutto's* concerts in Minsk, the breakdown of the presentation of Victor Martinovich's book in Hrodna, and continuous trials of Lohvinau Publishing House).

In this context, a sharp mass explosion of interest in the local that covered almost the whole of 2014, looks rather a coincidence of a number of external and internal factors than the result of someone's intentional efforts. In the situation of the Russian annexation of the Crimea and the war in Eastern Ukraine, the Belarusian regime needed a preventive Patriotic counterprogramming of mass consciousness. A conventional rehabilitation of the off-pattern 'belarusianness' gave a chance to the activists of the cultural alternative for a creative reload of the project. A new generation of Belarusians who were late for the ideological battles of the late 1990s – early 2000s, could make use of a post-political national design.

Commercialization supplemented a former glorification of the *Belarusian*. The Belarusian as if increased in size. But the meaning of it has rapidly squeezed into quick identification signs: classical embroidered shirts turned into embroidery printed t-shirts, sarcastic souvenirs from *Adliha* design studio on the shelves of the *Ÿgallery* gave way to romantic badges with national poets Maksim Bahdanovič and Janka Kupala, and ornament samples with lengthy explanations appeared on the video screens of Minsk trams.

Trendy singer Max Korzh – a star of post-barricade generation – appeared on the cover of his new album *Domashniy* ('Homey') in an embroidered shirt. Minsk and Homiel night clubs responded to a series of club parties *It Is Cool to Be Russian* with a series of special programs *It Is Cool To Be Belarusian*. Belarusian language courses pop up like mushrooms after a spring rain: Minsk language courses *Mova ci Kava* split off, its branches and counterparts (*Mova TUT*, *Mova Plus*, *Lemantar*) emerged in Brest, Hrodna, Maladziečna, Niasviž and Homiel.

The mix of national romanticism with market analysis became a characteristic feature of unconditional readers' favorite of 2014 Victor Martinovich's novel *Mova* ('Language'). In the

near future the nation will die, the nationalists will go into battle underground, in the center of Minsk Chinatown will appear and Chinese gangsters will start trading with the best dope – pages of Belarusian printouts. Here a number of several canonical stories of the 1990s appeared – a heroic myth of the Belarusian Renaissance, depressive trash-high-tech-cyberpunk Noir, urban gore and political pamphlet. In all its dimensions the text of *Mova* is quite simple and therefore ready to be consumed by Belarusian beginners.

The situation is ambiguous: a new market of the local extends the range of consumers of the Belarusian, transforming a war of cultures into the competition of gadgets. But fashion is short-lived. *Belarusianness* has become a popular trend and enters the field of rough rotation, which makes its future uncertain.

### **Tomorrow was yesterday: games of the stagnation era**

The state system of cultural production and non-system culture activists spent one more next year in the atmosphere of an almost complete mutual disregard. Each party is no longer able to offer the whole scheme of meanings – and thus cannot convincingly compete with the opponent. In this situation, the struggle for the minds becomes purely ritual: stagnation confrontation is a freeze frame that does not assume victory.

The main events of the subsidized movie culture were two controversial projects: *White Dew. Return* (dir. Alexandra Butor)<sup>1</sup> and *Abel (We, Brothers)* (dir. William De Vital)<sup>2</sup>. In total they drew off the main annual funding, both received the status of national films and both sounded as minor and second-rate. In the case of *White Dew. Return* it is a pale sequel of an old lyrical comedy. Patriotic thriller *Abel* turned first a Hollywood run-of-the-mill stuff and after – a public scandal: the budget funding received beyond the creative competition, mostly went to American partners, the film was delivered to the government-

<sup>1</sup> “Белые росы. Возвращение.” *КиноПоиск*. Web 5 Apr. 2015. <<http://www.kinopoisk.ru/film/818600/>>.

<sup>2</sup> “Мы, братья.” *КиноПоиск*. Web 5 Apr. 2015. <<http://www.kinopoisk.ru/film/840763/>>.



tal customer with the violation of all the terms, a Belarusian premiere date was announced three times and three times it was postponed.

The alternative culture also worked in a mode of self-repeat with a decorative upgrade. *Hramadaznaustva*<sup>3</sup> – the first album after the break with the N. R. M. band of cult rocker Liavon Volski – showed a set of the same brand topics (from human alienation to the crisis of state show-business), produced in a depressed key and tinted with an unusually neat sound from invited Norwegian masters. Alhierd Baharevich, the best novelist of his generation, has published a couple of non-original books compiled from the already known essays and columns (*Kaliandar Baharevicha* and *Nijakai litasci Alhierdu B.*). The iconic rock band *Zygmont Vaza* released their album *Ahramegapolic* recorded as early as in 2008.

In the inertial field of administratively managed cultural preferences any step away from the standard is still considered ‘desecration of Holy places’. The project *Re:Pesniary* (producer Sergey Budkin) suggested a non-canonical interpretation of *Pesniary*’s songs and came under heavy criticism of Vladimir Muliavin’s heritors, who prohibited the publication of a number of tracks. A former member of *Pesniary* band, composer Vladimir Molchan accused the participant of the project Anastasia Shpakovskaya of distorting the ‘author’s intention’ in the song *Prayer* and banned the singer to perform it.

The update of the showcases of the native culture in the reporting period was mainly due to the review of store-rooms. A new trend has become ‘museality’: a *post factum* semantic packaging and the target display of the already shown. The description of artifacts moved to systematic presentations.

The resonant events – albeit in different ways – were a large-scale exhibition named *Ten Centuries of the Belarusian Art* (National Art Museum, March–July 2014), a nostalgic art project named *Summa Summarum* (Museum of Modern Fine Art, Center for Contemporary Art, November–December 2014) and a pretentious exhibition named *Avant-gARTe. From Square*

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<sup>3</sup> “Hramadaznaustva. Volski.” *24MAG.net*. Web 5 Apr. 2015. <<http://34mag.net/piarshak/post/hramadaznaustva/>>.

to *Object* (BelExpo, Museum of Modern Fine Art, April-June 2014). If the first two projects showed a certain purity of the genre (majestic demonstration of the historical heritage of the nation against the chamber exhibition of experiments of the late 20<sup>th</sup> c. from the legendary Minsk *The 6<sup>th</sup> Line* gallery), the third tried to combine a semi-official Museum didacticism with current art practices, ‘archiving’ the live. In the end everybody was hurt, including the audience.

Along with the updating of the archives the reverse process can be observed: the invasion into the canonical museality of relevant techniques of forming meanings. In this respect the opening of the new building of the Museum of the Great Patriotic War in Minsk and Ruslan Vashkevich’s exhibition, *Come and See* in the Palace of the Rumiancevs and the Pashkevichs in Homiel (November 2014 – January 2015) are symptomatic. At the new Museum a basic ideological myth of ‘the Great Victory’ is transformed into the form of installations and multimedia. As for Vashkevich, he mastered the aristocratic space of the Palace in a usual manner of an art troublemaker, having decorated the halls and galleries with his naive and reckless graphics and provocative painting. But in any case the intervention of the senses in the museum field is not able to turn the Belarusian museum into the resource for tomorrow.

### **‘The new mobile’: hitchhiking, psychedelic, market**

Internal disunity and clan-based fragmentation of the Belarusian cultural field negate any models of promotion and growth of certain characters and initiatives. The Belarusian culture remains a collection of disparate signals and closed local groups where the line of success and symbolic significance turn out to be very short – up to the borders of the area of residence of a certain pride of culture activists. In this situation, the most active choose to be creative outsiders. The main vector of this strategy is the rejection of global messages, corporate obligations and systematic support.

A real cultural hero of the year is not a barricade-sports singer, Sergey Mikhalok, but a skinny Minsk guy, Roma Svechnikov, who hitchhiked around the world using pure enthusiasm

and youthful insolence. *Roma Is On the Way* is a series of author reports on *34mag* web-site that has become an event primarily because of a new role model. Svechnikov's type is a mobile single who has no social obligations and public rituals, a person with a zero geo-referencing. The life of a rolling stone is the plan for a new generation that does not appreciate stability. The possibility of ticketless trip looks here a coherent alternative to emigration. And the right to leave is more important than group solidarity.

Similar processes occur on the music stage: the place of the previous 'warriors of light' is taken by local shamans and Glass Bead gamers. One of the heroes of the year, according to the resource *tuzin.fm* is Evgeny Kuchmeino (aka project ".K"). He lives in the town Iwye, listens to grunge, noise and black cabaret, writes acoustic nerve mantras close to *Bauhaus* or to the Russian art rock band *Auktyon*, sings in three languages – Russian, Belarusian and in one of his own invention. Kuchmeino makes himself and connects to global trends directly. Without aggressive fundraising and speculations on decorative folk spirit.

Another landmark project is a psychedelic trio *Tonqixod*, a missing link between the *Piesniary* and *King Crimson*. In their album *Pradmova* (it got four awards at the ceremony *Experty.by* 2014) the mind-blowing hippyish 1960s are compatible with the passion about conceptual art-rock, and archival patterns of Jim Morrison and Robert Fripp go well with new lyrics of frontman Uladz Liankievich. Kuchmeino and *Tonqixod* move contrary to the usual local schemes. These are people as if from nowhere, but they are just the bearers of acanonical 'Belarusianness'.

Mobility as a label of new cultural sensitivity is polystylism and eccentricity, love to street aesthetics and sarcastic posturing, markdowns of heroic rhetoric and the ability to love garbage pop, knowledge of rules and their conscious breaking. This field saw such different people as mincing pop band *Akute* (*Reálnasć i sny* is the album of the year, according to *Euroradio*), radical Kiev-resident Belarusian Sergey Prilutsky (a collection of poems *Heroj Epohi Stablnasci* and prose *Deheneratyuny Slounik* from his rowdy alter ego Sirozha Pistonchyk) and ambient folk aesthetes *PortMone* (the group of the year, according to *Experty.by*).

'The new mobile' are not only the style and creativity, but also flexible forms of marketing. A typical example is a series of

informal events under the general label of *Jam Market* (Minsk, March, June, August, December 2014). Judging by the lack of administrative repression, these initiatives are less disturbing for the authorities than the actions of culture partisan like *Dzieciuki*. This is in fact easy to understand: *Jam Market* works in a defiantly apolitical mode of a market of crafts and/or hipster hangouts. At the same time, in form and content they are quite comparable with their Berlin and Brussels counterparts, indicating the possibility of another Belarus – the one without Belarusian Republican Youth Union, Belarusian TV and Special Police Force.

The structure of the ‘third culture’ does not only set the fashion agenda. It marks the reality of the phantom Belarusian culture: a cultural market without a cultural market and a dosed freedom under the supervision of the colonial administration.

## Conclusion

The evolution of the cultural situation in 2014 confirms the trends indicated in previous reviews.<sup>4</sup> A general project of nation-building is absent as a fact. Therefore, there is no and cannot be an ideology of a common goal. The culture of a new formation is not created in a traumatic emotional Belarusian ghetto, but in breaks and pauses of a dead canon of the state sample, coming through the language of power and noises of ideologies. The most needed in this situation is not new thinking, but a new consumption: a ‘conscious’ national project takes to the streets to trade badges and t-shirts, ‘belarusianness’ adapted for club fun and traditional entertainment.

The year before the “national” had started its expansion in the ‘lowbrow’ genres. In 2014 it (for the first time after the Renaissance 1990s) received the status of fashion. An advanced Belarusian turned from the ideological culture partisan into a user of pop design. In addition all of the latest jacks and the string bracelets are created, replicated and consumed – as

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<sup>4</sup> Zhbankov, Maxim. “Simple Movements: Belarusian culture in search of a nation.” *Belarusian Yearbook 2013*. Vilnius: Logvinau. 179–186. Print; Zhbankov, Maxim. “Post-National Culture: life in defiance of concepts.” *Belarusian Yearbook—2012*. Minsk. 216–224. Print.

before – outside of the official state culture. This reduces the public effect of the boom of embroidered shirts, making it the property of the engaged (mainly capital) minority.

A chaotic growth of culture ‘from below’ in the absence of a coherent cultural policy ‘from above’ in the long term can lead either to self-organization of a qualitatively new cultural establishment, or to the next wave of cultural colonialism (presumably from the ‘Russian world’). In any case, we will receive new dictators of taste and new formats of native Belarusian culture insurgency.

## **SPORTS: STRANGERS ARE DEARER THAN THE LOCALS**

**Barys Tasman**

### **Summary**

Contrasting processes dominating in the Belarusian sports reached a culmination point. The big achievements in the Sochi 2014 Winter Olympic Games and successful holding of the World Ice Hockey Championship in 2014 were combined with resonant failures of football players, poverty of children's sports and shortage of sports centers. In a number of sports (biathlon, ice-hockey, free-style wrestling and Greco-Roman wrestling) functionaries purposefully adopt foreigners who then receive Belarusian citizenship.

### **Trends:**

- High organizational level of top competitions;
- Sharp reduction of budgetary financing of sports, especially team sports;
- Selective investment in sports stars and those who are close to their top level;
- Involvement of foreign athletes and talented juniors from neighboring countries against the background of chronically weak work on education of a sports reserve;
- Weak updating of sports centers.

### **The best in history**

For Belarusian athletes of winter sports the Olympics in Sochi are the 6<sup>th</sup>. The teams competed in five previous Games were more numerous. In 2002 Salt Lake City Belarus was represented by 64 athletes, in 1998 Nagano – by 58 athletes, in 2010 Vancouver – by 49 athletes (in all three cases the number includes the ice-hockey team), in 1994 Lillehammer – by 33 athletes, in 2006 Turin – by 28 athletes, in Sochi the total number of athletes was 26. The range of sports represented has also fallen from seven-nine to five (biathlon, freestyle skiing, cross-country skiing, Alpine skiing, short-track). This time those for whom the main motto was “it is not the winning but the taking part that counts” were in a minority in the national team. The concentration of money and efforts enabled Belarus to achieve the best result in its history.

Celebrated results, as a rule, are achieved mainly by the outdoors biathletes and freestylers (ski acrobats). Winning prizes in Sochi were expected from them. The hope was one or two medals from the two-time world champion Darya Domracheva and a medal from men-freestylers: Alexei Grishin and Dmitry Dashchinsky became Olympic medalists twice, and Anton Kushnir was a World Cup winner. Experienced aerial skier Alla Tsuper and biathlete Nadezhda Skardino were expected to support the leaders. This means that before the start there was a hope for 2–3 awards. However, the results became much brighter than the boldest predictions!

During previous five Winter Olympics Belarusians won 9 awards: 1 gold, 4 silver, 4 bronze medals. In Sochi Belarus won 6 medals, 5 of which were gold! The record was also the amount of points awarded for the 1<sup>st</sup>–8<sup>th</sup> places – 55 points (see Table 1).

**Table 1. Achievements of Belarusian athletes at the Winter Olympics, 1994–2014**

Olympics	Types	Medals	Points
OG 1994	7	2 (0–2–0)	37.0
OG 1998	9	2 (0–0–2)	20.5
OG 2002	9	1 (0–0–1)	31.0
OG 2006	7	1 (0–1–0)	33.0
OG 2010	6	3 (1–1–1)	32.5
OG 2014	5	6 (5–0–1)	55.0

**Table 2. The medal standings at the Winter Olympics in Sochi, 2014**

Place	Country	Gold	Silver	Bronze	Total
1	Russia	13	11	9	33
2	Norway	11	5	10	26
3	Canada	10	10	5	25
4	USA	9	7	12	28
5	The Netherlands	8	7	9	24
6	Germany	8	6	5	19
7	Switzerland	6	3	2	11
8	Belarus	5	0	1	6
9	Austria	4	8	5	17
10	France	4	4	7	15

*Note.* Places were awarded according to the number of gold medals.

The representatives of winter sports even surpassed their colleagues from summer sports in gold medals. In previous years the Belarusians had four victories only once in London 2012. Five awards of the highest value let the national team of Belarus for the first time enter the top ten in the medal standings leaving, behind athletes from Austria, France, Sweden, Finland, Poland, China, Japan (see Table 2).

### **The import of ‘semi-finished products’**

What is the reason behind such a brilliant performance of the Belarusians at the Olympics? Especially when considering the fact that youth sports are in decay and problems with the preparation of the reserve have become chronic. The answer is: in the current national team for the Olympics only 2/3 of the athletes were born and grew up in Belarus, the rest descended from Russia and Ukraine. All four medal winners – Domracheva, Skardino, Tsuper, Kushnir – received their basic training outside Belarus.

Alla Tsuper comes from the Ukrainian city of Rivno. When she was 18 she was capped for Ukraine and took the 5<sup>th</sup> place at the Olympics in 1998 in Nagano. In the same year she moved to Belarus together with the coach Vitaly Shvedov and his four athletes. At the Olympics in Salt Lake City in 2002, in Turin in 2006 and in Vancouver in 2010 she reached the top 12 of finalists, although she did not get further than the 8<sup>th</sup> place. Her Olympic victory was a surprise.

Anton Kushnir also comes from the Rivno region. He came to Belarus as an 18-year-old athlete. At the Olympic Games in 2006 he got through to the final and took the 8<sup>th</sup> place. In Vancouver he stayed out of the final competition. In Sochi Kushnir flawlessly qualified through a complex selection system of four finalists and at the decisive moment he brilliantly performed a record-breaking jump – a triple salto with five pirouettes.

Hadezda Skardino is a native of Leningrad, went in for ski racing. At the age of 19 she was offered to change sports specialization and move to Belarus. At the 2010 Olympics in four races she took 22<sup>nd</sup>–28<sup>th</sup> places. In the 2013/2014 Olympic season she set a shooting accuracy world record: she did not miss 110 targets in a row at twenty-two shooting zones. It helped her to



win a bronze medal in the most difficult and longest race of 15 km, where for a missed target you get one penalty minute.

Darya Domracheva was born in Minsk. At 4 she moved to Nyagan (Khanty-Mansi Autonomous Okrug, Russia) with her parents. In 1992 she started ski racing and in 1999 switched to biathlon. A champion of Russia among cadets and girls in 2004 she represented the Russian Federation at the Youth World and European Championships. In 2005 he made her debut in the national team of Belarus. In 2010 in Vancouver she won the Olympic bronze, and later won at the World Championships twice.

These facts leave no doubts: everything is done to attract talented boys and girls from neighboring countries to Belarus and to create conditions for their improvement. This often leads to scandals like the one on the eve of the Games in Sochi about the presence of Anastasia Kalina, a Russian, in the Belarusian team.<sup>1</sup> For the sake of medals no expense is spared. The biathlon national team invited a coach from Germany (Klaus Siebert) and a serviceman from France (Olivier Ganon). When there appeared some problems with a Frenchman, his position was given to Ivar Ulekleiv, an eminent Norwegian specialist in ski preparation. Another Frenchman, eight-time world champion Raphaël Poirée was a head of a men's team for a year. But, as you can see, a lot of spending in biathlon was justified by *four* Olympic medals. Also the women's relay quartet took the 5<sup>th</sup> place where along with Domracheva and Skardino there was more ex-Russian – Nadezhda Pisareva, as well as a resident of Barysau, Liudmila Kalinchyk.

Ski acrobatics is a non-mass sports but here we have a national sports school headed by Mikalai Kazeka. Under his leadership the Belarusians got 6 medals – 3 gold, 1 silver and 2 bronze in five Olympic Games. In Sochi, Dmitry Dashchinsky and Denis Osipov took the 8<sup>th</sup> and the 9<sup>th</sup> places.

The best homegrown winter athlete is 40-year-old Siarhei Dalidovič. At his sixth Olympics he finished fifth in the 50-km marathon, leaving behind strong rivals.

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<sup>1</sup> “Сочи-2014. Анастасия Калина не заявлена в сборную Белоруссии.” *Eurosport*. 20 Jan. 2014. Web. 5 Mar. 2015. <[http://www.eurosport.ru/biathlon/story\\_sto4099364.shtml](http://www.eurosport.ru/biathlon/story_sto4099364.shtml)>.

## **A window to the world**

The European Parliament took the initiative to move the 2014 Ice-Hockey World Championship from Belarus to another country because of political prisoners and violations of human rights. However, the International Ice Hockey Federation (IIHF) decided not to politicize this issue.

The World Championship became a significant event in the history of the country. In Soviet times Minsk hosted the Biathlon World Championship three times (1974, 1982, 1990) and one Wrestling Championship in 1975. In 2013 the cycling ground “Minsk-Arena” hosted the Track-Racing World Championship. But this is not as popular among the public as ice-hockey is. There was also a ‘step-down’ factor: three months before the Minsk World Championship the hockey players competed in Sochi. For the sake of the Olympics the strongest professional Leagues – NHL and the KHL announced a break in their Championships. The line-ups of the majority of teams that arrived in Minsk for the competitions were far from ideal.

And yet it was an interesting tournament and the ‘hockey’ states (Russia, Finland, Sweden and the Czech Republic) competed for medals. The Belarusian national team made it to the quarter finals where it lost to the Swedes with a score 2:3 and took the 7<sup>th</sup> place. The previous time when the Belarusians were in the top eight was in 2009. In 2011–2013 they took the 14<sup>th</sup> place, so the local public was pleased with such results. In the national team of the hosts there were two Canadians – Geoff Platt and Kevin Lalande, who had previously received Belarusian citizenship.

The stadium utilization during Minsk Forum proved to be a record: over 643 thousand spectators visited 64 matches and the average attendance was more than 10 000 people per match. Before that the leader had been the 2004 World Championship: in Prague and Ostrava the same rate was 9 859 people per match. IIHF President René Fasel pronounced the Minsk tournament the best in history.

The interest of the Belarusian was not really great. But functionaries as always made hay: schoolchildren, students and soldiers were driven to the matches that did not arouse interest

among local sports fans. However, the ice arenas in “Minsk-Arena” and “Čyžoŭka-Arena” sports complexes during the matches between the national teams of Belarus, Russia and Latvia were filled without any external help.

Foreign tourists who bought tickets for the matches of the World Championship had the right of visa-free entry into the country from April 25 till May 31. The head of the State Border Committee of Belarus Leonid Maltsev said more than 31 thousand foreign fans and participants of the hockey forum used that right. More than 10.3 thousand people came from Latvia, 4.3 thousand from Lithuania, more than 2 thousand were from Finland and Poland and a little fewer from Slovakia, Finland, and the Czech Republic. More than 400 tourists came from the United States, about 300 were from Canada.<sup>2</sup> Russians as citizens of the Union State crossed the border freely. We can assume that there were at least 25 thousand of them.

Foreigners bought through “Ticketpro” ticket operator more than 60 thousand tickets. According to the Department of Consumer and Hotel Services of Minsk City Executive Committee, in the period from May 9–25, Minsk hotels reached a two-month turnover. With the opening of fourteen new hotels the key counts increased more than twice – from 4 405 to 9 250 hotel beds. The average occupancy of Minsk hotels during the Hockey World Championship was 83%.<sup>3</sup>

Did the city make a profit on the Ice Hockey World Championship? There is no exact information about it. For the construction costs of the Čyžoŭka-Arena sports complex, hotels, three metro stations, the reconstruction of the National Airport “Minsk”, the expansion of major highways to four lanes, the updating of the abandoned neighborhood Čyžoŭka, etc. were expected to exceed USD 1 billion. However the transport, hotel and retail infrastructure will continue to pay off in the long term.

<sup>2</sup> “Более 31 тыс. человек воспользовались правом безвизового въезда в Беларусь во время ЧМ.” *БелТА*. 27 May 2014. Web. 5 Mar. 2015. <[http://www.belta.by/ru/all\\_news/society/Bolee-31-tys-chelovek-vospolzovalis-pravom-bezvizovogo-vjezda-v-Belarus-vo-vremja-ChM\\_i\\_670541.html](http://www.belta.by/ru/all_news/society/Bolee-31-tys-chelovek-vospolzovalis-pravom-bezvizovogo-vjezda-v-Belarus-vo-vremja-ChM_i_670541.html)>.

<sup>3</sup> “Минские гостиницы во время ЧМ по хоккею были загружены на 83%.” *Interfax.by*. 29 May 2014. Web. 5 Mar. 2015. <<http://www.interfax.by/news/belarus/1157712>>

Another effect is mental. Citizens could communicate freely with the guests of the Championship. No matter how much we say that Belarus is the heart of Europe, our real ties with the West are very limited. In the fan zones and ‘hospitality areas’ the hosts and guests discovered each other. Two weeks in May showed that to communicate is easier without ‘visa fences’ and other barriers.

### **Defeated “Dinamo”**

Preparation of the Ice Hockey World Championship probably was such a heavy burden for the budget that sports experienced this already at the beginning of the last year. In March the handball club “Dinamo” (Minsk) ceased to exist though during two years it had successfully competed in the Champions League, the most prestigious club tournament. In summer 2013 the club bought a dozen of mercenaries. This expensive waste was financed by the Belarusian Society of Sports and Physical Training “Dinamo”. However, after the head of the Society Yuri Borodich was replaced by ex-Minister of Emergency Situations Enver Bariev the cash flow dried up. For some time the handball players were supported by the concern “Belneftekhim” that soon also stopped its charity.

The football clubs (FC) of all *three* leagues seesawed for the whole season. The Brest FC “Dinamo”, Babrujsk “Belshyna”, Navapolack “Naftan” were all in a disastrous state. At the end of the season a mass loss of players occurred. A scandal broke out in Hrodna “Nioman”: 18 players left because of the overdue salaries, many filed suits.

FC “Minsk” announced a 30% reduction in the club’s budget and the dissolution of the first league team “Minsk-2”. In the second league in the middle of the championship the capital FC “Partizan” retired. Minsk FC SKVICH and Kalinkavičy FC “Vertikal” skipped some away matches.

With rare exceptions, teams of the *Premier* and the *first leagues* exist on public money. They do not have their own stadiums or real estate, and the attendance of their matches is very low (in the Premier league – 1845 people per match, in the first league – 527 people per match). This means that there is no possibility to do any business.

Barysau FC BATE and Dinamo Minsk, to a lesser extent Salihorsk FC “Shakhter” looked as oases of well-being. Players of Barysau FC BATE and Dinamo Minsk successfully passed the qualifying rounds of the Champions League and the Europa League respectively and got into the group tournaments. FC *Shakhter* stopped a step away from the same luck. However the Belarusian clubs won only once having suffered a series of sensitive defeats from well-known rivals. BATE lost to Donetsk Shakhter (0:7) and (0:5), to Portuguese Porto (0:6) and (0:3), to Spanish “Athletic” from Bilbao (0:2). “Dinamo” was defeated by Greek PAOK (1:6) and (0:2,) by Italian “Fiorentina” (0:3) and by French “Gingaman” (0:2).

The national team that started in the qualifying tournament of the European Championship in 2016 also disappointed. After the away match with the draw score against Luxembourg (1:1) the team lost three times in a row: during the home match to the Ukrainians (0:2) and the Slovaks (1:3), and during the away match to the Spaniards (0:3). The head coach Georgy Kondratyev voluntarily resigned and former player of Minsk and Kiev “Dynamo” Alexander Khatskevich took his position.

In Barysau a football stadium with a capacity of 13 thousand seats was opened. Once the main sports arena of the country – the capital stadium “Dinamo” has been closed for renovation for three years already. The projects and the executives have changed several times. The project requires a minimum of EUR 150 million. Where to find it when the economy is in a deep crisis and ahead are the Presidential elections?

## Conclusion

The deepening of economic crisis is reflected in the sports industry which is financed mainly from the state budget. It affected primarily the children’s and mass sports that do not generate quick dividends. The development of private sports schools is hampered by bureaucratic obstacles, the lack of sports real estate (stadiums, swimming pools, gyms) in small and medium business and the high cost of their rent from state-owned enterprises.

Team sports clubs are not able to earn, because they do not have their own property, are not attractive for advertisers and do not own the rights to broadcast the competitions.

To hide the ineffective work on the preparation of sports rotation, established foreign athletes who are available in their own country, or young talented juniors, as a rule, from Russia and Ukraine, are brought to Belarus and provided with opportunities for development, often at the expense of local athletes.

## **PUBLIC OPINION: UNDER THE SIGN OF EVENTS IN UKRAINE**

**Yuri Drakokhrust**

### **Summary**

The Ukrainian crisis: Euromaidan, the overthrow of President Yanukovich, the Russian annexation of the Crimea, the bloody conflict in Donbass – this chain of events was almost a decisive factor in 2014 that defined the dominant Belarusian public conscience. Belarusians were relating their lives not with an imaginary ideal, but with the harsh reality of their neighbors in the light of which the appreciation of daily life was found to be higher than it would be in a different geopolitical situation.

### **Trends:**

- The growth of indicators of social optimism and trust in the authorities under the conditions of rigid or even declining prosperity;
- The support from the majority of Belarusians of the Russian position regarding the annexation of the Crimea by the Russian Federation and the rebellion in Donbass;
- A clear desire to avoid any involvement of Belarus in the Ukrainian conflict;
- Gradual decline in the importance of the “Ukrainian factor” in shaping of the public opinion of Belarus by the end of 2014.

### **The indices of the financial situation of the Belarusians and the evaluation of the ‘correct line’**

Real disposable money income of the population of Belarus in January–November 2014 compared with the same period of 2013 remained virtually unchanged, increasing only by 0.7%. It had grown pretty actively for two previous years after the crisis of 2011, in particular during 2013 compared to 2012, the income increased by 17.2%. Such a vivid decline in the growth rate of welfare must have had a negative impact on the social wellbeing of the population. However, this was not the case (see Table 1)<sup>1</sup>.

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<sup>1</sup> During the analysis of the tendencies of the public opinion the data of the national polls held by the Independent Institute of Socio-Economic and Political Studies ([www.iiseps.org](http://www.iiseps.org)).

**Table 1. Evolution of answers to the question: “How has your personal financial situation changed over the past three months?”, percent**

Answer	06'11	12'13	03'14	06'14	09'14	12'14
Improved	1.6	12.6	10.1	9.3	13.5	13.7
Has not changed	23.2	58.1	63.3	57.6	58.8	53.6
Deteriorated	73.4	28.4	25.2	32.1	24.6	31.0
Index of welfare <sup>2</sup>	-71.8	-15.8	-15.1	-22.8	-11.1	-17.3

The December poll of 2014 was conducted by IISEPS before the start of the Belarusian economic crisis and devaluation of the Belarusian ruble. However, it is worth noting that despite a real slowdown in the growth of welfare, there was no collapse of the self assessments of the economic situation during the year.

Even more convincing was the evolution of the assessment of the socio-economic and political line which the country observes (see Table 2).

**Table 2. Evolution of answers to the question: “In your opinion, is the situation in our country developing in the right or wrong direction?”, percent**

Answer	09'11	12'13	03'14	06'14	09'14	12'14
In the right direction	17.0	31.9	40.2	42.3	43.0	43.8
In the wrong direction	68.5	54.1	46.2	42.3	43.5	42.9
Difficult to answer / No answer	14.5	14.0	13.6	15.4	13.5	13.3
Index of the correctness of the line	-51.5	-22.2	-6.0	0	-0.5	0.9

Incomes did not grow, however, the confidence in the correctness of the line increased. This paradoxical dynamics of public mood is confirmed by the evolution of the attitude to the head of state (see Tables 3 and 4).

**Table 3. Evolution of electoral rating of President Lukashenko, percent**

	12'13	03'14	06'14	09'14	12'14
Rating	34.8	39.8	39.8	45.2	40.0

<sup>2</sup> Index of welfare (the difference of variation of positive and negative answers).



**Table 4. Evolution of confidence rating in President Lukashenko, percent**

Answer	12'13	03'14	06'14	09'14	12'14
I trust	37.7	45.9	49.6	53.5	49.9
I do not trust	47.5	44.1	39.0	33.3	35.6
Difficult to answer	14.8	10.0	11.4	13.2	14.5

Although for the last quarter of 2014 the attitude to the president worsened a bit (his electoral rating declined from 45.2% in September to 40.0% in December), in general, over the past year both electoral rating and the confidence in the head of the state has grown, while the share of those who distrust significantly decreased. In our opinion, the main reason for such a state of affairs is the events in Ukraine. Belarusians overwhelmingly negatively reacted to the results of the rapid political changes in the neighboring country.

### The Ukrainian factor

In March 2014 the respondents of IISEPS were more likely to evaluate the overthrow of the Ukrainian President Viktor Yanukovich as a coup. Later the negative attitude towards the victory of the Ukrainian revolution increased (see Tables 5 and 6).

**Table 5. Evolution of answers to the question: “The President of Ukraine Viktor Yanukovich was overthrown. How do you assess such a development of the situation?”, percent**

Answer	%
“This is a coup, seizing of power”	54.7
“This is a just punishment for bloodshed”	27.7
Difficult to answer / No answer	17.6

*Note.* The survey was conducted in March 2014.

Very important was to assess the projection of the Ukrainian revolution in Belarus (see Table 7).

**Table 6. Evolution of answers to the question: “Taking into account a further development of the situation in Ukraine, how do you assess Euromaidan and the overthrow of President Viktor Yanukovich?”, percent**

Answer	%
Positively	23.2
Negatively	63.3
Difficult to answer / No answer	13.6

*Note.* The survey was conducted in June 2014.

**Table 7. Evolution of answers to the question: “Would you like the events that happened in Ukraine to occur in Belarus?”, percent**

Answer	%
Yes	3.6
Yes, but without violence	23.0
No	70.0
Hard to answer / No answer	3.4

*Note.* The survey was conducted in March 2014.

The attitude of Belarusians to the events in Ukraine was a serious challenge for the opposition. Close to the previous election campaigns the slogan “*Ploshcha*<sup>3</sup> is mass protests after the election” was an important element of the strategy. The opposition openly called to this, inspired by the experience of peaceful revolutions in other countries: during the election of 2001 – by the Yugoslav revolution of 2000, during the 2006 election – by the Ukrainian Orange Revolution.

However in the spring of 2014 calls for *Ploshcha 2015*, appeals to the Ukrainian Euromaidan disappeared from the plans and rhetoric of the Belarusian opposition. The reasons for that was not just the dramatic experience of the brutal suppression of the *Ploshcha* events in 2010, but also the fact that the opposition realized the reaction of the Belarusian society to Euromaidan. Belarusians were afraid of blood and found such a scenario of changes unacceptable to their country. However, with the victory of the revolution the bloodshed in Ukraine only started.

<sup>3</sup> *Ploshcha* is Belarusian Maidan.

Further events in Ukraine even more reduced the sympathy of Belarusians to the development of the situation on the Ukrainian model. The estimation of the annexation of the Crimea and Donbass rebellion by the majority of Belarusian respondents coincided with the official Russian estimates (see Tables 8, 9). However, the Belarusian public opinion in relation to the events in Ukraine turned out to be less unanimous and more nuanced in comparison with the Russian one.

**Table 8. Evolution of answers to the question: “How do you assess the annexation of the Crimea to Russia?”, percent**

Answer	06'14	09'14	12'14
“This is imperialist seizure, occupation”	26.9	27.2	31.6
“This is the return of Russian land to Russia, the restoration of historical justice”	62.2	59.9	56.8
Difficult to answer / No answer	10.9	12.9	11.6

**Table 9. Evolution of answers to the question: “How do you assess the use of armed forces by the Ukrainian authorities in the spring and summer of 2014 to regain control over Donbass?”, percent**

Answer	06'14	09'14
“This is a crime, a war against its own people”	57.7	60.6
“It is a legitimate suppression of an armed rebellion”	14.0	12.0
“It's tough but necessary measure”	19.5	19.0
Difficult to answer / No answer	8.8	8.4

The vast majority of Belarusians voted against the territory of their country to be used for military operations against Ukraine (see Table 10).

**Table 10. Evolution of answers to the question: “If Russia decides to send its troops to Ukraine, should in your opinion, Belarus allow Russia to send its troops through Belarusian territory?”, percent**

Answer	%
Yes	15.2
No	74.8
Difficult to answer / No answer	10.0

*Note.* The survey was conducted in September 2014.

The same solidarity could be seen as a negative attitude towards the participation of Belarusian citizens in the Ukrainian conflict on either side (see Table 11).

**Table 11. Evolution of answers to the question: “How do you feel about the participation of Belarusian citizens in the fighting in the East of Ukraine?”, percent**

Answer	%
“Positive, if in favor of the Ukrainian army”	6.0
“Positive, if in favor of the members of the armed protests”	8.3
“Negative”	76.9
Difficult to answer / No answer	8.8

As it might seem at first glance, the data in Table 9 and tables 10, 11 logically contradict each other, which is a bit suspicious and may speak about respondents’ fibs. How so? If the majority of Belarusians consider that Donetsk People’s Republic and Luhansk People’s Republic are right, why don’t they dream about the Russian army to come and rescue the residents of Donbass from ‘punishers’? Why do most of them chase away the idea of participation of Belarus in the ‘just cause’? The thing is in a mismatch of ideological and practical levels of thinking: the ideological setting does not displace either pragmatic or existential motives.

This ambivalent attitude of Belarusians to the events in Ukraine was embodied in the policy of President Lukashenko, which can be defined as *maneuvering* (see Table 12). Thus, Belarus refused to condemn the annexation of the Crimea in the UN. It hosted the Russian combat aircraft on its territory and in 2014 signed the Treaty on the Eurasian Economic Union. However, Minsk recognized the annexation of the Crimea to Russia only *de facto*; during the whole time the President maintained a friendly working relationship with the new leadership of Ukraine; the separatists did not receive any material or moral support from Minsk. The result of the Belarusian position was the transformation of Minsk into a meeting point for opposing Ukraine’s parties. This line was generally approved by the Belarusian society.

**Table 12. Evolution of answers to the question: “How do you evaluate the policy of President Lukashenko in relation to the crisis in Ukraine?”, percent**

Answer	09'14	12'14
Definitely positively	14.8	13.6
Rather positively	44.7	45.1
Rather negatively	17.2	16.8
Negatively	9.6	12.9
Difficult to answer / No answer	13.7	11.6

IISEPS analytical articles have repeatedly stated that despite the conflicts of the Belarusian President with the Kremlin, most of his supporters are committed to integration with Russia. This ratio was preserved in 2014 in a politically and ideologically sensitive situation: while the line of the official Minsk was noticeably different from the policy of the Kremlin, among Lukashenko's supporters and among those who approved his Ukrainian policy the majority shared the Russian interpretation of the events in Ukraine (see Table 13).

**Table 13. The relationship of trust in the president and estimates of his Ukrainian policy with regard to the annexation of the Crimea by Russia, percent**

	How do you assess the annexation of the Crimea to Russia?	
	“This is imperialist seizure, occupation”	“This is the return of Russian land to Russia, the restoration of historical justice”
<i>Do you trust the president?</i>		
I do	15.2	75.0
I do not	58.4	31.5
<i>How do you assess the policy of President Lukashenko in relation to the crisis in Ukraine?</i>		
Definitely positively	19.0	74.1
Rather positively	18.1	68.6
Rather negatively	51.2	38.1
Negatively	73.1	21.8

*Note.* The table is read horizontally. The survey was conducted in December 2014.

The Ukrainian crisis has shown some vulnerability in Belarus in terms of a national identity. It was shown above that most Belarusians supported Russia in its activities in Ukraine. It should be noted that in Belarus, in contrast to Ukraine, there are no regions with a predominantly Russian population. However, answering the question about the reaction to hypothetical forceful actions of Russia towards Belarus only a minority chose active resistance (see Table 14). The share of those who are ready to welcome Putin's 'polite people' is small, but almost every second respondent stated the intention to adapt to such a hypothetical situation rather than resist it.

**Table 14. Evolution of answers to the question: "If Russia tried to annex the entire territory of Belarus or part of it by force, how would you act?", percent**

Answer	09'14	12'14
"I would resist with arms"	25.9	23.4
"I would try to adapt to a new situation"	39.7	48.0
"I would welcome these changes"	13.3	9.7
Difficult to answer / No answer	21.1	18.9

In early 2014, the Ukrainian crisis led to a substantial increase of pro-integration ideas in favor of Russia and to a sharp reduction of pro-European ideas (see Table 15). However, after the March peak the pro-Russian intentions had declined slightly by the end of the year, but remained at the level significantly higher than the pro-European ones.

**Table 15. Evolution of answers to the question: "If you had to choose between integration with Russia and joining the European Union, which would you choose?", percent**

Answer	12'10	12'11	12'12	12'13	03'14
Unification with the Russian Federation	38.1	41.4	37.7	36.6	51.5
Membership in the European Union	38.0	39.1	43.4	44.6	32.9
Difficult to answer / No answer	23.9	19.5	18.9	18.8	15.6

## Conclusion

Summing up, it should be said that 2014 in terms of public opinion was unfavorable for democratic alternatives in Belarus. Belarusian public opinion supported, although not as reckless and unanimous as Russian public opinion, an aggressive policy of the Kremlin in Ukraine. The Ukrainian revolution not only failed to cause a domino effect, but, on the contrary, in a certain sense strengthened the socio-political system in Belarus. Belarusians even more started to value if not wealth, then, at least, the order which they have in comparison to the post-revolutionary turmoil and horrors of war of their neighbors.

The Belarusian government has taken even a more moderate position than the majority of the Belarusian society: the official Minsk did not support the rebels of the DPR/LPR, demonstrating a positive attitude to the Ukrainian authorities. However, this position, together with good relations with Moscow and even deepening integration in the form of joining the Eurasian Economic Union, was in tune with the real and not ideological attitude of an average Belarusian to the new geopolitical situation in the region.

The economic crisis in Belarus in late 2014 weakened the influence of the Ukrainian events on the thoughts and feelings of Belarusians, which may change the above described picture in 2015. However, this forecast does not have a high degree of certainty, because the events in the neighboring country are of violent and negative dynamics. The relative calm after the “Minsk-1” Agreements turned into a sharp and bloody conflict. The fact that the capital of Belarus in February 2015 became the venue of the Summit of the ‘giants’ of European policy raised the prestige of the Belarusian authorities, strengthened its positive image in the eyes of the public opinion.

A variant according to which the Ukrainian experience in an unexpected way would be attractive for Belarusians seems unlikely. Also the playing of the ‘Russian card’ in Belarus during the election campaign in 2015 also seems very unreal (though possible): external approval of Moscow’s policy in Ukraine

was combined in the Belarusian public opinion in 2014 with an extreme reluctance to involve Belarus into the dispute of 'Slavs among themselves' on Ukrainian soil. As the hypothetical success of the 'Russian world' in Belarus means expanding the scope of the conflict, there are not many chances for such a success.



# ECONOMY



## **MACROECONOMIC SITUATION: SLIPPING INTO A “POVERTY TRAP”**

**Dzmitry Kruk**

### **Summary**

The main problem of the Belarusian economy is its limited capacity for long-term growth. In 2014, no significant progress was achieved in building the country's capacity for expansion; however, the government announced the beginning of the preparatory phase of structural reforms.

Exchange rate targeting became a key component of the government's macroeconomic policy, while monetary and fiscal policies became even more conservative. The economic authorities for the first time applied limitations on growth in households' incomes. Furthermore, 'repression' of investments for the sake of financial stability continued. However, this policy pattern proved to be inadequate amid new external shocks, despite serious injections of gold and foreign exchange reserves. As a result, a new currency crisis is unfolding in the country, and tensions are growing in the financial sector.

Last year's macroeconomic performance was characterized by slow expansion, high inflation, and significant external deficit. The accumulated structural and short-term problems pose a risk of a continuous recession in years to come.

### **Trends:**

- Lack of appreciable progress in structural reforms amid reduction in capacity for expansion;
- Limitations on growth in personal incomes and 'repression' of investments based on exchange rate targeting;
- Accumulation of problems that prevent the economy from pulling out of cyclical slowdown;
- Threat of a continuous recession.

### **Introduction**

The Belarusian economy entered the year 2014 in a depressed state – the structural weakness in the national economy became obvious not only to experts, but also to laymen. In 2012 and 2013, the country's GDP grew by approximately 1% on a year-on-year basis, and increase in real incomes slowed or even stopped altogether. Financial indicators remained unstable and increasingly volatile, and the economy became more vulnerable

to external shocks. Finally, Belarus became chronically dependent on external resources required to cover its current deficit and repay previous loans.

These outward features of the country's macroeconomic dynamics in the 2010s resulted from a series of challenges that had overlapped in 2014 to form a certain vicious circle<sup>1</sup>:

- Lower economic growth potential;
- Transfer into a cyclical recession phase in the economy;
- Weakness of internal demand and disproportions in its structure, lack of effective instruments to encourage internal demand;
- Reduction in external competitiveness, increases in current account deficit;
- 'Monetary policy trap' manifested in the 'fear of floating' and limited use of interest rate instruments in fiscal policy;
- Dependence on external financing.

This combination of structural and cyclical challenges posed a difficult dilemma for the authorities: which arrangements should be prioritized – those to put in place structural economic reforms, or those to stabilize production and incomes? Structural reforms may result in short-term shortages in the overall volume of industrial output, whereas measures to encourage production may bring about additional structural imbalances in the economy.

The costs of each option are quite significant. Structural reforms and short-term reductions in incomes may lead to social tensions, and the country may fall into a 'poverty trap,' for instance, resulting from labor migration and outflows of workforce. The choice of income stabilization and disregard for structural challenges may cause significant losses in incomes at a later stage and an even deeper 'poverty trap.'

### **Structural reforms on the economic agenda**

In 2014, the Belarusian economic authorities de facto prioritized measures to stabilize current incomes and ensure short-term

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<sup>1</sup> Dzmitry, Kruk. "Macroeconomic Situation: Going into cyclical recession." *Belarus Yearbook 2013*. Vilnius: Lohvinov. 2014. 209–218. Print.

financial stability. Efforts to build capacity for long-term growth were few and limited in scope.

The most important step in this area is Resolution of the Government No. 264, which for the first time systematized bank loans for state programs. Furthermore, the government said it would phase down directed lending and introduce tighter requirements for directed loans.

However, those new policies failed to effectively reshape the system of centralized distribution of resources. *Firstly*, this system is still based on a lending pattern, where ‘champions are predetermined.’ *Secondly*, the share of loans extended for state programs remains high in banks’ loan portfolios. In 2014, such loans amounted to BYR 40 trillion<sup>2</sup> of the combined loan portfolio of the Belarusian banking system, estimated at BYR 104.2 trillion. One should also remember that preferential home loans make up a substantial portion of the loan portfolio – such loans are not considered to be lending for state programs, but they are directed loans nonetheless.

Another example of new policies aimed to put in place structural reforms is the adoption of a package of measures for 2014–2015 to ensure a balanced economic development. The package includes temporary milestones for the development of new regulatory acts for separate industries, state property management, introduction of the institute of independent directors, improvement of mechanisms of state support and lending within the framework of state programs, motivation of state managers, and promotion of collective investment practices. Most of the drafts were expected to be developed at the end of 2014 and in early 2015.

Alongside sporadic innovations in the economic mechanism, the government also focused on the dialogue with the World Bank over the project to develop a roadmap for structural reforms for the county. The dialogue was declared to be an important preparatory phase for the implementation of systemic structural reforms.

The government attributed the slow pace of structural reforms to unfavorable market conditions, the need for elaborate

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<sup>2</sup> This amount of loans is planned to be provided to borrowers under Resolution No. 264.

preparations, and the fact that many regulatory acts had been developed for a period up until the end of 2015, and any reforms could result in economic ‘malfunctions.’ Officials informally classified the years 2014 and 2015 as a preparatory period for systemic structural reforms, which are expected to begin in 2016, when the new electoral period commences.

### **Macroeconomic regulation format**

Despite structural and situational restrictions imposed on the national economy, the economic authorities sought to develop a policy design to ensure: (1) short-term stability in financial markets; (2) external price competitiveness; and (3) GDP growth. The above sequence indicates the priority status of each of the objectives.

In 2014, exchange rate targeting remained the *key instrument to ensure financial stability*. The authorities cited the following reasons for pursuing exchange rate targeting: (a) the real effective exchange rate remained close to the equilibrium level; (b) households’ expectations needed to be pegged to exchange rate fluctuations. Therefore, the authorities believed that their efforts to keep the exchange rate of the Belarusian ruble within the planned limits would stabilize households’ expectations in the domestic market. This logic prevailed despite numerous failures of this policy in previous years.

Interest rate policy remained the *second instrument* to ensure short-term financial stability – it was perceived by the authorities as an additional measure to protect the market and ‘absorb’ shocks that shape expectations. The authorities did not restrain growth in rates in the financial market every time the economy was hit by another shock, but sometimes even encouraged it. At the same time, during the brief periods of relative stability, attempts were made to ensure a reduction in nominal interest rates, which remained extraordinarily high after 2011. The main objective of the policy to gradually reduce interest rates was to promote business activity with a view to attracting additional investment.

Limitations on fiscal and quasi-fiscal operations by the government became the *third instrument* to make the financial

market stable. The authorities cut capital expenditures in the fiscal sector, which was a typical strategy for the past few years. As a result, capital expenditures were reduced by 1.5 percentage points of GDP year-on-year. Further, the authorities continued the practice of alternative fiscal restrictions, which allowed reducing budget spending compared with the originally planned level.

Finally, foreign borrowing remained *another important instrument* from the point of view of financial stability, as in previous years. The economic authorities were making efforts to raise foreign loans as soon as they saw distrust in the exchange rate targeting policy and worsening of expectations amid external imbalances and low level of reserves. New external loans taken at the start of the year and in the summer of 2014 alleviated shocks (Belarus took a bridge loan from VTB-Bank amounting to USD 450 million in December 2013 and USD 1,550 million in June; both installments were subsequently refinanced by an intergovernmental Russian loan).

Wage policies and administrative regulation of import became the main instrument to ensure the competitiveness of Belarusian manufacturers and reduce the external deficit (in the context of exchange rate targeting). The economic authorities ceased to artificially encourage growth in wages starting the second half of 2013.

In 2014, the income policy was further tightened. For the first time in contemporary history, the authorities began restraining growth in wages seeking to ensure competitiveness in foreign markets. The pinnacle of this practice was the resolution that the government adopted in July to introduce administrative pegs of wages at state enterprises to labor productivity. Further, the first grade wage rate (which is used to calculate wages at companies that apply the unified tariff system) rose by only 6%, whereas consumer prices increased by 18.1% in 2014.

This policy enabled the authorities to freeze unit labor costs in real terms in the first half of 2014 and reduce costs in the second half of the year. Lower unit costs became a factor to maintain competitiveness, which was compromised by increases in the real exchange rate.

The government's policy on import was not as harsh as its income-restraining measures. However, the reduction in the

import of investment and non-energy intermediate materials suggests that administrative instruments were applied to restrict import by state-owned enterprises.

### **New shocks and currency crisis**

In the middle of 2014, external shocks were added to internal challenges. *Firstly*, oil prices dropped in the second half of the year, to a new five-year low at the end of the year (in late December, *Brent* was traded at approximately USD 57 per barrel). The new trend in the oil market affected the country's trade balance.<sup>3</sup>

*Secondly*, the fall in world oil prices and West-led sanctions against Russia resulted in a fast and sharp 'implosion' in virtually all of Russia's commodity markets. The markets for so-called investment goods were affected the most, which became a serious challenge for Belarusian importers.

*Thirdly*, the new market environment in Russia brought about a significant depreciation of the Russian ruble *vis-à-vis* main world currencies. Whereas in the third quarter the Russian currency was losing its value gradually, the final three months of the year saw a dramatic reduction in the exchange rate: the Russian ruble lost 72% of its value against the U.S. dollar in 2014 (43% in the fourth quarter alone).

*Fourthly*, the Russian food 'anti-sanctions' also produced a serious impact on the Belarusian economy. Belarus was in a state of euphoria all throughout summer: the sanctions were perceived as a positive shock, i.e. a chance for domestic producers to boost their supplies to the Russian market, including through additional processing of imported foods in Belarus. However, the negative effect of the shock was manifested in autumn. Russia de facto accused Belarus of smuggling the goods subject to 'anti-sanctions' and restricted supplies of Belarusian meat products – one of the most important export commodity groups – citing far-fetched reasons.

The National Bank of Belarus had been trying to keep the exchange rate parameters of the national currency up until the

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<sup>3</sup> Up to USD 500 million, according to various calculations.



currency panic in Russia.<sup>4</sup> As a result, a new trend emerged in the second half of the year towards a strengthening of the Belarusian ruble *vis-à-vis* the Russian ruble – by 49% in July-December. The stronger Belarusian ruble affected the price competitiveness of Belarusian exporters in the Russian market, which brought about a reduction in the volume of orders, non-payments, etc.

Also in the fourth quarter, Belarus saw a hike in import from Russia. The strengthening of the Belarusian ruble against the Russian ruble within the single customs space became a major impetus for both organized and unorganized trade channels. Automobile deliveries from Russia reached their peak in November and December, becoming a vivid example of the new trend.

The situation produced a devastating impact on the current account of the balance of payments in the second half of 2014.<sup>5</sup> The authorities initially tried to refrain from any serious moves hoping that the situation would improve soon. At the end of summer and in autumn, fiscal and quasi-fiscal operations were restricted only slightly.

However, the external deficit continued to expand. The media channel was added to the list of foreign trade channels of ‘infecting’ the Belarusian economy. Amid increasing alarming expectations companies and individuals increased purchases of foreign exchange and started converting BYR-denominated savings into foreign exchange deposits. Following currency panic in Russia, conversion of deposits became an overwhelming trend.

The authorities only had gold and foreign exchange reserves to neutralize the dangerous trend. In the period from September through December, the country’s gold and foreign exchange reserves dropped by USD 1.2 billion (about 20%), even though the NBB attracted approximately USD 1.1 billion from external sources to add to the reserves in December 2014.<sup>6</sup>

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<sup>4</sup> Currency panic was registered in Russia in mid-December, with the official exchange rate fluctuating within a 35% band for a few days.

<sup>5</sup> In addition to the deterioration of the current account, a sharp increase in deficit of ‘errors and omissions’ was recorded in the second half of the year, which must have been connected with the increase in unofficial import.

<sup>6</sup> I. e. spending of reserves *de facto* amounted to approximately USD 2.3 billion during that period, or about 40% of the total as of 1 September 2014.

The liquid portion of gold and foreign exchange reserves was almost completely exhausted, which forced the authorities to de facto admit that ruble devaluation was inevitable. However, the devaluation move was originally masked by the introduction of a special tax on purchases of foreign exchange. To neutralize further shocks, the authorities increased rates on instruments to provide liquidity, began restraining ruble-denominated lending, and imposed currency limitations and price-formation restrictions.

### **Changes in macroeconomic indicators**

The need to maintain internal financial stability and anchor the external deficit narrowed the room for maneuver when it came to commodity production. Nominal exchange rate targeting, which tends to appreciate the real exchange rate, limited the capacity for expansion through increases in external demand. Throughout the year, *export* expanded in volume terms only in a very narrow group of commodities. Potash fertilizers played the most important role in this process. In 2014, potash export increased by 66.4% year-on-year in volume terms, making a crucial contribution to the overall increase in export supplies.

Other important commodity groups showing stable growth in volume terms were ferrous metals and ferrous metals products, and wood products. Other essential commodity groups showed either stagnation or a reduction in export volumes. The most serious export drops were reported in the automotive industry and mechanical engineering – trucks, tractors, trailers, farm machines, engines, etc.

As a result, export expanded by 4.3% in volume terms in 2014. Average export prices went down by 6.2% year-on-year in U. S. dollar terms, which caused a reduction in export in value terms by 2.2%.

The country managed to avoid serious troubles with its external deficit in 2014 due to import restraints. Reductions in volumes of output were recorded in most of the import-consuming industries, and administrative restraints helped keep import deliveries almost at the level of 2013 (import expanded

by 0.3% year-on-year and remained lower than in 2013 until the final months of the year). Import prices dropped by 5.5%, and total import shrank by 5.2% in value terms.

As a result, the contribution of net export to GDP was positive and amounted to 1.1 percentage points. However, this is hardly something to be proud of. *Firstly*, after last year's enormous deficit (17% of GDP<sup>7</sup>) amid conservative economic policy, one could have expected a more impressive growth. *Secondly*, the positive contribution of net export is commensurable with the negative contribution of statistical discrepancies to GDP (minus 1.3 percentage points). The latter is traditionally associated with foreign trade dynamics, including foreign trade transactions that were not duly accounted for. Therefore, de facto Belarus made very little progress in 2014 as far as its efforts to reduce its external deficit are concerned.

In nominal terms, the commodity trade deficit amounted to USD 4.4 billion, down by 24.5% year-on-year. The country's current account of balance of payments also included the USD 2.4 billion deficit of primary incomes and USD 2.3 billion deficit of secondary incomes, which was partially neutralized by a surplus in Belarus's trade in services, at USD 2.2 billion. Therefore, the current account deficit totaled USD 5.1 billion, or 6.7% of GDP, down by 3.7 percentage points from the level reported in 2013.

The government's policy to limit personal incomes resulted in a slower growth in consumption by households. Back in 2013, the increase in consumption by households was expressed in double digits, whereas in 2014, consumption increased by 4.5%. Fiscal restrictions brought about a reduction in final consumption expenditures by state institutions (by 1.9%). Overall, final consumption expenditures increased by 3.3%, contributing 2.6 percentage points to GDP.

Investment demand became the most vulnerable component of aggregate demand. Because of high interest rates, conservative credit policy of Belarusian commercial banks, as well as fiscal restraints, investments were falling throughout the year. Accumulation of fixed capital shrank by 8.9% year-on-year, making

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<sup>7</sup> Net export to GDP in 2009 comparable prices.

a negative contribution to GDP amounting to 3.6 percentage points. GDP expanded by only 1.6% in 2014.

When it comes to supply, industrial output contributed the most to GDP growth – 0.6 of a percentage point. However, the increase in industrial output was almost fully ensured by *three* industries – mining, the chemical industry (potash fertilizers), and oil processing. Other industries showed either stagnation or a fall in output, compared with the year 2013.

Other sectors that generated growth included wholesale and retail (they contributed 0.5 of a percentage point each), transport and communication, and agribusiness (0.2 of a percentage point each). Construction made the largest negative contribution to GDP of all major sectors – minus 0.5 of a percentage point.

This industry-wise growth pattern suggests that the quality of economic expansion was poor last year. Further, because of the unfavorable external environment (lack of growth in demand for potash fertilizers) the Belarusian economy may have entered a recession as early as 2014.

Below is additional evidence of the low quality of growth, tense financial situation, and macroeconomic vulnerability:

- Persistently high inflation rate (consumer prices showed an average annual growth of 18.1%);
- High nominal interest rates (in excess of 45% at the end of the year);
- High external deficit (current account deficit of 10.4% of GDP, net export in real terms at minus 15.7% of GDP);
- Low profitability of companies (the average profitability rate increased from the year 2013, but remains close to the all-time low registered a decade ago);
- Trend towards a consistent decline in employment (by 1.3% in 2014).

## Conclusion

From the point of view of macroeconomic performance, the year 2014 looked a lot like the three previous years and was characterized by low economic growth, a high inflation rate, and a significant external deficit. The Belarusian economy

entered a low growth phase and is facing the threat of slipping into a 'poverty trap.'

Throughout the year, only sporadic attempts were made to increase the potential for long-term growth. However, the economic authorities de facto admitted that structural reforms in the economy were inevitable and announced a preparatory phase to get ready for reforms.

Some new trends could be observed in the country's macro-economic policy: the economic authorities were ready to sacrifice immediate results for the sake of ensuring macroeconomic stability. The trend was manifested in measures to limit further growth in incomes in order to maintain external competitiveness and tight monetary and fiscal policies.

Nevertheless, even this conservative policy failed to ensure the intended effect. New financial shocks and return to cyclical slowdown (which make the threat of a recession increasingly relevant in 2015) resulted from the strategic weakness of the national economy and excessive commitment to the policy of exchange rate targeting.

## **CURRENCY MARKET: UNDER PRESSURE OF EXTERNAL FACTORS**

**Alexander Mukha**

### **Summary**

In 2014, amid increasing geopolitical risks and economic sanctions imposed by the European Union and the United States against Russia, the Russian ruble dramatically depreciated, and the Russian economic expansion slowed. As a result, supplies of Belarusian-made products and services to Russia became unprofitable, which caused the government and the National Bank to take urgent measures. In order to support the price competitiveness of Belarusian exporters and increase import costs, the authorities devaluated the national currency. At the same time, the strengthening of administrative price controls by the state allowed limiting import supplies and curbing demand for foreign exchange. In 2015, the authorities will continue using the tactics of internal devaluation envisaging measures to reduce internal demand, real wages, and real GDP in order to restrict external depreciation of the Belarusian ruble against the main foreign currencies.

### **Trends:**

- Drop in export of Belarusian products and services and reduction in foreign currency revenues from Russia in the U.S. dollar equivalent because of the dramatic depreciation of the Russian ruble;
- Growing demand for foreign exchange at the end of the year driven by expectations of further devaluation;
- Introduction of a more liberal exchange rate formation mechanism amid shortage of gold and foreign exchange reserves.

### **Money market**

Geopolitical tensions in the region grew stronger in 2014 in the wake of the Ukrainian crisis. In response to Russia's campaign in Crimea and the southeast of Ukraine, the European Union, the United States, Canada, Australia, New Zealand, Japan, Switzerland, Norway, and some other countries imposed economic sanctions against leading Russian banks, oil and gas companies, and defense enterprises.

The sanctions lead to foreign capital flight from Russia, for the most part through reductions in foreign debt liabilities of

Russian residents. The sanctions produced a serious negative impact on not only the banks and companies, against which they were targeted, but also the rest of Russian companies and financial institutions, which suffered from limited access to international capital markets and growing costs of foreign borrowing. As a result, the Russian ruble dropped *vis-à-vis* the U. S. dollar to RUB 56.26 per dollar, or by 71.9%.<sup>1</sup>

Under the circumstances, Belarusian manufacturing companies were faced with the real risk of losing the Russian market for some of their commodity groups (resulting from poor price competitiveness). At the same time, import of commodities and services from Russia hiked (specifically, of motorcars, household appliances, food, travel services, etc.).

On 18 December 2014, President Lukashenka held a meeting addressing economic policies and approved a package of measures to limit import supplies and curb demand for foreign exchange, including a 30% tax on purchases of foreign exchange by individuals and companies. The introduction of this discriminatory foreign exchange practice by the Belarusian authorities became a response to the sharp depreciation of the Russian ruble and slow growth in the Russian economy resulting from the economic sanctions imposed by the European Union, United States, and some other countries.

The tax on purchases of foreign exchange was essentially a hidden devaluation move; however, unlike classical devaluation, Belarusian exporters did not have additional preferences in terms of stronger price competitiveness in foreign markets. Soon after the introduction of the tax, real devaluation began. In the period from 18 December 2014 (the day the presidential meeting was held) to 23 March 2015, the Belarusian ruble lost 35.9% of its value, going down to BYR 14,790 per U.S. dollar. The ruble depreciated by 55.5% from 31 December 2013 to 23 March 2015, whereas the Russian ruble depreciated by 83.4% during the same period. As a result, the current depreciation gap between the Russian ruble and the Belarusian ruble is 17.9 percentage points.<sup>2</sup>

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<sup>1</sup> The all-time low of RUB 69.66 for a dollar was reached on 3 February 2015.

<sup>2</sup> Here and elsewhere: "Statistics." *National Bank of the Republic of Belarus*. Web 23. Mar. 2015. <<http://www.nbrb.by/eng/>>.

The sharp depreciation of the Belarusian ruble may have the following negative consequences for the Belarusian economy and social sector:

1) Fast inflation in the consumer market and manufacturing sector, decrease in living standards;

2) Higher prices of imported goods and services (including investment commodities, natural gas, oil, and oil products);

3) Depreciation of ruble-denominated deposits (except for those pegged to the U.S. dollar) and decrease in the propensity of households to make medium-term savings in the national currency;

4) Need for supporting high rates on ruble-denominated deposits and, consequently, high loan rates, which may affect investment activity and economic growth as a whole;

5) Higher debt burden associated with the servicing and repayment of the external debt and internal liabilities in foreign exchange. Combined external debt of Belarusian residents stood at USD 40.061 billion as of January 1, 2015, which includes USD 23.212 billion of gross external debt of the public sector (in its broad definition);

6) Lower investment appeal of Belarus for foreign investors and increase in foreign capital outflow from the national economy;

7) Growth in social tension in society and political risks in the country.

Furthermore, it is important to understand that depreciation discourages exporters to increase efficiency. Why should exporters seek to boost their efficiency and approach new markets, if another devaluation move will redistribute the money of the rest of the economic players (including households) in their favor? Overall, in the current context, sharp devaluation of the Belarusian ruble is a serious threat to the economic, financial, and political stability in the country. Belarus will eventually have to attract new foreign resources to maintain stability in the domestic money market throughout 2015.

### **Gold and foreign exchange reserves and current account balance**

According to the National Bank, in 2014, gold and foreign exchange reserves of Belarus under the Special Data Dissemination



Standard (SDDS) of the International Monetary Fund (IMF) dropped by USD 1.592 billion (or by 23.9%) to USD 5.059 billion as of January 1, 2015. Calculated in accordance with the national standards, gold and foreign exchange reserves fell by USD 1.521 billion (or by 21.0%) to USD 5.716 billion.

Of the total SDDS gold and foreign exchange reserves, 47.9% are formed by foreign exchange borrowed by Belarusian commercial banks. Foreign exchange liabilities of the National Bank to the banking sector amounted to USD 2.423 billion as of January 1, 2015. The low level of gold and foreign exchange reserves limits the capacity of the central bank to support the exchange rate of the Belarusian ruble within the framework of currency interventions.

At the current phase, gold and foreign exchange reserves are mostly used to repay and service internal and external debts of the central authorities (the government and the National Bank) denominated in foreign exchange. In the current context, the central bank is making use of the flexible exchange rate formation mechanism, which envisages higher volatility of the exchange rate of the Belarusian ruble to the main foreign currencies, including the U.S. dollar.

Analysis shows that in 2014, repayments of previous foreign loans taken by the central government and growth in net demand for foreign exchange by households—caused by the rapid depreciation of the Russian ruble—became the main reasons for the drop in gold and foreign exchange reserves. In December 2014, households bought a record high USD 901.6 million worth of foreign exchange (including cashless transactions) more than they sold, which compares to USD 324.8 million in November and USD 93.7 million in October.

In July 2013, net demand for foreign exchange by households amounted to USD 621.5 million (including cashless transactions), in March 2011, net demand reached USD 768.1 million, and in December 2008, net demand for foreign exchange was registered as USD 783.2 million. The structure of net demand for foreign exchange in December looked as follows: net purchases amounted to USD 328.1 million, and conversion of ruble-denominated deposits into foreign exchange deposits reached USD 573.5 million.

According to the National Bank, in January 2015, foreign exchange revenues from export of goods and services, incomes and current transfers of nonfinancial organizations and households shrank by USD 638.5 million year-on-year, or by 20%, to USD 2.547 billion (see Table 1), a new record low since January 2011.

The marked reduction in currency receipts in January 2015 can be attributed to two factors: (1) following the increase in the share of mandatory surrender of currency revenues to 50% and heightened devaluation expectations companies preferred holding back some of their foreign exchange revenues abroad; (2) export supplies of Belarusian-made goods and services to Russia dropped because of the weak demand from local consumers and low profitability of exports in the wake of the devaluation of the Russian ruble in the international money market.

For their part, payments for import of goods and services, as well as incomes and current transfers of nonfinancial organizations and households in January 2015 shrank by USD 1.011 billion year-on-year, or by 31.9%, to USD 2.157 billion, a new record low since February 2010 (see Table 1). There are three main reasons behind the drop in payments in foreign exchange: (1) some importers had to suspend their operations because of the tightened administrative price controls; (2) import of goods and services fell because import prices hiked following the devaluation of the Belarusian ruble; (3) incomes of Belarusian households plummeted in real terms.

Overall, in January 2015, the surplus of foreign trade transactions associated with flows of goods, services, incomes, and transfers, amounted to USD 389.3 million, whereas in December 2014 and January 2014, foreign trade transactions came to a deficit (USD 465.4 million and USD 289.3 million, respectively). The transfer of export duties on refined oil to the Belarusian budget (starting January 2015) produced a positive impact on the external balance, along with the considerable reduction in currency payments.

In February 2015, households, companies and nonresidents became net sellers of foreign exchange. However, the expected gradual cancellation of price controls (including the abolition of resolution No. 1207 of 19 December 2014) will lead to an

**Table 1. Export and import receipts and payments, incomes and current transfers in January 2012 – January 2015, millions of U. S. dollars**

Period	Receipts	Payments	Balance	Balance, adjusted for oil transfers
<i>January 2012</i>	3,720.5	3,255.4	465.1	128.5
February	4,042.1	3,646.7	395.5	71.4
March	4,683.0	4,324.8	358.2	-90.0
April	4,716.0	4,438.2	277.8	-85.9
May	5,061.8	4,447.1	614.6	245.8
June	4,753.7	4,089.3	664.4	287.1
July	4,284.1	3,623.8	660.4	469.2
August	4,413.3	4,210.0	203.3	-49.0
September	3,614.1	3,852.4	-238.3	-505.2
October	3,809.5	3,790.5	19.0	-242.8
November	3,581.7	3,578.5	3.2	-303.4
December	3,956.5	4,161.2	-204.7	-554.0
<i>January 2013</i>	3,547.8	3,514.1	33.6	-308.8
February	3,510.0	3,560.7	-50.7	-372.6
March	3,902.2	3,479.5	422.7	7.9
April	3,826.3	3,607.7	218.6	-83.1
May	3,629.6	3,800.8	-171.2	-457.4
June	3,609.7	3,586.9	22.8	-223.2
July	3,999.6	3,849.0	150.6	-150.5
August	3,661.4	3,795.3	-133.9	-396.2
September	3,256.7	3,496.1	-239.4	-423.3
October	3,673.0	3,582.2	90.8	-134.4
November	3,214.6	3,262.3	-47.7	-202.9
December	4,204.6	4,074.7	129.9	-143.3
<i>January 2014</i>	3,185.2	3,167.9	17.3	-289.3
February	3,318.9	3,294.1	24.8	-271.7
March	3,739.8	3,320.5	419.3	116.6
April	3,532.7	3,500.5	32.2	-278.9
May	3,943.8	3,594.5	349.3	58.7
June	3,858.0	3,451.4	406.6	145.2
July	4,078.5	3,663.9	414.6	144.4
August	3,630.8	3,252.3	378.5	183.0
September	3,543.8	3,513.5	30.3	-152.9
October	3,830.4	3,336.4	494.0	273.7
November	3,072.0	2,992.0	80.0	-105.8
December	3,358.5	3,687.9	-329.5	-465.4
<i>January 2015</i>	2,546.7	2,157.4	389.3	-

Source: National Bank of Belarus.

increase in import deliveries and, consequently, demand for foreign exchange by companies. On the other hand, in 2015, the authorities will be using the tactics of the so-called internal devaluation (reduction in domestic demand, real incomes, and real GDP), rather than external devaluation (reduction in the exchange rate of the Belarusian ruble against foreign currencies).

At the same time, the authorities have been taking measures to increase supply of foreign currency and boost gold and foreign exchange reserves – they raised the share of foreign exchange revenues that must be surrendered to the budget and introduced a EUR 45/ton export duty on potash fertilizers and a duty on crude oil export. The government also resolved to withdraw profits of some of the better-off companies, especially Belaruskali. In 2015, the company will have to transfer more than 75% of its profit to the state budget; furthermore, the government limited Belaruskali's investment and upgrade costs.

It should also be noted that the current situation in Belarus largely depends on external factors, which Belarus cannot influence on its own (such as the expansion of the Russian economy, devaluation of the Russian ruble, economic sanctions against Russia by the European Union and the United States, conflict in the east of Ukraine, fall in oil prices, etc.).

## **Conclusion**

Belarus has entered a difficult economic phase, which will be characterized by some of the features of the economic crises of 1998 and the early 1990s (following the disintegration of the USSR) and new specific features associated with the record-high external debt of Belarusian residents. During the previous periods affected by recession, Belarusian residents had no such serious external debt liabilities. The risk of foreign capital flight increases, and so does the risk of withdrawal of FDI.

Should the situation in Russia and Ukraine further deteriorate, some Belarusian residents may delay payments of their foreign liabilities. At the same time, the government will be making efforts to meet all of its obligations associated with the payment and service of foreign debts.

According to our forecasts, Belarus's GDP will decrease by 5% year-on-year in 2015 in comparable prices, whereas inflation will go up by 22–27% (based on the December – to previous December methodology), with the adjusted official forecast remaining between 16% and 20%. Also in 2015, unemployment and underemployment will likely increase, while real wages will continue decreasing (given the current inflation rate). Furthermore, the average wage will also drop in the U.S. dollar equivalent. For its part, the reduction in real incomes will bring about a curtailment of consumer demand and affect credit-related activities by households.

Finally, amid the sharp devaluation of the Belarusian ruble, the debt burden on the country will increase because of the need to repay and service the total external debt and internal liabilities in foreign exchange. As a result, commercial banks may see the share of distressed assets increase in 2015 and require additional funds to create special reserves in order to cover potential bad debts, which may produce a negative impact on performance and profitability indicators.

## **LABOR MARKET: A 'HOSTAGE' OF LOW PROFITABILITY**

**Uladzimir Valetka**

### **Summary**

In 2014, the natural population decline was further reduced in Belarus, and the total population increased, primarily due to an increase in net migration rate. However, in the medium term, there are no prerequisites for labor productivity to increase, the main reason being the country's ineffective manufacturing sector and persistent structural problems in the labor market.

The potential for creating new productive jobs remains low in the context of the ineffective labor market. Because external markets narrow and ineffectiveness of production accumulates, efforts to cut labor costs alone without restructuring moves are not enough to boost competitiveness. Social security agencies are designed to operate in a full employment model, which hampers the development of a dynamic labor market that is necessary to increase the competitiveness of the national economy.

### **Trends:**

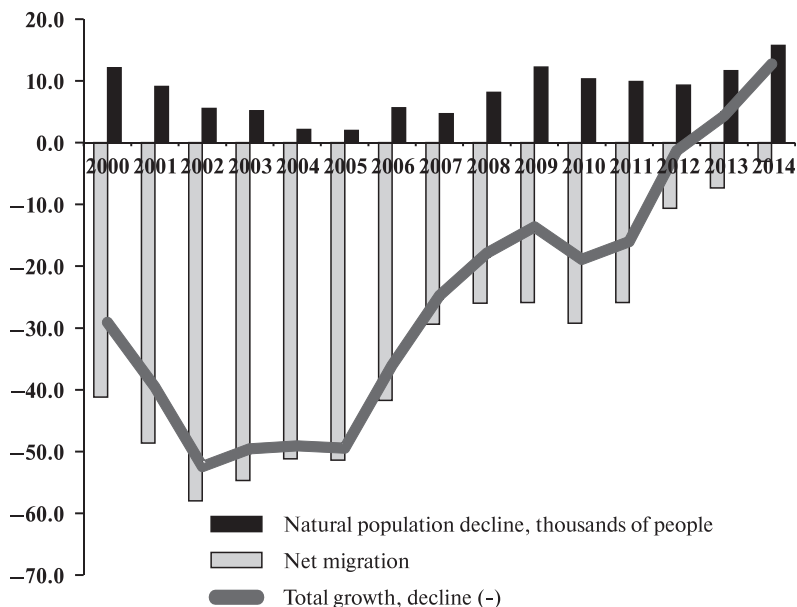
- Reduction in workforce and ageing of the employed population;
- Slower creation of new jobs;
- High labor turnover and 'brain drain' that impede productivity growth;
- Failure of social security agencies to meet labor market requirements;
- Limitations on wage increases, which are nevertheless insufficient to increase competitiveness.

### **Demography**

In 2014, the natural population decline declined by 59% from the level reported for 2013 to 3,000 people (Figure 1). Due to the increase in the net migration rate, Belarus's population reached 9,480,900 people at the end of 2014, up from 9,468,200 at the start of the year. Net migration amounted to 15,700 people in 2014, including 13,900 people from the CIS (89%). Last year's increase was for the most part due to migrants coming from Ukraine.

Despite the registered net migration, population decreased in four out of six Belarusian regions, and only the Brest Region and the city of Minsk reported increases in population. The capital city saw its population increase by 16,600 people, slightly more than in 2013.

**Figure 1. Components of change in the number of population in 2000–2014, thousands of people**



In 2014, 118,500 babies were born in Belarus. Despite the fact that since 2013, child care allowances provided to families with children younger than *three* years of age have been pegged to the average wage of one parent (which resulted in a substantial increase in expenditures of the Social Security Fund) the birth rate increased only by 0.5% year-on-year, much slower than in previous years (1.8% in 2013 and 6.2% in 2012).

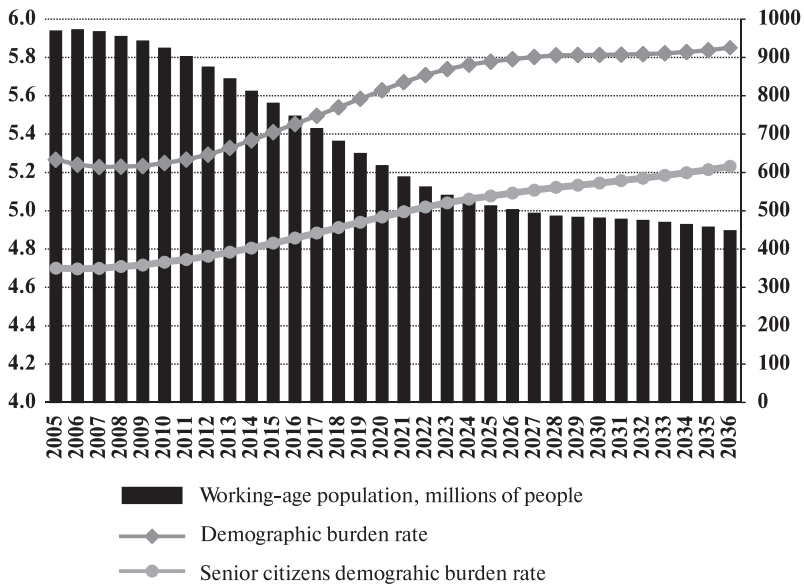
On 1 January 2015, the five-year *Big Family* project was kicked off in Belarus – the initiative is financed from the increase in the income tax rate from 12% to 13%.<sup>1</sup> As part of the program, USD 10,000 will be credited to a deposit account of a family, where a third and subsequent child is born; however, the money can only be used once the child turns 18.

<sup>1</sup> “«Большая семья» обернётся большим разводом белорусов на деньги.” *Naviny.by*. 7 Oct. 2014. Web. 30 Apr. 2015. <[http://naviny.by/rubrics/economic/2014/09/07/ic\\_articles\\_113\\_186607/](http://naviny.by/rubrics/economic/2014/09/07/ic_articles_113_186607/)>.

The number of marriages dropped by 3.7% year-on-year in 2014, and the number of divorces decreased by 3.4%. The ratio of marriages to divorces reached 1,000 to 415, which compares to 1,000 to 414 in 2013.<sup>2</sup>

In 2014, all of the objectives of the *Demographic Safety Program for 2011–2015* were achieved. However, Belarus's workforce has been falling (Figure 2) — by 63,000 people in 2014 (following the decrease by 64,000 people in 2013).

**Figure 2. Working-age population (forecast from 2016) and demographic burden rates (per 1,000 working-age population)**



The gradual reduction in the working-age population is due to demographic factors, which were analyzed in detail in previous Belarus Yearbook issues.<sup>3</sup> According to forecasts, Belarus

<sup>2</sup> “Demography. Current Data.” *National Statistics Committee of the Republic of Belarus*. Web. 30 Apr. 2015. <[http://belstat.gov.by/en/ofitsialnaya-statistika/otrasli-statistiki/naselenie/demografiya\\_2/current-data/](http://belstat.gov.by/en/ofitsialnaya-statistika/otrasli-statistiki/naselenie/demografiya_2/current-data/)>.

<sup>3</sup> “Belarusian Yearbook.” *Nashe mnenie*. Web. 30 Apr. 2015. <<http://nmnb.by/ru/yearbook/2013/en/index.html>>.



will have 4,895,400 working-age citizens by 2036, or 51.9% of the total population (the share was at 58.6% in early 2015). The increase in the proportion of people younger than the working age will end in 2023.<sup>4</sup>

Therefore, despite certain progress in the country's demographic policy in 2014, during the next *two decades*, the share of working-age population will be decreasing amid the growing share of the population older than the working age (according to current standards, 60 years for men and 55 years for women).

### Employment and unemployment

While demographic parameters of economic growth are very important, the above results of the country's demographic policy are extensive and require long-term investments as soon as possible<sup>5</sup>, although they do not guarantee an increase in the intensity of available and future labor resources. Labor market institutions must create preconditions for increases in productivity, primarily through promoting the quality of human capital.

At the same time, statistics show that the Belarusian economic institutions fail to make full use of available labor resources. This is evidenced by the situation in foreign economies. According to available data, the Eurasian Economic Union (EEU) countries have similar levels of economic activity and unemployment. At the same time, according to ILO estimates, Belarus's labor market utilizes less capacity than Kazakhstan and Russia<sup>6</sup>, because unemployment falls slower in Belarus than in its EEU partners (Figure 3).

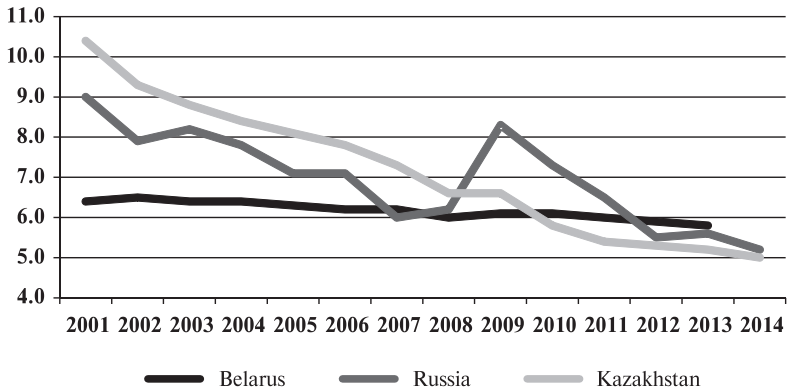
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<sup>4</sup> “Демографический ежегодник Республики Беларусь, 2014 год.” *Национальный статистический комитет Республики Беларусь*. 1 Aug. 2014. Web. 30 Apr. 2015. <[http://www.belstat.gov.by/bgd/public\\_compilation/index\\_474/](http://www.belstat.gov.by/bgd/public_compilation/index_474/)>.

<sup>5</sup> Since 2013, the increase in childcare allowances for families with children younger than *three years of age* resulted in additional annual spending estimated at 0.5% of GDP.

<sup>6</sup> The EEU countries study various age groups: 15–72 years in Russia, 15–74 years in Belarus, and 15 years and older in Kazakhstan. The age groups depend on the age of employed citizens based upon census returns, which partially accounts for the differences between labor market indications.

**Figure 3. Unemployment in Belarus, Russia and Kazakhstan, % of total workforce<sup>7</sup>**



*Source:* Author's calculations based upon data for 2001–2013, see <http://data.worldbank.org/indicator/SL.UEM.TOTL.ZS>; for 2014 – sample surveys of population concerning employment issues.

The balance of labor resources in Belarus also suggests that the economy mostly suffers from inefficient employment and poor quality of resources, rather than quantitative limitations of labor supply (Table 1). In 2014, the number of employed citizens edged down by 1.3% year-on-year, or by 59,000 people, to 4,486,700 people. The unemployment level remains unchanged, though – because of the concentration of resources in the public sector, including credit resources, the private sector is chronically short of resources to create new jobs.

Although formally the share of workforce employed in the private sector increased – to 58% in 2014 from 54% in 2010 and 56.5% in 2013<sup>8</sup> – this happens due to the growing number of employees of private companies with state interests – to 26.1% in 2014 from 20.3% in 2010 and 25.5% in 2013. This corresponds to the increase in state assets. According to the State Property

<sup>7</sup> Estimates by the International Labor Organization (ILO).

<sup>8</sup> “Распределение численности занятого населения по формам собственности.” *Национальный статистический комитет Республики Беларусь*. 19 Feb. 2014. Web. 30 Apr. 2015. <<http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/naselenie/trud/godovye-dannye/raspreделение-chislenosti-zanyatogo-naseleniya-po-formam-sobstvennosti1/>>.

Committee, the state supported 111 open joint-stock companies of ‘republican ownership’ in 2011, whereas in 2013, there were 279 such companies. In exchange for support, BYR 2.3 trillion worth of shares were transferred to the state in 2014 alone (5.5% of the total trading at the stock exchange).

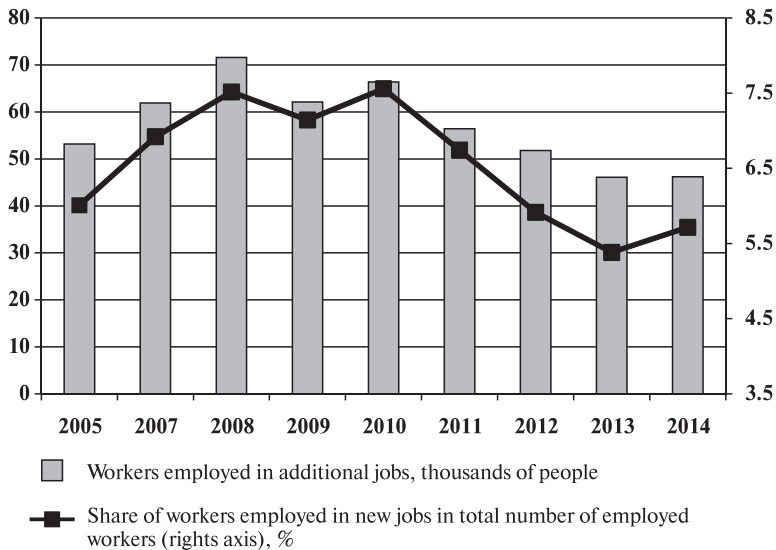
**Table 1. Balance of labor resources in Belarus, 2012–2013**

Indicator	2012		2013	
	thousands of people	%	thousands of people	%
Workforce, <i>total</i>	6,030.4	100.0	5,989.10	100.0
<i>Including:</i>				
– employed population	4,577.1	75.9	4,545.6	75.9
– other working-age population, <i>including:</i>	1,452.9	24.1	1,443.5	24.1
unemployed, registered at labor, employment and social security agencies	28.5	0.5	23.4	0.4
persons without work who actively seek work and are ready to start working (unemployed defined by the ILO)	211.1	3.5	212.2	3.5
persons on maternity or childcare leave (for children younger than <i>three</i> years of age)	272.5	4.5	297.3	5.0
persons receiving training at educational institutions who do not combine studies with work	497.4	8.2	457.7	7.6
persons entitled to allowance to care for a disabled child, disabled person of group I or a person older than 80 years of age	58.3	1.0	59.1	1.0
persons staying at correctional and detention facilities	16.2	0.3	14.6	0.2
citizens of the Republic of Belarus working abroad	55.4	0.9	63.4	1.1
homemakers	130.8	2.2	123.6	2.1
persons who believe that there is no possibility for them to find employment	42.0	0.7	37.1	0.6
persons who do not need or want to work	30.2	0.5	29.7	0.5
other	110.5	1.8	125.4	2.1

*Source:* Author’s calculations based upon labor balance data.

Amid high labor turnover, new jobs are created very slowly. In 2014, only 690 workers were employed or transferred to newly created high-performance jobs that appeared as a result of investment projects (290 workers were transferred). However, these new jobs are naturally created in specific industries and locations – 84% of newly employed workers found jobs in the Homiel Region, and 47% of them were employed in the metals industry. Overall, fewer new jobs were created in 2014 than in previous years (Figure 4), which implies that economic modernization has slowed.

**Figure 4. Employment to new jobs**



*Source:* Author's calculations

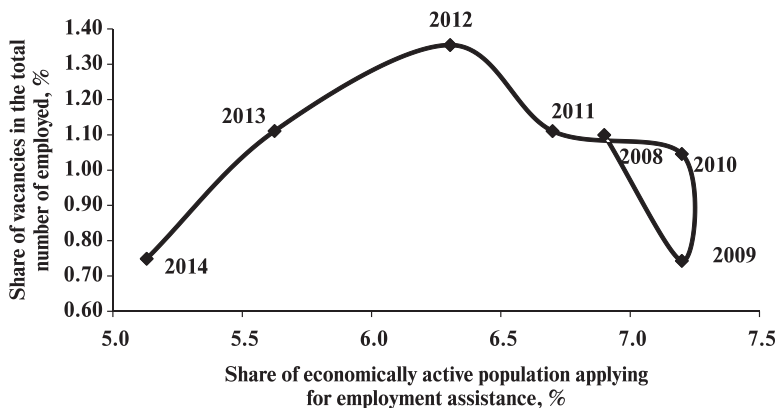
Transfer of workforce to new jobs in sectors with higher productivity is a very slow process, whereas labor turnover remains quite high (in 2014, labor turnover ratio exceeded 53%). Transfer of workforce is largely motivated by distorted stimuli (search for less tense working environment, especially in the public sector, where there is hardly any pay differentials). High labor turnover can also be attributed to seasonal workforce flows, which is also characteristic of the public sector.

There are reasons to believe that labor migrants account for a substantial portion of active workers with high productivity. Labor migration reduces supply in the domestic labor market; therefore, the number of applications to job centers for employment assistance decreases faster than the number of vacancies grows.<sup>9</sup>

In 2013, 257,000 people applied for employment assistance, down by 11.5% year-on-year, and in 2014, 231,100 people sought employment assistance. In 2013, job centers helped 182,100 citizens (including 121,000 jobless persons) to find employment, and in 2014, respective figures dropped to 159,600 and 108,600.

In 2014, the so-called Beveridge curve indicated a change from the negative slope (more vacancies – less employment) to the positive slope and dropped to the pre-crisis job vacancy level observed in 2009 (Figure 5). Last year's job vacancy gap with the trend recorded in 2010–2012 reached approximately 65%, i. e. the national labor market provided only a third of expected employment – 33,600 vacancies instead of 95,000 (2.1% out of 4,569,000 economically active persons).

**Figure 5. Beveridge curve for Belarus's labor market, 2008–2014**



Source: Author's calculations

<sup>9</sup> As of 1 January 2014, job centers had information about 50,500 vacancies (down by 18.5% from 2012); as of 1 January 2015, there were 33,600 available jobs.

Official unemployment remains quite low. As of the end of 2014, there were 24,200 unemployed Belarusians, 0.5% of the country's workforce (which compares to 20,900 jobless citizens at the end of 2013). As of 1 January 2015, males accounted for more than half of all unemployed citizens (62.4%, up from 59.4% on 1 January 2014), and young people aged from 16 to 29 accounted for 30.1% (down from 34.6% at the start of 2014). The share of the unemployed with higher education remained at 11%.<sup>10</sup>

The consequences of economic problems and the campaign to detect 'social parasites' showed their first results at the very start of 2015 – by late January, the number of jobless Belarusians had increased to 30,700 people, an increase by 35% from late January 2014 and by 26.8% from late December 2014. Official unemployment rate increased to 0.7% of Belarus's workforce at the end of January 2015.

In January 2015, the average unemployment allowance stood at BYR 182,400 (2.4% of the average wage, or 12.8% of the minimum subsistence wage per capita). Low allowances are the main reason why employers do not regard job centers as an institution capable of offering high quality workforce and facilitate restructuring of the national economy.

Therefore, labor market institutions traditionally perform the functions of maintaining and equalizing incomes, rather than encouraging highly productive employment and economic restructuring. As a result, Belarus remains in a trap of equal incomes, as efforts to increase wages have no desired results (preservation of workforce capacity), because of the ousting factor – relatively lower return on human capital. Migration slows productivity increases and GDP growth because of 'brain drain.' Narrow wage differentials minimize medium- and long-term contributions to future productivity and economic growth in the public sector (most of all education and healthcare).

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<sup>10</sup> “Рынок труда в Республике Беларусь за январь-декабрь 2014 г.” *Министерство труда и социальной защиты Республики Беларусь*. Web 30 Apr. 2015. <<http://mintrud.gov.by/activity/sostojanie/>>.

## Ineffective labor market as a threat to economic competitiveness

A stable but ineffective labor market always produces a negative impact on an economy. It is no coincidence that return on investments has been decreasing in Belarus for a decade now.<sup>11</sup> Reverse incremental capital-output ratio (ICOR) dropped from 0.45% in 2004 to 0.03% in 2013 (less than 0.2% on average in 2005–2013, and ‘increased’ to 0.04% in 2014). This can largely be attributed to the characteristics of the country’s uncompetitive capital market, which determines sector-wise investment structure (dominance of the state banking sector; weak securities market; redistribution of investments via state programs, specifically preferential home lending, only ensures long-term return on capital, which ‘freezes’ capital). As long as the government fails to apply market mechanisms to the selection of projects when approving state programs, the country will face a situation where additional investments will be required to produce an additional value added unit.

A recent study<sup>12</sup> has showed that other reasons have remained decisive for the past *decade*. The low return on capital is attributable to the established market hierarchy, which reflects the current economic policy – the capital market is ‘subordinate’ to the labor market<sup>13</sup>, which is not dynamic enough for capital to effectively flow to sectors generating higher value added.

The distorted market logic leads to a series of structural problems. The lenient fiscal policy, which is justified by fears of

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<sup>11</sup> Naŭrodski, Serzh and Valetka, Uladzimir. “Securities market in Belarus – still undisclosed potential.” *Baltic Rim Economies* 1 (2014): 21. Print.

<sup>12</sup> Акулич, Владимир, Владимир Валетко, and Серж Навродский. “Рынки труда и капитала в Беларуси: равный статус для долгосрочного роста.” *CASE Belarus*. 1 Feb. 2015. Web. 30 Apr. 2015. <[http://case-belarus.eu/wp-content/uploads/2015/04/FINAL-Belarus-Capital-and-LM\\_2015.pdf](http://case-belarus.eu/wp-content/uploads/2015/04/FINAL-Belarus-Capital-and-LM_2015.pdf)>. The econometric analysis conducted as part of the study confirms that the dominance of the labor market manifested in a non-market pegging of investments to the existing employment patterns affects economic growth. The state modernization programs have essentially been an instrument to meet wage increase targets.

<sup>13</sup> Apparently, it is all about the source of accumulated economic disproportions, because in a market economy, demand for labor is a derivative of demand for finished products, which generates demand for capital.

dismissals and unemployment, slows the restructuring process. Privatization only changes the legal form of state enterprises without creating new property rights or encouraging effective corporate governance. State companies and industry institutions lobby channels of noncompetitive privileged access to capital. This practice cements the dominance of state banks as chief players of the financial market and source of investments and results in high capital costs for private companies. In exchange for access to capital state enterprises and industry institutions agree to maintain excess employment and administrative wage targeting, which distorts functional distribution of incomes – the share of labor incomes in GDP is growing despite external market contractions.

All other conditions being equal, the relative increase in wage rates implies that people generating income from selling their labor will have larger amounts of incomes than capital owners. This discourages investment in the economy, which further slows the introduction of new solutions and modernization of work sites that are required for productivity gain. Further growth in wages and savings will be volatile as long as productivity remains unchanged, and accumulations will be growing faster than savings (a resource gap), which leads to an expansion in foreign debt and balance of payment deficit.

The said factors create a new institutional trap: lower return on investments discourages investors' demand for effective financial institutions and creates preconditions for capital outflows. This might slow the diversification of the national economy and increase imbalances. Therefore, more effective labor and capital markets are required for Belarus to achieve sustainable growth. This challenge should be high on the agenda for complex structural reforms aimed to improve the allocation of resources.

Because of excessive employment and the fact that wage targeting has gained momentum, unit labor costs in Belarus appear to be higher than elsewhere in the Eurasian Economic Community. The same applies to labor taxes (transfers of portions of wages to the Social Security Fund). Now that the Belarusian economy is faced with a new challenge of narrowed external markets (especially in Russia), the country will have



to tackle ‘internal devaluation’. In the second half of 2012, certain features of this devaluation became apparent: wage growth slowed, underemployment went up, and the number of workers made redundant *doubled*. In 2014, the trend further enhanced: real disposable incomes of the population went up by only 0.1% year-on-year, and real wages increased by 0.3%. Despite the reduction in nominal unit labor costs (ULC)<sup>14</sup> deflated by the GDP deflator in January–September 2014, the slower increase in wages renders efforts to recover the competitiveness of the national economy ineffective. Similar conclusions can be drawn about ULC deflated by value added – a reduction in unit costs could only be observed in the third quarter of 2014 (during the previous 15 quarters – from the fourth quarter of 2010 to the second quarter of 2014 – unit costs decreased only in the third quarter of 2013).

A positive result of this trend is that the inflation pressure of wages decreased in 2014, despite the fact that in the fourth quarter of 2014, ULC growth resumed. Deseasonalized change in ULC remained in positive territory (Figure 6), which correlates with the downward nominal wage rigidity in the Eurozone.

Analysis of real ULC (RULC) conducted in the process of calculating real wages (deflated by the GDP deflator) shows that deseasonalized RULC change remained in negative territory during the last *three* quarters of 2014. To forecast the possible impact of RULC reduction on the profitability of export, changes in real wages based upon CPI should be assessed (CPI better accounts for the increase in prices of traded products than the GDP deflator). According to our calculations (Figure 7), in

<sup>14</sup> Nominal unit labor costs are calculated the following way: nominal wage per worker is divided by real productivity deflated by the GDP deflator or value added expressed in real terms using the GDP deflator (workforce is not indicated, because it is assumed to be equal in the numerator and denominator):

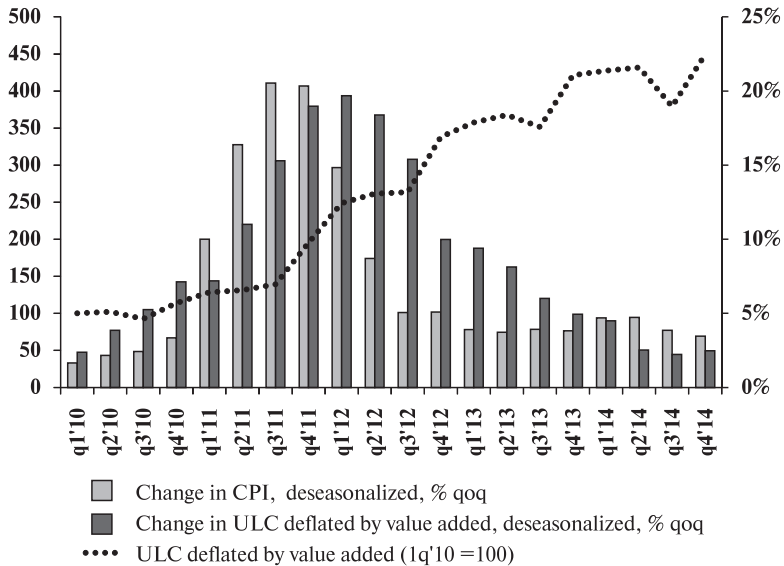
$$NULC_{gdp} = \frac{nCoE}{rGDP}; NULC_{va} = \frac{nCoE}{rVA} \quad (1).$$

To calculate real unit labor costs, real labor costs are divided by real productivity deflated by the GDP deflator or value added expressed in real terms using the GDP deflator or CPI:

$$RULC_{gdp} = \frac{rCoE}{rGDP}; RULC_{va} = \frac{rCoE}{rVA} \quad (2).$$

2014, RULC did decrease in 2014 if real wages are calculated based upon CPI, albeit moderately.

**Figure 6. Change in value-added and CPI ULC (left scale), % quarter-on-quarter**

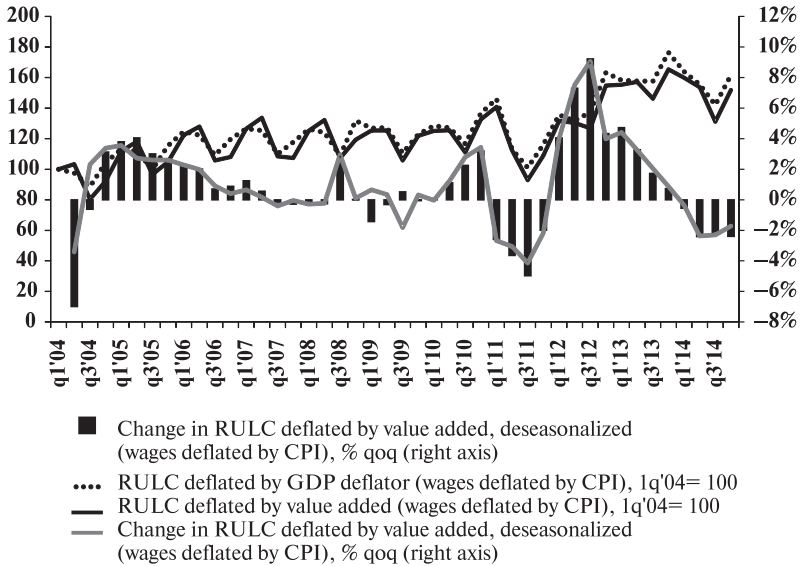


Source: Author's calculations

In these context, it becomes a real challenge to maintain the competitiveness of the Belarusian economy even at the level of the other EEU member-states – its labor market is less flexible and has less capacity to adapt to the recession than the labor markets of the EEU partners – ULC decrease slower (Figure 8), whereas changes in ULC in U.S. dollar terms (Figure 9) make it increasingly harder to maintain the volume of export. In 2014, as in 2009, unit labor costs were falling faster in Russia and Kazakhstan.

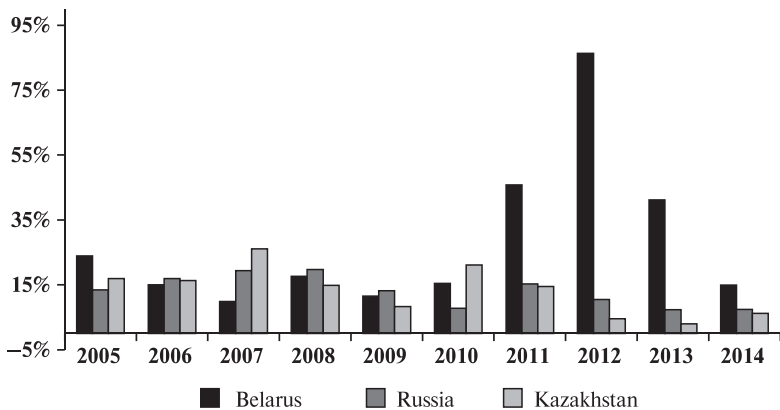
The problem of the country's competitiveness is determined by the overall efficiency level and high material consumption of Belarusian production facilities. Organizations manufacturing machines and equipment account for the biggest portion

**Figure 7. Dynamics (right scale) and change (left scale) of GDP and value-added RULC (real wages deflated by CPI), % quarter-on-quarter**



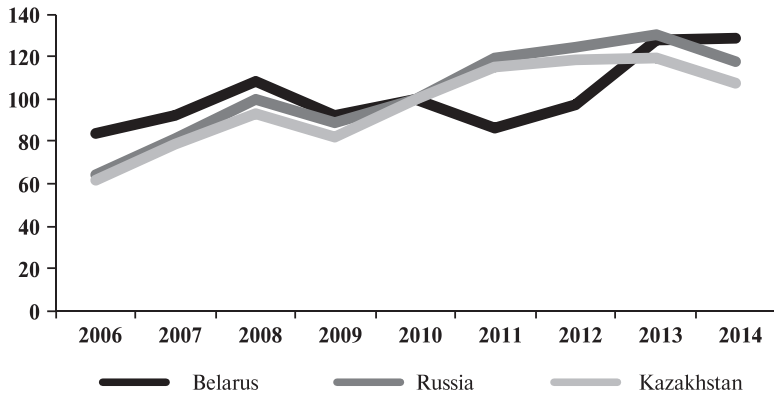
Source: Author's calculations

**Figure 8. NULC growth in the EEU, % of the previous period**



Source: Author's calculations

**Figure 9. NULC in the EEU economies in U.S. dollar terms, 2010 = 100**



*Source:* Author's calculations

of unsold inventories (23.3%). In 2013, the share of wage costs and transfers in production of machines and equipment accounted for 23% of total costs, compared to 16.7% for the entire industrial sector. As a result, in order to apply exclusively internal devaluation instruments and produce the same impact on the economy as a 10% ruble devaluation, wages (or employment) in organizations making machines and equipment need to be reduced by 40%. In conditions of high import consumption of Belarusian production facilities, devaluation of the national currency leads to simultaneous 'inflation import' – 1% devaluation brings about an increase in inflation rate by approximately 0.4 of a percentage point, which in the new production cycle automatically 'neutralizes' 25% to 30% of the decrease in export prices denominated in foreign exchange. Therefore, increasing competitiveness appears to be an impossible task without putting in place fundamental structural reforms.

The current scope and overall capacity of internal devaluation in Belarus are insufficient for restoring the competitiveness of the Belarusian economy. In order to balance the reduction in purchasing power and prevent significant decreases in medium term growth, 'internal devaluation' is a useless policy, unless ad-

ditional steps are taken to restructure enterprises and introduce structural reforms.<sup>15</sup>

## Conclusion

The persistent structural problems in the labor market make it impossible to rely on human capital for a larger contribution to economic growth in the medium term. Decades of wage targeting policy have brought about increases in labor costs and slowed the creation of new highly productive jobs. The habit of living beyond means and distributing investments behind closed doors is hard to kick fast. Anyway, the capacity of internal devaluation without restructuring of enterprises and introducing structural reforms will not suffice to restore the competitiveness of the national economy. To maintain competitiveness, a dynamic labor market is required with corresponding social security institutions; however, this is something that Belarus does not have.

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<sup>15</sup> Акулич, Владимир, Владимир Валетко, and Серж Навродский. “Рынки труда и капитала в Беларуси: равный статус для долгосрочного роста.” *CASE Belarus*. 1 Feb. 2015. Web. 30 Apr. 2015. <[http://case-belarus.eu/wp-content/uploads/2015/04/FINAL-Belarus-Capital-and-LM\\_2015.pdf](http://case-belarus.eu/wp-content/uploads/2015/04/FINAL-Belarus-Capital-and-LM_2015.pdf)>.

## ENERGY SECTOR: LOCAL OIL-PROCESSING CRISIS

**Aliaksandr Autushka-Sikorski**

### Summary

The Belarusian oil sector encountered more challenges last year than in 2013, despite higher average performance indicators. A group of factors – including the fall in world oil prices, tax maneuver in the Russian oil sector, and the depreciation of the Russian ruble – affected the overall amount of the oil rent enjoyed by Belarus. In that context, the future of the oil-processing industry remained vague. At the same time, supplies of Russian natural gas became more lucrative for Belarus in 2014, because prices dropped in U. S. dollar terms. In 2014, Belarus started making efforts to phase down cross-subsidies in the electricity sector; however, fees were cut only for a few selected sectors, and the process of eliminating cross-subsidies turned out to be much slower than originally planned.

### Trends:

- Significantly worse conditions in the oil sector following global price reductions and Russia's tax maneuver;
- Slight improvement in the terms of Russian natural gas supplies;
- Commencement of campaign to do away with cross-subsidies in the Belarusian economy.

### Oil and oil products

In 2014, Belarus managed to improve average performance indicators in its oil-processing sector and trade in oil and oil products. The country imported 22.2 million tons of crude oil, an increase by 6.5% from 2013.<sup>1</sup> Average contract prices amounted USD 339 per ton, down by 14% from 2013. Belarus also imported approximately 104,000 tons of crude oil from Kazakhstan for the first time ever. Export of Belarusian crude

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<sup>1</sup> “Внешняя торговля. Годовые данные.” *Национальный статистический комитет*. Web. 4 Apr. 2015. <[http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya\\_2/osnovnye-pokazateli-za-period-s-\\_\\_-po-\\_\\_\\_\\_gody\\_10/](http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__-po-____gody_10/)>.

oil edged down by 0.1% year-on-year in 2014 to 1.617 million tons, with the average export price of USD 695.1 per ton, down by 9.3%. Most of Belarusian crude – about 1,800 tons – was produced at the Rečica oil shale deposit.<sup>2</sup> Export of oil products reached 13.8 million tons, an increase by 1.6% from 2013, of which 5.5 million tons were exported to Russia and Ukraine, up by 21.4% year-on-year. Export to foreign countries beyond the CIS amounted to 8.3 million tons, which represents a decrease by 8.4% from the level recorded in 2013.<sup>3</sup>

In 2014, the Council of Ministers of the Union State resolved that the quarterly pattern of Russian crude oil supplies to Belarus would be extended throughout 2015. According to the new agreement, oil deliveries to Belarus will depend on quarterly balances of supplies of Belarusian gasoline back to the Russian market – a total of 1.8 million tons in 2015. If Belarus fails to supply the required volumes of gasoline, the ratio of the shortage to the required quarterly amount will be multiplied by 5 and the resulting multiplier will be used to calculate a reduction in Russian deliveries during the following quarter. This year's schedule of supplies remains unchanged from 2014: 23 million tons of oil will be provided in 2015, of them 22 million tons by pipeline.

In 2014, Belarus continued using unauthorized export schemes (much like the notorious solvents/diluents scheme back in 2012) to avoid payments of export duties by way of reporting foreign supplies as if they were some commodities that are not subject to export duties. Russia grew suspicious because of the hikes in the Belarusian export of bitumen, because the country exported more bitumen in January–August 2014 – 658,300 tons – than it produced during the twelve months of the year.<sup>4</sup> Russia's losses caused by the new “bitumen” scheme

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<sup>2</sup> Since October 2014, oil production at that deposit has amounted to 20 tons per day; reserves are estimated at 700,000 tons.

<sup>3</sup> “Беларусь в 2014 году увеличила импорт нефти на 5.9% до 22.5 млн т.” *БелТА*. 27 Feb. 2015. Web. 4 Apr. 2015. <[http://www.belta.by/ru/all\\_news/economics/Belarus-v-2014-godu-uvlechila-import-nefti-na-59-do-225-mln-t\\_i\\_696896.html](http://www.belta.by/ru/all_news/economics/Belarus-v-2014-godu-uvlechila-import-nefti-na-59-do-225-mln-t_i_696896.html)>.

<sup>4</sup> “Россия может начать расследование в связи с экспортом Беларусью битума.” *БелАПАН*. 24.10.2014. Web. 4 Apr. 2015. <<http://belapan.by/archive/2014/10/24/735724/>>.

are estimated between USD 10 million and USD 145 million (the large spread of estimates is due to the fact that experts are not certain which products were exported under the label of “bitumen mixtures”). In October 2014, a Belarusian–Russian interdepartmental working group was put together to probe into Belarusian bitumen supplies, but the investigation will hardly have any tangible results. Anyway, the fact that Russia allowed Belarus to keep all export duties in its budget makes further debate about the use of unauthorized trade schemes irrelevant.

In August 2014, the Naftan and Mozyr NPS oil refineries were suspended for routine maintenance. The original plan was for the two refineries to have maintenance one after the other; however, the Mazyr-based refinery decided to suspend operations ahead of the schedule, which caused concerns about the country’s ability to meet its obligations to supply oil products. In early August, Belarusian Oil Company sent a notice to its Ukrainian partners to inform them that only 20% to 30% of their seasonal requirement for oil products would be met (slightly more than 1.5 million tons); however, during a conversation with his Ukrainian counterpart Petro Poroshenko on 4 August, President Lukashenka said that Belarus was ready to meet its commitments and supply the required amounts of oil products to Ukraine by way of re-exporting oil products from the Gdansk and Mažeikių oil refineries.

Despite our forecast, hostilities in the southeast of Ukraine did not result in a fiercer competition for Belarusian producers in the Ukrainian market for oil products.<sup>5</sup> We had expected a tougher competition following the anticipated launch of the Rosneft-owned Lisichansk refinery (the Russian company has an extended sales network in Ukraine). On 31 August, the Lisichansk refinery was damaged as a result of an artillery bombardment, which caused a fire, and the refinery had to be suspended for repairs.

Despite the initial implementation of plans to increase the productivity and profitability of the Belarusian oil refineries, the situation with oil prices and regulatory policies in foreign

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<sup>5</sup> Autushka-Sikorski, Aliaksandr. “Energy Sector: Putting all eggs in one basket.” *Belarus Yearbook 2013*. Vilnius: Lohvinov, 2014. 241–249. Print.



markets – primarily in Russia – pose serious risks to the Belarusian oil-processing sector. These risks are associated with the lower profitability of oil processing and lack of strategies to effectively address the risks in the medium term.

These risks are mostly caused by the so-called tax maneuver in the Russian oil exploration and production sector, which envisages a reduction in oil export duties all the way to the level currently effective in Kazakhstan (to USD 80 per ton from USD 385) and simultaneous increase in the mineral extraction tax.<sup>6</sup> The maneuver results in an increase in the price of crude oil delivered to the Belarusian oil refineries (by approximately USD 100 per ton), which cannot be compensated by the drop in world crude oil prices, because prices for oil products also fall. At the same time, the maneuver dramatically reduces the amount of export duties on crude oil that Belarus is allowed to keep in its own budget – to USD 500 million from USD 1.5 billion.

The bill on the tax maneuver passed its first reading in the Russian State Duma in November 2014 and was slammed by the Belarusian administration, which said that the bill ran counter to the principles of the Customs Union and the Eurasian Economic Union. The Belarusian side eventually managed to get compensation: according to bilateral arrangements, in 2015, Belarus is entitled to keep the entire amount of export duties on oil and oil products in its budget. Rules for distributing export duties in 2016 will be discussed later this year.

Although Belarus managed to make up for at least some of the losses caused by the tax maneuver in the Russian oil sector, budget revenues formed by export duties on crude and refined oil will decline this year because of the global oil price drop. The originally planned amount of revenues – USD 2.5 billion – would have been possible if oil prices had remained at or above USD 100 per barrel. However, based on current oil price forecasts, revenues will be at least 30% lower than the target in 2015, and the profitability of oil processing will plunge by up to USD 20 per ton. Lower budget revenues generated by oil export duties may thwart the modernization plans of the Belarusian oil

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<sup>6</sup> From RUB 530 per ton to RUB 775 per ton in 2015, and to RUB 856 and RUB 918 in 2016 and 2017, respectively.

refineries and the country's capability to service the external debt: of the said USD 2.5 billion, USD 1 billion was expected to be spent on foreign debt, and the remaining USD 1.5 billion was expected to be invested in modernization.

The current situation in the oil market and the business environment in Belarus generate serious difficulties for the oil-processing sector of the country.

*Firstly*, the profitability of the two oil refineries is affected by cross-subsidies, because the oil refineries supply raw materials to Belarusian oil and chemical companies at domestic prices, which are significantly lower than world prices.

*Secondly*, the lower profitability of oil processing may lead Belarus into a "development trap": insufficient profits make it hard to service previous loans originally taken to complete modernization projects, and without modernization efforts the refineries are incapable of increasing profitability by way of producing additional commodities with higher added value.

*Thirdly*, the profitability of companies is seriously affected by the current excise policy; however, lower excise rates on fuel and oil products would produce a negative impact on budget revenues.

The scheme of quarterly supplies of Russian crude oil and firm peg of the volume of deliveries to supplies of gasoline back to the Russian market in 2015 will cut revenues from export of Belarusian oil products: the depreciation of the Russian ruble cheapens Belarusian export, while there is no possibility for Belarus to channel its oil products to European markets. The reduction in world oil prices and Russia's tax maneuver cause additional problems by further reducing the profitability of the Belarusian oil-processing sector.

As for modernization of the Belarusian oil-processing industry, Belarus did not manage to sell the state interest in Mozyr NPZ, which was put up for sale in early 2014. Russian oil majors were eyed as the likeliest buyers, but they were not interested in the Belarusian assets, citing specific purchase terms. The Belarusian side said Mozyr NPZ was worth USD 4 billion, but additional terms applied: the future buyer is supposed to invest USD 400 million in modernization, build a new refinery cluster for up to USD 1.2 billion, double processing volume to 20 million tons

a year, and make no staff reductions. Therefore, the sale of the state shareholding in the refinery has been postponed indefinitely.

## Natural gas

In 2014, Belarus imported 20.05 billion cubic meters of natural gas, down by 1% from 2013. The average annual gas price amounted to USD 170 per 1,000 cubic meters, an increase by 2.6% from 2013.<sup>7</sup> Belarus paid a total of USD 3.4 billion for natural gas in 2014, 1.6% more than in 2013. Nevertheless, Belarus still enjoys the lowest natural gas price among all foreign consumers of Russian natural gas – In 2014, Lithuania paid USD 474 per 1,000 cubic meters of gas, and the price on the German border averaged USD 371 per 1,000 cubic meters.

On 17 September 2014, Belarus and Russia signed an agreement on transit of Russian natural gas through Belarus for 2015–2017. The contract provides for the same terms of gas supplies to Belarus as those stipulated by the previous contract: Belarus will import approximately 22 billion cubic meters of natural gas annually, and the maximum import volume may reach 24 billion cubic meters. Furthermore, gas prices for Belarus remain at the level effective for the Yamalo-Nenets Autonomous District of the Russian Federation, which means the average annual gas price for Belarusian consumers has been de facto reduced to USD 155 per 1,000 cubic meters from USD 168 because of the depreciation of the Russian ruble.

In April 2014, the Russian government decided to postpone the change to the so-called “equal-profit” prices for internal consumers, including Belarus. Russia had planned to change to “equal-profit” prices starting 2015, but the transit period was extended by two years to early 2017. The introduction of the new price-formation procedure would have meant a hike in natural gas prices for domestic consumers to the average export price, which in 2014 amounted to approximately USD 360 per 1,000 cubic meters, and a corresponding increase in fees for Belarus.

<sup>7</sup> “Внешняя торговля. Годовые данные.” *Национальный статистический комитет*. Web. 4 Apr. 2015. <[http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya\\_2/osnovnye-pokazateli-za-period-s-\\_\\_-po-\\_\\_\\_gody\\_10/](http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__-po-___gody_10/)>.

## Electricity and tariff policy

In 2014, the Belarusian government began a campaign to phase out cross-subsidies, although the original plan to completely do away with cross-subsidies was never implemented. On 1 January 2014, the natural gas fee for companies and entrepreneurs was reduced by USD 7.25, and for industrial companies, by USD 10. Electricity fees were also reduced for major manufacturers – by USD 0.005 per kWh, whereas chemical companies had their electricity fees cut by USD 0.035 per kWh. At the same time, thermal energy fees for chemical and plastics companies were reduced by 15.8%. In order to reduce the energy intensity of GDP, a mark-up factor was introduced to increase gas and electricity fees consumed in excess of the standard amount by companies with state interests of 50% and more. The minimum mark-up factor was set at 2; it was first applied in February 2014.

In 2014, gas and electricity fees for households were raised four times in accordance with rules for indexing tariffs approved by presidential decree No. 550. Under the decree, tariffs are raised proportionally to the increase in personal incomes on 1 March, 1 September, and 1 December as well as on 1 January – by the fixed rate of USD 5 in BYR terms.

Owing to the rise in fees, the total volume of cross subsidies dropped by approximately USD 250 million; however, the reduction in cross-subsidies is taking a lot more time than originally planned. Furthermore, the most significant decrease in electricity fees for industrial producers was available only to a few selected industries. In 2015, efforts to phase down cross-subsidies will be limited by the economic crisis, which affected personal incomes, whereas reductions in cross-subsidies exclusively through cuts in fees for companies without respective increases in fees for households will call for significant subsidies. Even though the campaign for the cancellation of cross-subsidies has been underway for some time now, gas and electricity fees for Belarusian companies remain very high – Russian Smolensk Region-based companies pay USD 130 per 1,000 cubic meters of gas and USD 0.097 per kWh, whereas Belarusian producers pay USD 207 and USD 0.1375, respectively.

**Conclusion**

The profitability of the Belarusian oil-processing sector, which used to generate significant budget revenues, has been affected by Russia's tax maneuver in the oil sector and reduction in world oil prices. The "local crisis" of oil processing has demonstrated the dependence of the Belarusian oil business on global oil prices and terms of crude supplies from Russia. During the next few years, the Belarusian oil-processing industry will call for a serious reform to increase the efficiency and profitability of oil-processing companies. The extension of the previous natural gas contract for Belarus means that the average annual gas price will be de facto reduced in the wake of the depreciation of the Russian ruble, whereas the change to equal-profit gas prices, which would have resulted in hikes in fees, was postponed until 2017. The future of the campaign to do away with cross-subsidies remains vague in 2015 because of the unfolding economic crisis.

## **FOREIGN INVESTMENTS: OLD STRATEGY FOR RAISING CAPITAL REMAINS IN PLACE**

**Maria Akulova**

### **Summary**

In 2014, inflows of foreign investments in Belarus remained insignificant. Privatization was still regarded only as a fiscal instrument, which is why there were no significant privatization transactions.

Foreign loans were the main source of capital. Given the passiveness of investors and discontent of business, the authorities had to postpone decision-making on the bill to enhance the role and control of the state in joint-stock companies.

### **Trends:**

- Foreign capital was raised almost exclusively through foreign loans;
- Privatization took the form of minor sporadic deals;
- State and corporate debt securities were mostly floated domestically.

### **General information**

In 2014, the government had planned to raise some USD 3.5 billion in foreign direct investments (FDI), including USD 2.5 billion from sales of state property and net FDI, and the remaining money from foreign and domestic loans. However, the original target was never reached. FDI totaled USD 1.833 billion<sup>1</sup> in 2014, a decrease by 18% from 2013, when FDI amounted to USD 2.446 billion. Overall, the country raised USD 4.1 billion in foreign investments in 2014, a lot less than in 2013 (USD 7.6 billion.)

Gross external debt expanded by approximately 9.4% in 2014; it stood at USD 39.6 billion as of 1 January 2014 (54.4% of GDP) and went up to USD 40.1 billion 12 months later

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<sup>1</sup> “Платёжный баланс, международная инвестиционная позиция и валовой внешний долг за 2014 год. Предварительные данные.” *Национальный банк Республики Беларусь*. Web. 23 Mar. 2015. <<http://nbrb.by/publications/BalPay/BalPay2014.pdf>>.

(52.8% of GDP). External public debt increased by approximately 5.6% in 2014: as of 1 January 2015, it stood at 17.2% of GDP, whereas the threshold had been set at 25%. In value terms, external public debt went up to USD 13.1 billion from USD 13 billion in 2013.

Belarus had to make most of the payments to service the loan taken as part of the Stand-By Arrangement back in 2009–2010. In 2014, the country paid about USD 1.2 billion to the IMF. Payments under foreign loan agreements totaled USD 4.1 billion in the first three quarters of 2014.

The structure of foreign investments in Belarus in 2014 shows that most of the investments (56.1%) were formed by “other external liabilities,” i. e. borrowings by the government and banks, as well as various commercial loans. FDI accounts for 44.4% of the total, and portfolio investments have a minor share of 0.1%.

### **Foreign direct investments and privatization**

In 2014, the country raised USD 1.833 billion in net FDI, whereas the original target for the year was USD 2.5 billion.<sup>2</sup> The structure of borrowed funds is quite indicative. The government had planned that the money would be raised by the real economy through privatization of state assets managed by various ministries and concerns. However, this way, only USD 81.6 million worth of investments was raised. Most of FDI (USD 1.44 billion) was received by privately-owned companies.

As in previous years, reinvested profits of Belarusian companies became the main source of FDI in the Belarusian economy. In 2014, they amounted to USD 873.6 million (48% of the total). Joint-stock capital contributions reached USD 617.4 million (33.7% of total FDI). Transactions with debt instruments accounted for the remaining 18.6%.

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<sup>2</sup> “Постановление Совета Министров Республики Беларусь 13 января 2014 года № 17 «О показателях прогноза социально-экономического развития Республики Беларусь на 2014 год».” *Министерство финансов Республики Беларусь*. 13. Jan. 2014. Web. 23. Mar. 2015. <[http://www.minfin.gov.by/upload/gosznak/acts/postsm\\_130114\\_17.pdf](http://www.minfin.gov.by/upload/gosznak/acts/postsm_130114_17.pdf)>.

According to *Belstat*, the share of FDI in industry reached 12.2% in 2014.<sup>3</sup> The trend has remained unchanged — a few years ago, industry accounted for 10% of FDI. This level appears to be very low, given that one of the top priority objectives of the national economy is to create new high-technology enterprises and upgrade the manufacturing sector.

When it comes to privatization, the government did not manage to stick to its original plan in 2014. According to *Belstat* data, sales of state-owned shareholdings in joint-stock companies (that constitute more than 10% of respective authorized funds) generated USD 15.8 million in revenues for the state budget. The lack of active efforts to sell state property should be attributed to changes in the government's attitude to privatization.

The most active privatization phase in Belarus was registered in 2008–2011; however, qualitative changes were introduced to the privatization procedure in 2012, and the number of privatization deals dwindled. The reintroduction of preapproved privatization lists and extension in the decision-making procedure for each asset brought the number of transactions with state property almost no nil. Moreover, according to H. Kuzniacou, chairman of the State Property Committee, the lengthy preparation of an asset for privatization discourages investors, which turn to more exciting opportunities beyond Belarus.

Some of the sporadic transactions with state property in 2014 included the sale of the state-owned shareholding in OAO *Belgips* to Russia's *Volma*, which acquired 99.5% in the company for USD 5.27 million. Further, Russia's state-run bank VTB bought the remaining 2.63% in ZAO Bank VTB (Belarus), thus increasing its stake in the Belarus-based subsidiary to 100%. The minority shareholding was worth an estimated USD 2 million. Belarusian-Polish COOO *Conte Spa* acquired the remaining 19.39% in OAO *Brest Hosiery Plant* from the state, paying BYR 39 billion.

Throughout the year, the authorities were making numerous efforts to invigorate the privatization process, but to no avail.

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<sup>3</sup> “Об иностранных инвестициях за 2014 год.” *Национальный статистический комитет Республики Беларусь*. Web. 23. Mar. 2015. <[http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/finansy/operativnaya-informatsiya\\_14/ob-inostrannyh-investitsiyah2/ob-inostrannyh-investitsiyah-za-2014-god/](http://belstat.gov.by/ofitsialnaya-statistika/otrasli-statistiki/finansy/operativnaya-informatsiya_14/ob-inostrannyh-investitsiyah2/ob-inostrannyh-investitsiyah-za-2014-god/)>.



One example is the attempts by the authorities to sell state shareholdings in major enterprises; however, no potential investors appeared to be interested.

Specifically, a new competitive tender was held to sell the 51% shareholding belonging to the state in COOO MTS, a mobile carrier. The state has tried to sell the asset since 2011, but the price remains the main stumbling block. In 2008, investors criticized the declared price of the shareholding, at USD 1 billion. In late 2013, Belarus cut the price to USD 863 million; however, the asset did not appeal to any investor, either, because everyone had expected that the price of the Belarusian subsidiary would correspond to the market multiplier of the valuation of Russia's OAO MTS. The attempt to sell a blocking shareholding of 25% plus one share in OAO Grodno-Azot at a price of at least USD 414 million failed as well: not a single bid was received.

Private companies proved to be more successful when it came to deals with foreign investors. In 2014, landmark transactions in the IT sector – which is currently the main generator of foreign exchange for the country – were finalized. Mobile app developer *Apalon* was acquired by U. S.' *IMindspark* for an estimated USD 80–100 million and Russian *Mail.ru Group* bought the *MAPS.ME* service from Belarusian *MapsWithMe GmbH* for approximately USD 30 million.

Lithuanian capital has played an increasingly important role in the Belarusian *Greenfield* segment. Lithuanian *ARVI* announced plans to spend about EUR 70 million on the construction of an animal feed mill in the Mahilioŭ Region and farms to breed and fatten turkey, as well as on the reconstruction of the Baranavičy Protein Plant. Another Lithuanian company, *Modus Group*, is planning to invest EUR 10 million in the construction of a solar electric plant in Belarus. Finally, *Capital City* is planning to invest approximately USD 70 million in the construction of a sports and recreation facility and a multiuse complex in Minsk.

Belarusian investors in foreign assets were also active in 2014. The National Bank of Belarus bought a 100% stake in OAO Bank Moscow–Minsk for USD 55.7 million. *Wargaming* exercised its option to buy 1 million U.S. depositary receipts of China's *KongZhong* for USD 5.94 million, thus increasing its share in that company to 8.6% from 6.7%. Finally, direct

investment fund Zubr Capital acquired a blocking shareholding in SoftClub for USD 14 million.

### **Portfolio investments**

Despite active advertising and a *road show* at the end of 2013, there were economic reasons that stopped Belarus from floating its sovereign bonds in Europe and Asia. Throughout the year, quotes on previously floated Eurobonds remained volatile.

The first half of the year proved to be quite favorable. Most probably, the image of the country improved owing to the 2014 IIHF World Championship in Minsk, which is why prices of Belarusian Eurobonds increased, and yields dropped. In June and July, the yields on Belarusian sovereign bonds hit a new bottom—5.09% for five-year bonds maturing in 2015 and 6.06% for seven-year Eurobonds with maturity in 2018.

However, the oil crisis, deterioration of Russia's relationship with the world community, direct dependence of Belarus on its eastern ally, and the depreciation of the national currency affected Belarus's debt securities. As a result, the yields on Belarusian Eurobonds hiked to 19.19% for five-year bonds maturing in 2015 and 11.87% for seven-year Eurobonds with maturity in 2018. The increase in rates prevents Belarus from floating new Eurobond issues. Back in autumn, the country considered placing USD 1–1.5 billion worth of 10-year bonds; however, in the current context, this debt option seems too costly.

In 2014, Belarus continued borrowing domestically by issuing state securities for households and corporate entities. The Ministry of Finance had planned to borrow some USD 900 million (USD 100 million from individuals and USD 800 million from companies); however, it managed to sell only USD 335 million and EUR 60 million worth of bonds. In 2015, the government will continue borrowing in the domestic market, because foreign debts are still too expensive.

### **Other foreign liabilities**

In January–September 2014, *other net external liabilities* increased by USD 1,432.7 million and accounted for 48.5% of all

foreign liabilities. Borrowing by the government and commercial loans accounted for the bulk of *other external liabilities*.

In December 2013, an agreement was signed with the government of the Russian Federation on an additional loan of up to USD 2 billion for up to 10 years. In late June 2014, the money was transferred to Belarus and used to increase the country's gold and foreign exchange reserves by USD 1.1 billion. Some of the money was used to pay for previous loans.

Belarus had expected the sixth and final installment of the EurAsEC Anti-Crisis Fund's loan amounting to USD 440 million. However, because Belarus had failed to comply with several requirements of the special stabilization program, the final installment was postponed until 2015.

Finally, in December 2014, Belarus and the China Development Bank signed an agreement on the opening of two long-term credit lines for 15 years totaling USD 1 billion. It had been planned that the funds would be used to finance investment projects in various sectors of the national economy and support small and medium-sized business.

As for foreign borrowing by companies, there were some important transactions. BPS-Sberbank and Sberbank of Russia opened credit lines for the two Belarusian oil refineries totaling EUR 150 million. The Eurasian Development Bank (EDB) approved three-year credit lines for OAO *BelAZ* and OOO *Alutech* amounting to USD 75 million and USD 25 million, respectively.

Sberbank of Russia opened two credit lines for RUP Belorusneft worth a total of EUR 74 million and a USD 50 million credit line for OOO *Tabak-Invest*. Belarusbank continued raising syndicated loans and signed agreements for a total of EUR 133 million worth of loans. Belarusky Narodny Bank took a USD 12 million loan from the EBRD and a USD 6 million loan from the IFC for up to *four* years.

### **Arrangements to raise foreign financing and improve the investment climate**

1. Law No.231-3 *Concerning the securities market* of 5 January 2015. On 17 December 2014, the lower chamber of parliament, the House of Representatives, adopted the bill *Concerning*

*the securities market*, and the upper chamber, the Council of the Republic, adopted it on 18 December 2014. The law will come into effect on 10 July 2015.<sup>4</sup> The document regulates the procedure for issuing and circulating securities and includes requirements for professional traders, as well as measures to prevent information leaks.

2. The bill *Concerning amendments to the law of the Republic of Belarus Concerning privatization of state property and transformation of state unitary enterprises in open joint-stock companies* was postponed. In the summer of 2013, the bill on privatization, which envisaged a more important role of the state in joint-stock companies through the introduction of a state representative, successfully passed its first reading. It had been planned that the state would be able to influence decision-making even in companies where it owns a minority stake. The business community of the country and foreign investors slammed the bill then. Because the document might have affected potential investors, the bill never passed its second reading. It will most likely do so in 2015.

## Conclusion

According to resolution of the Council of Ministers No.1238 of 24 December 2014, privatization will generate at least USD 850 million<sup>5</sup> in revenues in 2015. Ideally, it is planned to sell state shareholdings in about 60 assets, including OAO *Mogilevkhimvolokno*, OAO *Horizont*, OAO BATE, COOO MTS. However, chances to succeed are slim, because the factors that slow the privatization process remain in place.

<sup>4</sup> “Закон № 231-3 “О рынке ценных бумаг” от 5 января 2015 года.” *Национальный правовой Интернет-портал Республики Беларусь*. 10 Jan. 2015. Web. 23 Mar. 2015. <<http://pravo.by/main.aspx?guid=12551&p0=H11500231&p1=1&p5=0>>.

<sup>5</sup> “Постановление СМ РБ № 1238 от 24 декабря 2014 года ‘ЭО показателях прогноза социально-экономического развития Республики Беларусь на 2015 год’.” *Kodeksy-by.com*. 25 Dec. 2014. Web 23 Mar. 2015. <[http://kodeksy-by.com/norm\\_akt/source-%D0%A1%D0%9C%20%D0%A0%D0%91/type-%D0%9F%D0%BE%D1%81%D1%82%D0%B0%D0%BD%D0%BE%D0%B2%D0%BB%D0%B5%D0%BD%D0%B8%D0%B5/1238-24.12.2014.htm](http://kodeksy-by.com/norm_akt/source-%D0%A1%D0%9C%20%D0%A0%D0%91/type-%D0%9F%D0%BE%D1%81%D1%82%D0%B0%D0%BD%D0%BE%D0%B2%D0%BB%D0%B5%D0%BD%D0%B8%D0%B5/1238-24.12.2014.htm)>.

On the one hand, the price that the state has set for the assets in question differs a lot from their market value. On the other hand, most of the assets offered for sale are loss-making, which is another important reason why investors are discouraged. An additional factor that reduces the already slender chances of success is the situation in Russia, which has always been the main source of investments for Belarus. In 2015, Russian investors will be passive, as they will focus on internal problems.

In 2015, the government will continue floating foreign exchange-denominated bonds in the domestic market. At the same time, it is highly unlikely that Belarus will float Eurobonds to raise foreign capital due to the difficult financial situation in Belarus and high associated risks.

Further worsening of the economic situation suggests that it will be even harder to raise foreign financing in 2015 than in 2014. Only flexible decision-making in the preparation and sale of state assets, as well as a change in the attitude to foreign investors can increase the country's investment appeal; otherwise, Belarus will only have foreign loans to fall back on. However, it will be increasingly harder to borrow in 2015 compared with previous years.

## REAL ECONOMY: RELYING ON PRIVATE INITIATIVE

**Vadim Sekhovich**

### Summary

The year 2014 saw the worst recession in the Belarusian economy in the last 15 years. Back in 2011, another year hit by the crisis, Belarusian business was able to make up for the losses caused by the drop in purchasing power domestically by boosting sales in Russia and Ukraine; however, this option is unavailable now, because in 2014, crisis developments in Belarus and those two countries synchronized.

The policy of the Belarusian government to curb the depreciation of the ruble amid devaluation moves in the key export markets affected the profitability of export supplies and the financial status of many domestic companies, especially those controlled by the state. The country's major GDP generating enterprises – MAZ, MTZ, BelAZ, *Gomselmash* – reported massive losses in 2014.

Growth was recorded in the potash sector and oil processing, which accounted for the bulk of budget revenues. Belarusian food-processing companies benefited from the sanctions imposed by Russia; however, the embargo was enforced only for 12 months, whereas growth in the food-processing sector is limited by internal (reductions in pig stock) and external (ban on pork import from the EU, non-tariff restrictions by Russian regulators) factors. In the service sector, road carriers suffered the most from the sanctions and the food embargo. The IT sector, which managed to attract major strategic investors from Japan, the United States, South Korea, and Russia, reported growth in 2014.

### Trends:

- Drop in manufacturing export, especially in mechanical engineering;
- Increase in losses of public sector enterprises due to the policy to maintain the exchange rate of the Belarusian ruble;
- Shortage of raw materials in the food-processing sector amid growing demand caused by the Russian embargo; active involvement of private investors, including those domestic, in that sector;
- Growth in the service sector; impressive progress in the IT sector;
- Continuing concerns over the expansion in command economic practices and redistribution of resources in favor of the public sector.

## **Manufacturing sector: mechanical engineering underperforms**

Last year, the Belarusian manufacturing sector showed a growth of 1.9% from the 2013 level to BYR 668,386.9 billion at current prices. The main contributors to that growth were potash and oil production, manufacturing of potash fertilizers, and oil processing. The mining industry reported a growth of 41.7% year-on-year, the chemical industry (including fertilizer production) increased its output by 25.1%, and the oil-processing sector expanded by 8.5%.<sup>1</sup>

The chemical industry and oil processing are parts of the processing sector, which accounts for approximately 90% of Belarus's manufacturing output, at BYR 599,721.9 billion in 2014, which represents a 0.4% increase from 2013. The chemical industry and oil processing were the only components of the processing sector that showed growth last year.

The reduction in oil prices, narrowing of the capital market on the back of the sanctions imposed by the West, and resulting drop in the purchasing power of Russian importers affected the Belarusian manufacturing sector, which remains focused on the Russian market (50% of Belarusian manufacturing export is sold in Russia). Mechanical engineering suffered the most from the reduction in export revenues.<sup>2</sup> The output of vehicles and equipment fell by 21.3% year-on-year in 2014, of machinery and equipment by 19.8%, of mine dump trucks by 41.9%, of trucks by 31.4%, of buses by 30.8%, of internal combustion engines by 22.7%, of tractors by 16.7%, or grain harvesters by 14.4%, of refrigerators and freezers by 18.4%.

Some enterprises had to be shut down because of problems with sales. In the spring of 2014, the joint Belarusian-Russian venture Atlant-SM, which produced Atlant refrigerators and freezers in Russia's Smolensk, was declared bankrupt.

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<sup>1</sup> "Industrial production indices by kinds of economic activity in 2014." *National Statistical Committee of the Republic of Belarus*. Web. 2 Mar. 2015. <[http://www.belstat.gov.by/en/ofitsialnaya-statistika/otrasli-statistiki/promyshlennost/current-data\\_5/january-2014/](http://www.belstat.gov.by/en/ofitsialnaya-statistika/otrasli-statistiki/promyshlennost/current-data_5/january-2014/)>.

<sup>2</sup> In 2014, Belarus's export to Russia fell by 8.9% year-on-year.

The policy of Michail Miasnikovič's government aimed at maintaining the exchange rate of the Belarusian ruble amid the devaluation of the national currencies of Russia, Ukraine, and Kazakhstan affected the profitability of export supplies. Some 95% of Belarusian export to Russia was paid for in Russian rubles, which resulted in a plunge in export revenues in U.S. dollar terms. Belarusian mechanical engineering reported losses for the first time in recent years. The three open joint-stock companies with most losses in the first three quarters of 2014 were BelAZ, MAZ and MTZ. Gomselmash and some other mechanical engineering companies also reported significant losses. Some of them had to change to a four-day work week and reduce the average number of employees.

The political and economic instability in Ukraine resulted in a reduction in supplies of Belarusian commodities and services (except for fuel) to the second most important export market.

Belarusian exporters that traditionally work with the Russian and Ukrainian markets sought to diversify their sales by approaching the markets of Asia, Africa, and Latin America. However, they failed to make up for the losses in Russia and Ukraine. Uganda was the only new export market for Belarus in 2014.<sup>3</sup>

The food embargo imposed by the Russian government against the United States, the European Union, Norway, Australia, and Japan in response to their sanctions enabled Belarusian food manufacturers to increase their export supplies to Russia. Cheese export increased by 26.3% year-on-year, and poultry meat deliveries went up by 19.5%. However, because of the situation with the exchange rate of the Russian ruble, the profitability of foreign supplies dropped. Furthermore, Belarusian exporters lost an additional USD 100 million as a result of restrictions imposed by Russian supervisory agencies. Overall, food output (including beverages and tobacco goods) edged down by 1.8% year-on-year in 2014.

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<sup>3</sup> "Data on foreign trade of the Republic of Belarus with selected countries in January-March 2015." *National Statistical Committee of the Republic of Belarus*. Web. 2 Mar. 2015. < [http://belstat.gov.by/en/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya\\_2/operativnyye-dannye\\_5/dannye-o-vneshnei-torgovle-respubliki-belarus-po-otdelnym-stranam/](http://belstat.gov.by/en/ofitsialnaya-statistika/otrasli-statistiki/torgovlya/vneshnyaya-torgovlya_2/operativnyye-dannye_5/dannye-o-vneshnei-torgovle-respubliki-belarus-po-otdelnym-stranam/)>.



### **Agribusiness: not enough meat and efficiency**

The Russian food embargo became a pleasant surprise for Belarusian food-processing enterprises; however, they were unable to exploit the full potential of the Russian sanctions mostly because of shortages of agricultural raw materials, especially meat. Last year, cattle meat and poultry meat output (on a live weight basis) shrank to 1.55 million tons, of them poultry accounted for 38%, cattle for 35% and pork for 27%.

The Belarusian agricultural sector did not manage to restore its pig population, which was cut by 22.2% in 2013 because of an outbreak of African swine fever. Moreover, throughout 2014, pig stock fell by 10.8% to approximately 2.5 million. As a result, pig farms produced 350,000 tons of pork in 2014, which represents a 13% decrease from 2013. The government has been set the task to increase pig stock to 3.3 million in 2015 and boost pork output by 100,000 tons.

Many of Belarus's meat-packing factories suffered losses in 2014, and to make things even worse, a ban was imposed on import of pork from the European Union because of African swine fever. Belarus managed to organize supplies from Ukraine and Moldova, but Balkan exporters benefited the most – meat import from Montenegro (primarily pork) expanded by 93 times. Serbia became another important pork supplier to Belarus. In addition, Belarusian meat-packing factories started importing meat from Macedonia and Bosnia and Herzegovina.

In the dairy industry, Belarusian producers set a new merchantability (ratio of sales to milk yield) record of 89.2%. In 2014, milk yield totaled 6.2 million tons, and sales amounted to 5.6 million tons. However, when it comes to the key quality parameter of the industry – milk yield per cow – most of the largest dairy farms (*Alieksandryjskaje, Žuraŭlinaje, Vasiliški*) can only be found in the lower part of the nationwide list.<sup>4</sup>

However, even the record high milk output was not enough to meet the growing demand for dairy products in Russia. In autumn, nearly all Belarusian dairy factories started importing

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<sup>4</sup> “Итоги работы сельскохозяйственных предприятий и птицефабрик за 2014 год.” *Сельская газета*, № 16 (20545), 10 Feb. 2015. Web. 2 Mar. 2015. <<http://www.sb.by/images/belniva/05.pdf>>.

dairy raw materials from the European Union – Poland, Lithuania and Latvia – which resulted in growing tensions with Russian supervisory agencies. Import of dairy raw materials from the European Union continued in 2015.

Overall, Belarus's farm output went up by 3.1% year-on-year in 2014 to BYR 131.4 trillion. An apparent new trend is that the sector, which used to develop using almost exclusively state subsidies, started making use of private investment.

In 2013–2014, several big businessmen implemented investment projects in agribusiness. In 2013, the owners of *Ždanovičy* Trade House bought three farms in the Valožyn District and integrated them into an agricultural holding. Also in the Valožyn District, Aliaksiej Aliexsin and Jury Čyž launched the country's largest bacon pork production *Danprod*. The owner of a controlling stake in one of the best-equipped Belarusian dairy-processing companies Turaŭ Dairy Factory Ihar Černiaŭski (*Premierleasing*) last year began investing in the meat-packing facility that he is building in Bolbasava in the vicinity of Orša. The owners of *Evroopt*, a major retail business, acquired a poultry factory in Aliachnovičy in 2014 and began broiler chicken production.

Malaryta-based *Savushkino* branch of *Savushkin product* dairy company became one of the country's top-20 most effective dairies in 2014. In 2015, the owner of major poultry meat companies *Servolux Agro* and *Smaliavičy Agro* (the two accounted for 26% of poultry meat made in Belarus in 2014) Jaŭhien Baskin will be investing in the construction of a new poultry factory. The businessman plans to expand his market share to 30%. Baskin's business is already among the top seven poultry makers in the Eurasian Economic Union. Lithuanian businessman Vidmantas Kučinskas is planning to open turkey meat farms in the Lida and Salihorsk Districts, as well as in the Mahilioŭ Region.

The Presidential Administrative Department continues its work to create Belarus's largest agricultural holding *Mačuliščy*. Last year, the holding was granted Belarusbank's agricultural assets. As of today, *Mačuliščy* is the country's largest dairy producer; the holding also makes pork, poultry meat, and incorporates dairy farms in Škloŭ and Pružany.

## Services: Belarus's IT market ready for global investors

Last year, Belarus's commodity trade showed a deficit of USD 4,395.6 million (export supplies reached USD 36,392.3 million, and import amounted to USD 40,787.9 million). Meanwhile, the country's trade in services showed a surplus of USD 2,208.4 million, with export amounting to USD 7,819.8 million and import, to USD 5,611.4 million. The Belarusian service market focuses mostly on consumers beyond the CIS, which is especially important, because the profitability of export to the Russian market dropped. Non-CIS foreign markets accounted for 66.7% of Belarus's service export last year, meaning that Belarusian service exporters felt quite confident even amid recession.

The continuous progress of Belarus's IT sector remains quite impressive. The main software suppliers led by *EPAM Systems* managed to further boost export (back in 2013, Belarus overtook the United States and India by export of IT services per capita). In 2014, supplies of IT services went up by 24.3% year-on-year to USD 689.9 million, and the surplus of IT services trade reached approximately USD 600 million. Now that the profitability of the transport sector decreased and trade in construction services showed a deficit, the growth in the IT sector became a most important factor for the expansion of the entire real economy.

Most of the service market developments were associated with IT product makers. Last year, they managed to attract major strategic investors. At the start of the year, *Viber*, whose main R&D centers are based in Minsk and Brest, was acquired by the Japanese Internet concern *Rakuten* for USD 900 million. In the autumn of 2014, the American Internet giant *InterActive Corp* acquired one of the leading global developers of mobile applications *Apalon*. The financial transaction is estimated between USD 25 million and USD 30 million.

One of Russia's largest IT companies *Mail.Ru Group* acquired the Belarusian mapmaking service *Maps.Me*. In 2014, South Korean *SK Hynix*, the world's second-largest chip producer, acquired *Softeq*, a Belarus-based developer of flash memory firmware.

Belarusian investors remained traditionally active in the global IT market. In 2014, *EPAM Systems* made record high investments in the United States, Armenia, and Hong Kong. *Wargaming.net* acquired new assets in the Chinese and American markets for online games, and together with the global giants *Zynga* and *Nexon* established the capital venture fund *Seed Fund* to invest in Europe. Another venture capital company, *Fenox Venture Capital*, originally established with Belarusian capital, continued investing in IT technologies in the United States, Japan, Singapore, Malaysia, Indonesia, and entered the market of Bangladesh.

In late 2014, the Belarusian Finance Ministry, which kept looking for additional resources, suggested raising the income tax rate for the residents of the High-Technology Park to 10% from 9% and trebling transfers to the Social Security Fund. The administration of the Park and owners of IT businesses argued that the regulatory initiative would eliminate one of the main advantages of Belarusian developers in the global market. The move would produce a negative impact on the investment image of the country, because the special regulatory framework introduced for the residents of the Park for the period to 2020 might be amended.

## Conclusion

Since the late 2014 devaluation of the Belarusian ruble, the real economy has operated in conditions of a marked reduction in consumers' purchasing power in both domestic and foreign markets. The lack of significant resources and heavy dependence on external factors increased the relevance of efforts to boost efficiency and ensure a safety cushion. Unfortunately, few Belarusian companies have made substantial progress in these areas.

The new government formed at the end of 2014 – at least as far as its composition is concerned – offers hope that reasonable decision will be taken during the crisis. The government's first moves and policy statements (declaration on equal access of private and state business to state support, focus on investment, etc.) suggest that it is ready to deliver; however, Andrej

Kabiakoŭ's Cabinet's initiatives tend to be blocked by the supporters of command economy techniques in the Presidential Executive Office.

The economic environment in Russia that is shaped by global oil prices, and the economic sanctions, which might be further expanded, complicate the economic situation at the largest Belarusian state-controlled enterprises. They are not on the approved list of entities subject to privatization in 2015. However, we cannot rule out that such enterprises may become new examples of public-private partnerships employing primarily big national capital.

The increase in the contribution of private business to GDP is an ongoing trend. The private sector is becoming a leader in terms of many macroeconomic indicators. The retail operator *Evrotorg* became last year's largest employer of the country with more than 30,000 employees as of the start of 2015, some 50% more than state-run MAZ has. The development of the private sector helps deal with the employment of personnel from stagnating state-controlled enterprises.

Belarusian companies have sufficient reserves to increase their share in the global IT market and attract significant investments. The recession in Russia makes Belarus an appealing destination for Russian companies and specialists.

In 2015, some major M&A transactions with IT product companies and international IT businesses will likely be completed; however, there is a possibility that in the context of the crisis phenomena, the current business conditions may be amended. Furthermore, in 2016, Lithuania plans to open its own IT park.

Other sectors with good growth prospects in the near future are the pharmaceutical industry and processing of agricultural raw materials.

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