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in the Republic of Belarus in 2016

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EDITORIAL FOREWORD

Belarusian Yearbook 2017 presents a comprehensive analysis of the key developments in the main sectors of the state and society in 2016. Further immersion into recession, parliamentary election, normalization of the relationship with the West amid growing confrontation with Russia – these are the main processes that determined last year’s political agenda. The overall situation developed within the basic trends outlined by our experts in the previous *Yearbook*, and, therefore, within the limits of their forecasts.

No fundamental changes were observed in the country’s *internal politics*. Despite the deepening of the socioeconomic crisis and associated demand of the liberal wing of the ruling class for limited market reforms, the government’s activity was characterized by the negation of the need for institutional transformation. In socioeconomic policy, conservative trends prevailed with the explicit imperative for binding people to their jobs in the inefficient public sector.

The lack of proposals and actions to overcome the crisis and reform the economy were feverishly made up for by various control and expropriating measures (see, for example, Decree No. 3 “On the prevention of social parasitism”), which built on ideologically-motivated instructions by the head of state and his administration.

Limited changes could be observed during the *parliamentary elections of 2016*: political parties enjoyed record representation since 1995. For the first time since 2000, representatives of the party opposition and civil society received seats in the parliament. The number of representatives of the power vertical decreased. Furthermore, the traditional cyclicity in the attitude of the authorities to the opposition was broken: previously, in the wake of the presidential elections, the authorities built up repressive practices against their opponents and consistently weakened them as a new election cycle started. In 2016, this trend was not observed; moreover, representatives of the broadly understood opposition were granted access to the state media.

However, these changes, aimed to advertize the growth in political pluralism, can hardly be referred to as the commencement of political reforms, because they were inconsistent and were traditionally offset by a fair number of countermeasures and restraints (including the ultimate figures for the representation of parties in the parliament, which is not sufficient to engage in collective activities).

Progress in Belarus's *foreign policy* can only be observed with respect to the relationship with the European Union, which has been in the normalization phase since 2014. In 2016, most of the sanctions against Belarusian citizens and companies were lifted, contacts at the top level were renewed, and financial assistance of the European Union expanded, along with the agenda for dialogue. The parliamentary elections did not cause a cold spell in the relationship, and even created preconditions for pursuing inter-parliamentary dialogue.

Amid the improvement of the Belarusian–European relationship, Belarus's engagement with developing nations was stagnating, whereas its relations with its key partner – the Russian Federation – moved into a crisis phase and were revised in many essential areas (military, oil and gas, trade, culture, and political interaction).

Negative trends that became visible in 2014–2015 grew stronger in the national *economy*. The recession (which persisted) and deterioration of the financial position of companies were further aggravated by the reduction in Russian crude oil deliveries by more than 20% due to political and economic discrepancies between Minsk and Moscow (it became an important reason behind the drop in Belarus's GDP). Experts also point to the conspicuous reduction in social standards, worsening of the status of households, and growth of social tensions.

These trends, along with some others, have been reflected in *public opinion*. Economic health remained unstable, the stance on the authorities became more critical, and the wish for change seemed more explicit.

Because there will be no automatic exit from the recession, in 2017, experts *forecast* that it will continue and, possibly, grow even deeper. The existing economic conditions are serious preconditions for implementing institutional reforms; however,

forecasts are very cautious about these reforms, since the government's medium-term planning still rests on its faith in the improvement of the regional economic situation and taking out new loans.

The need for coordinating possible economic transformation and traditionally conservative social policy, as well as the need for reducing social tensions, which became obvious in the spring of 2017, will cause one of the critical collisions of the year. In its *foreign policy*, Belarus will seek to keep its independence (primarily in its relations with Russia); however, the possibility of the resumption of repression against opponents of the regime, alongside the insufficient dividends that Minsk derives from the normalization of its relations with the West set certain limitations in his area.

Since 2003, the *Belarusian Yearbook* project has evolved as a joint act of the Belarusian expert community to compile, conceptualize, and deliver a chronicle of Belarus's contemporary history.

Contributing to *Belarusian Yearbook 2017* were independent analysts and experts, as well as specialists representing various think tanks, including the Belarusian Institute for Strategic Studies (BISS), the Belarusian Institute for Public Administration Reform and Transformation (BIPART), 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), Warsaw Research Center *Eurasian States in Transition* (EAST), 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').

STATE AUTHORITIES

PRESIDENTIAL ADMINISTRATION: EXPECTING A MIRACLE

Nikolay Burov

Summary

Throughout 2016, the Presidential Administration was the scene of a fierce battle between a part of the establishment that did not believe in the restoration of full-scale financial support from Russia being ready for certain economic transformations, and those who believed that the country should wait out the recession until external financing (no matter from what source) is resumed. As the resource base was getting exhausted, and the crisis of the Belarusian model was getting worse, the country's top leadership had to make more and more efforts to maintain the current policy.

Despite certain successes of the 'reformers', the adoption of a new socio-economic development program in June demonstrated their failure. The deficit of funds was compensated through a revision of the social contract both with the population and political establishment, including defense security and law enforcement officials. The latter circumstance significantly increases risks to the system from the point of view of the state administration efficiency and control over the political processes. So far, the Administration has sought to fix problems by taking half-measures.

Trends:

- The balancing between different pressure groups when resources are running out becomes more and more intricate to the Administration;
- The de-professionalization of the state administration machinery is a big problem;
- Systemic risks are increasing as the social contract with the establishment, including the 'securocrats', is breaking up;
- The ideological vertical is getting weaker.

What to do with the Belarusian model? All boxes are left unchecked

Many expected that in 2016, the Presidential Administration would offer a more or less distinct plan to overcome the growing social and economic crisis. As before, the power vertical chose to tighten the screws and harden the social contract. The rejection of reforms, strict policing and de-professionalization of

management under the conditions of the diminishing resource base are still typical of the Administration.

During the period under review, the Administration remained an epicenter of the struggle between the conventional free market advocates and conditional conservatives. The first believe that the Kremlin's decision to reconsider the format of the allied relations, especially when it comes to oil and gas, is final. In other words, although Belarus is a party to integration projects with Russia, it largely falls out of the preferential regime and must find a new model of economic existence that would be less dependent on Russian subsidies.

The conservatives, on the other hand, believe that close integration ties with Russia in terms of the energy policy gives grounds to expect that Moscow will treat its western partner as a part of the Russian Federation with all accompanying perks (which irritates the Kremlin sometimes). As before, the Administration was mainly influenced by the conservatives, because the reformers failed to offer a more or less distinct model of economic transformation free of political risks. As a result, the Administration openly advocated further mechanical cutbacks in the social contract proportionate to the Russian subsidy cuts.

In fact, the Administration tests incoming proposals from the public administration system for compliance with the general policy that can be described as a transformation of the Belarusian socio-economic model only by a long stretch of the imagination. On January 26, the president held a meeting on the economic development, during which he once again stated the inadmissibility of a policy change, and called for using the population's resources to tackle current economic problems¹. Directive No. 3 'Saving and Thriftiness as the Main Factors of National Economic Security'² issued on June 14, 2007 and updated on January 26, 2016 should be viewed in the same context.

¹ In fact, by withdrawing money through inflation and a decline in household incomes and personal savings.

² «О внесении изменений и дополнений в Директиву Президента Республики Беларусь № 3.» *Официальный Интернет-портал Президента Республики Беларусь*. 26 Jan. 2016. Web. 07 Mar. 2017. <http://president.gov.by/ru/official_documents_ru/view/ukaz-26-ot-26-janvarja-2016-g-12976/>.

The text abounds with abstract slogans, and the feasibility of the set tasks is extremely doubtful.

The absence of a crisis and, therefore, the absence of necessity to make significant changes to the system were once again stated at a meeting on measures to improve the efficiency of the socio-economic sector on February 16.

The *National Socio-Economic Development Program for 2016–2020* adopted at the 5th All-Belarusian People’s Assembly was a kind of objectification of the ‘no crisis – no reform’ position. Independent experts said the Program was not quite realistic. The very fact that the Assembly was convened long after the presidential election³ means that, *firstly*, there is a fierce struggle within the political establishment and the Administration took the wait-and-see position. It can be assumed that this position was dictated by the dynamics of the world prices for crude oil (towards increasing demand and reducing supply at that time)⁴ and pauses in the negotiations between Russia and OPEC.

Secondly, the Assembly’s behavior was apparently caused by the incompleteness of the socio-economic development program for the next five-year period. It was not duly prepared for only one reason: along with the publicized ‘protective’ version there was another one, pro-reform in nature. The reformers lost the fight, and their unspoken symbol in the establishment – Kirill Rudy – was sent to China as ambassador.

Elements of optimization

The topic of optimization of the state machinery was brought up regularly throughout 2016. It was discussed at a meeting on social and budgetary financial issues on March 15, in the annual address to the parliament on April 21, the All-Belarusian People’s Assembly in June, and during many other events.

³ Assemblies are usually held shortly before presidential elections although it is not stipulated by law.

⁴ “Oil price dynamic report.” *Federal Reserve Bank of New York*. 24 Oct. 2016. Web. 07 Mar. 2016. <https://www.newyorkfed.org/medialibrary/media/research/policy/oil_decomposition/oil-decomp_2016_1024.pdf?la=en>.

Historically, this ‘optimization’ has nothing to do with changes to functions or lesser intervention of the state in political, economic or social processes. This is usually about quantitative changes like those made in 2013, when the Administration tried to revise the role of the regional executive committees considering them a duplicating link, and planned bigger layoffs in the regional executive committees than in the district executive committees.

In the spring of 2016, the Administration looked at the Minsk regional executive committee as a possible target, which means that the powers of the regional heads could be narrowed down to a certain extent. The very choice of the Minsk regional executive committee resulted from a bitter backstage struggle, particularly a conflict between Chairman of the Minsk Regional Executive Committee Semyon Shapiro and presidential Chief of Staff Alexander Kosinets over the construction of the Belarusian Chinese Industrial Park. In February 2016, Kosinets publicly criticized the Minsk regional executive committee for failures. Park Director Andrei Gal was kicked out of office in early May. Shapiro later managed to reassert himself. In general, the idea of downsizing the regional executive committees was not actualized last year.

Decree No. 78 ‘On Measures to Improve the Efficiency of the Socio-Economic Sector of the Republic of Belarus’ was issued on February 23⁵. Along with a number of unfeasible tasks, such as the creation of 50,000 new jobs, the decree instructed to reduce staffs of governmental agencies of all levels. The released funds were supposed to be used to raise salaries of the remaining officials. This document, however, cannot be compared with famous decree No. 168 ‘On Measures to Optimize the System of Public Administration and Other State Organizations and Their Personnel’ of April 12, 2013, which introduced a new detailed staff structure for bodies of state administration. Decree No. 78 only declared the assignment without specifying the scope of layoffs.

⁵ «О мерах по повышению эффективности социально-экономического комплекса Республики Беларусь.» *Официальный Интернет-портал Президента Республики Беларусь*. 23 Feb. 2016. Web. 07 Mar. 2017. <http://president.gov.by/ru/official_documents_ru/view/ukaz-78-ot-23-fevralja-2016-g-13157/>.

There were quite a number of explanations why it was that non-specific. *Firstly*, the 2013 optimization had negative consequences: the effectiveness of the state machinery did not increase, to say the least. The saved funds were tiny and all that was saved went up in smoke due to the aggravated recession. *Secondly*, quarrels between officials got even more furious as it was unclear who should be laid off, how many of them and in what manner, who should get raises, how, to what amounts, etc. *Thirdly*, given the poor efficiency of the Belarusian state machinery, further staff cuts could simply paralyze government bodies.

Decree No. 78 also instructed to abolish ‘redundant and duplicative functions’ and directly ordered the Administration and some other bodies to submit proposals before June 1, 2016, which was done. However, even this not monumental task, was not carried out, apparently, as it was with the optimization of 2013, due to the hot and strong resistance of the establishment and the heavy interdepartmental struggle. As of early March 2017, there was no public information about that (except for the optimization of the Administration itself).

Proposals on the optimization the state machinery formulated by the Administration were presented at the All-Belarusian People’s Assembly. They were quite radical: a 1.5 to 2-fold staff reduction, much broader involvement of younger executives, and boosting of the civil service prestige. This could lead to massive upheavals in the Belarusian political establishment. Along with the economic component, these proposals also seemed to display the political will to weaken the establishment, as the resource base was running out, increase its dependence on the Administration, its manageability, and also to prevent possible manifestations of disloyalty.

The importance of these political overtones increases in light of the fact that the optimization was targeted not only at the civilians in the power vertical, but also the law enforcers, which Lukashenko declared expressly at a session of the Interior Ministry Collegium on January 28. He said the ministry’s structure must have been optimized to ensure a proper, highly effective composition of the ministry.

Undoubtedly, from the economic point of view, the need to reduce the staff of security agencies (and do it drastically)

was long overdue. A great number of officers employed under Lukashenko when the workforce was bloated will retire in the coming years. In addition to pension benefits they will require cushy jobs as they always do. The raised retirement age only exacerbated the problem: longer time in service means extra bonuses and advances in ranks with all the costly perks, as well as the need to increase the staff of security agencies, because the lower and middle ranking personnel must stay in place, and the 'put off retirees' have to stay as well. On the other hand, lesser support for the 'securocrats' (even if optimization only hit the Ministry of the Interior) may entail considerable political risks.

A gradual cutting of the machinery costs (including the funding of the law enforcers) began in 2016 anyway. In April, decree No. 142 increased requirements to job applicants and tightened the monthly remuneration policy in relation to civil servants, especially with regard to pensions. The same pension shock was administered to security officials: since 2016, in order to receive retirement and long-service pensions, they are to make contributions to the National Social Security Fund for 16 years now, and this term will increase to 20 years. Since the security officials do not pay their contributions to the Fund, the year 2016 saw the first 'victims' of this innovation. It looks like the Administration has not yet realized what consequences may follow.

In general, pensions, utility bills, the tax on 'social parasitism' and the continued dominance of the public sector in the economy remained leverage the Administration tried to apply to work out a new, more rigid social contract with the population and, in part, with the elites.

Staff appointments

Personnel rotations in the Administration also reflected the commitment to the policy described above. Many experts believe that the appointment of assistant to the president Kirill Rudy as the ambassador to China meant that the reformists lost the fight. It should be noted in this regard, that the relations with China are supervised by the Administration, rather than the Foreign Ministry. Accordingly, Rudy, who has extensive experience of

working in China and dealing with Chinese companies, was sent there to attract investments, which the Administration lists among the immediate priorities.

However, the removal of Chief of Staff Alexander Kosinets, his first deputy Konstantin Martynetsky and deputy in charge of ideology Igor Buzovsky⁶ on December 21 was the most important event. Kosinets' dismissal was preceded by alarming signals, including an inspection of the Vitebsk Regional Executive Committee, which he headed. When hearing his report on November 10, the president criticized him for unresolved personnel issues, the slow implementation of Chinese projects and the fact that grassroots ideas never reach the head of state.

Nevertheless, Kosinets did quite well when organizing the parliamentary elections in September 2016, although, judging by a number of indirect indicators, the Administration had to pound the idea of the admission of oppositionists to the parliament into Lukashenko's head. Kosinets' hardline style of management is an undeniable fact. Undoubtedly, his conservative position found Lukashenko's support, whereas radical and half-baked ideas, especially when it came to the optimization (1.5 to 2-fold staff reduction), as well as his tense relations with the governors and the power vertical in general set a significant part of the Belarusian establishment against the chief of staff. Natalia Kochanova seemed to be more capable of reaching compromises: she is softer when communicating with officials and unconditionally loyal to Lukashenko personally. At the same time, she has to take unpopular social measures.

Among other personnel decisions, the traditional rotation of regional chief inspectors is worth noting. In September, Assistant to the President, Chief Inspector of the Minsk region Nikolai Korbut became just an assistant to the president. The Gomel region also lost its curator: Alexander Turchin was appointed head of the Council of Ministers machinery. In October, Chief Inspector of the Brest region Dmitry Gaborov became a House representative. In December, the position that remained vacant

⁶ For reasons of Buzovsky's dismissal see Гусев, Николай. «Рекогносцировка идеологического фронта.» *Наше мнение*. 05 Jan. 2016. Web. 07 Mar. 2017. <<http://nmnby.eu/news/analytics/6240.html>>.

after Goborov's transfer was taken by Vasily Gerasimov. Korbut was replaced by Anatoly Isachenko.

Conclusion

As a president's political headquarters, the Administration tries to find and implement balanced solutions to ensure the stable operation of the state machinery, introduce elements of a reformatory program, and interact (albeit indirectly) with external experts and civil society. However, all these attempts remain rather weak, being consistent to only a limited extent. Mechanisms of rigid and sometimes blunt control (e. g. the so-called 'decree on social parasites'), saving at the expense of ordinary people (as a matter of fact, by deceiving the people approaching pensionable age), and the expectation of a miraculous economic recovery remain the main characteristics of the Administration.

GOVERNMENT: ECONOMIC NECESSITY vs. SOCIAL OBLIGATIONS

Ina Ramasheuskaya

Summary

2016 was a year of interesting – albeit limited in scope – changes in Belarusian government functioning and a growing reformist rhetoric of its leadership. Social policy thus became less consistent with the planned changes. In general, anti-reform, conservative trends dominated government activity.

Trends:

- Contradictions between reform-oriented projects of ministries and departments in charge of the economy and the conservative position of those in charge of social policy were growing;
- Government's medium-term action plans based on the hope for an improvement in the regional economic environment and external borrowing;

Managing the old way

Belarus entered the year 2016 with a new/old government. In conformity with the law, a government resigns once a president is elected or re-elected. It does matter who is chosen as premier, vice premier and Cabinet ministers when key reforms are being discussed, as it shows what development strategy will prevail. Alexander Lukashenko was re-elected in October 2015. He took an unusual time-out before appointing a new government. No wonder the expert community was quite agitated. The suspense did not last long, though, and all members of the Council of Ministers, except the minister of trade, were simply reappointed shortly before the New Year holidays.

Presidential Chief of Staff Alexander Kosinets shaped the Cabinet's agenda, saying that "The year 2016 will be difficult, since the processes associated with international conflicts are getting aggravated."¹ However, according to Kosinets, the go-

¹ «Глава Администрации президента Беларуси: 2016 год будет сложным.» *TUT.by*. 3 Jan. 2016. Web. 21 Mar. 2017. <<https://news.tut.by/politics/479345.html>>.

vernment should focus on economic problems, the more so, as the Belarusian public administration system has no big problems with staffing. “Generally speaking, we have well-trained personnel. They just need to adapt to the present day environment ... and ... take a more active a combative position to advocate the interests of their enterprises and institutions.”

Vice-Premier Natalia Kachanova, who replaced Anatoly Tozik in office this year, showed an example of such ‘combative position’ in defending the interests of her institution in 2016. With enviable energy, she rushed to justify the government’s social policy, and, in February, made several loud statements about salaries in the budget-funded sector, saying, basically, that officials and employees of publicly funded institutions “must assess the situation in the country adequately” and be satisfied with minimum salaries.² In Kachanova’s opinion, low salaries should be compensated by the enthusiasm of young specialists.

Decree No. 78 ‘*On Measures to Improve the Efficiency of the Socio-Economic Sector of the Republic of Belarus*’ endorsed by the president in February did not inspire optimism about the Belarusian leadership’s willingness to initiate reforms. Experts called the decree an example of *wishful thinking* right away: the president set a number of tasks to the government, and the chance to cope with them was unrealistic, to put it mildly.

In a nutshell, the main provisions of the decree are as follows: the government is to take action, as a result of which state-controlled enterprises will become profitable, exports will increase, production costs will decrease, prices will not grow, debts will be paid off on time, and 50,000 new jobs will be created every year.³ Instead of reforms, the president instructed the government in late February to develop material production and sell commodities produced in Belarus.

Continuing to mention the welfare orientation of the Belarusian economic model, which is not subject to reform, in

² «Кочанова: молодой специалист не имеет большую зарплату.» *TUT.by*. 4 Feb. 2016. Web. 21 Mar. 2017. <<https://finance.tut.by/news483459.html>>.

³ «Опубликован указ № 78 “О мерах по повышению эффективности социально-экономического комплекса”.» *БелАПАН*. 23 Feb. 2016. Web. 21 Mar. 2017. <<http://belapan.by/archive/2016/02/23/832136/>>.

mid-April, the president, nevertheless, issued a decree on a gradual increase of the retirement age by three years (to 63 years for men and 58 years for women). Although all experts pointed at the ‘cosmetic nature’ of this measure, which will not solve the problem of the replenishment of the Social Protection Fund or give the people an opportunity to choose between various pension accumulation options, the decision was made without public consultation and with full support of the Ministry of Labor and Social Protection.

The poor quality of social policy resulted in aggravated problems connected with the implementation of the so-called “decree on parasites” (decree No. 3 ‘On the Prevention of Social Parasitism’ of April 2, 2015). Since the main role in identifying potential payers of the ‘tax on parasites’ was assumed by the tax authorities, many people received tax notices due to the absence of income records for various reasons (often technical). The reluctance of government agencies to admit their mistake and take a step back triggered public discontent in the first quarter of 2017.

Plans for the medium term

In the meantime, reform advocates in the government went to the media. Presidential adviser for economic affairs Kirill Rudy compiled, edited, and wrote a part of the monograph ‘*Financial Diet: Public Finance Reforms in Belarus*’⁴, which included recommendations on how to improve the efficiency of the use of public finance. Former Prime Minister Mikhail Myasnikovich proposed to develop the Belarusian economy through fostering high-tech industries.⁵ As premier, Myasnikovich repeatedly voiced such plans, but never saw any steps in this direction. Rudy did not have an opportunity to see what his recommendations lead to either: three months after the book was published, he was appointed ambassador to China.

Unsupported by the head of state when talking about economic reforms, on which, among other things, the two main

⁴ Рудый, Кирилл (ред.). *Финансовая диета: реформы государственных финансов Беларуси*. Минск: Звезда, 2016. Print.

⁵ Мясникович, Михаил. *Эволюционные трансформации экономики Беларуси*. Минск: Белорусская наука, 2016. Print.

potential creditors of the Belarusian government – the IMF and the Eurasian Fund for Stabilization and Development – insisted, the government got to making plans for the period until 2020 to present them at the All-Belarusian People’s Assembly. According to the socio-economic development program for 2016–2020, Belarus’ GDP is supposed to start growing together with exports of goods and services. The fact that none of the *eleven* macroeconomic indicators set for the previous period of 2011–2015 was achieved⁶ did not embarrass the authors of the program and did not prompt the government to think that something was wrong with the previous forecast. Experts assumed with reason that the government’s plans were based on the hope for an increase in the price of oil (from to USD 42 per barrel when the program was published to USD 65) and the Russian market would recover enough for Belarusian commodities.

A cursory analysis of the government’s role in achieving economic growth leaves an impression that different parts of the plan were written by different organizations, which never exchange ideas with each other. For example, the paragraph ‘Economic Policy Instruments’ states the intention “to differentiate the two functions of the state as regulator and proprietor”, which has been dragged about from one government plan to another. Most of the other paragraphs prescribe what commodities and product lines private companies should manufacture, what livestock production indicators agro-industrial enterprises should achieve, and so on. Despite these obvious inconsistencies in the stated goals and expected actions, delegates to the Assembly did not have any objections and approved the program unconditionally.

The government announced a new approach to the development and financing of government programs, which experts met with a certain optimism. The number of programs for 2016–2020 was reduced to 24, the connection between goals, objectives and program activities became clearer, and the tasks were instantiated with quantitative performance indicators.

⁶ «Не выполнен ни один из показателей социально-экономического развития Беларуси за последние пять лет.» *БеларПАН*. 11 Apr. 2016. Web. 21 Mar. 2017. <<http://belapan.by/archive/2016/04/11/839954/>>.

Funds for the programs will be allocated for two or three years instead of one. This will make it possible to plan actions with deferred results for a longer period.

The Ministry of Antimonopoly Regulation and Trade was formed on the foundation of the Ministry of Trade in September in line with presidential decree No. 188 of June 3, 2016. The new ministry is in charge of public procurement and monitoring of pricing with a view to prevent monopolies. Experts welcomed both the creation of an antimonopoly agency and the intention to divide the functions of monitoring and regulation of public procurement in the long term.

In October, at the initiative of the Ministry of Economy, Council of Ministers' decree No. 802 set out measures to increase the role of public advisory councils and transparency in drafting regulations, which change terms for doing business.

Reforming ourselves

At the start of the year, the presidential chief of staff was pretty optimistic about the quality of public administration personnel. However, government documents hinted at a possible revision of staffing approaches. In early April, the public (and a little earlier the All-Belarusian People's Assembly) was presented with a government's action program for 2016–2020.⁷

Among system tasks, the program mentions an “improvement of the quality of state management of the economy” (whole separate chapter No. 14). The quality is supposed to be improved, among other things, through the “enhancement of the prestige of civil service, increase in the quality of staffing and civil servants' skills.” It was planned to form a task group to work out proposals for administrative reform already in 2016. *Two* stages were planned: (1) audit of the functions of the state machinery and determination of key performance indicators; (2) revision of the structure of government agencies and optimization of the number of public officers. However, the program

⁷ «Программа деятельности Правительства Республики Беларусь на 2016–2020 годы.» *TUT.by*. 03 Jan. 2016. Web. 21 Mar. 2017. <http://www.government.by/upload/docs/pdp2016_2020.pdf>.

does not mention the functions and tasks of the agencies that are not directly involved in the management of the economy, so it remains unclear whether the prestige and professionalism of their representatives is supposed to increase as well.

Also, according to the plan, public officers (presumably this is about those engaged in economic management again) will be hired on a competitive basis in compliance with transparent procedures, and undergo training in business schools in Belarus and outside the country.⁸ The goal of all these reforms is to create a more efficient and compact state machinery by 2020.

As in previous years, the topic of responsibility of personnel ran like a scarlet thread through president's speeches. Above-mentioned decree No.78 has a separate paragraph on the criteria for assessing the performance of heads of various government agencies. The prime minister and his first deputy's actions will be assessed in terms of achievement of macroeconomic stability and effective management of the government's foreign debts; chairman of the Board of the National Bank will report on financial stability, repayments of foreign debts by the National Bank, and increase in the international reserve assets; deputy prime minister and minister of foreign affairs are to report on the growth and diversification of exports. Successes of heads of republican agencies of state administration will be assessed in terms of FDI amounts and well-targeted import substitution. Heads of state-run enterprises will give an account of net profits and a reduction in the cost of commodities, works and services, etc.

In May, Vice Premier Vasily Matyushevsky said that the government was working on proposals to reform state machinery activities. The proposals were supposed to be submitted to the head of state before June 1 and lay a foundation for provisions to be discussed at the All-Belarusian People's Assembly. In particular, according to Matyushevsky, it was about approaches "related to a profound modernization of the functions of the government, an increase in its efficiency and improvement of

⁸ The program does not explain why public officers should be trained in business schools instead of special educational institutions intended for them, first of all the Presidential Academy of Public Administration established for this particular purpose.

the quality of public services.” These proposals were included in the socio-economic development program for 2016–2020 adopted at the Assembly.

However, officials and state-controlled media began speaking about machinery reforming and the quality of personnel on much rarer occasions since then. Only in late 2016, this topic became relevant again after Lukashenko’s meeting with his chief of staff Alexander Kosinets. When discussing personnel matters, neither of them mentioned the proposals contained in the government’s strategic plans. As usual, they went back to initiatives dating from more than three years ago, particularly the ‘staff optimization’, i. e., a reduction of the state machinery, but on condition that all officials, who will be selected for redundancy, will be given new jobs.⁹

Along with these multidirectional initiatives in the area of personnel policy, several international programs were started in 2016 to enhance the efficiency of public administration in Belarus. In collaboration with the World Bank, the Ministry of Finance is going to upgrade the budgeting system, increase the transparency of budget processes and create an information management system for public finances.

The program ‘*Development of Inclusive Local Governance in the Republic of Belarus*’ funded by the Danish International Development Agency (DANIDA) managed by the Danish Foreign Ministry was launched in May. The project is being implemented by the UNDP in Belarus jointly with the Presidential Academy of Public Administration, Presidential Administration and the National Center of Legislation and Legal Research of the Republic of Belarus. The goal of the project is to involve Belarusians in decision-making processes at the local level.

Conclusion

The year 2016 saw increasing contradictions between the economic and social policies pursued by the Belarusian government. Members of government in charge of the economy cautiously

⁹ See ‘*Presidential Administration: Expecting a miracle*’ by Nikolay Burov in this Yearbook.

call on liberalizing the economic sector, facilitate doing business and effectively distribute public finances, while the Ministry of Labor and Social Protection entrenches itself proclaiming conservative aspirations and wanting people tied down to jobs in the inefficient public sector. This opposition is likely to get stronger next year. Without an effective and all-encompassing social protection system that can mitigate the effects of structural changes in the economy and create a foundation for a quality labor market, effects of the poverty trap will overtake more and more regions of the country.

Increased social tensions in early 2017 largely stemmed from the non-transparency and irrationality in making state decisions based on ideologically motivated directives of the head of state and his Administration.

In 2017, the government will deal with the following main tasks: (1) harmonization of economic transformations and social policies, which contribute to a more efficient redistribution of labor in the country, and protection of vulnerable segments of the population; (2) alleviation of social tensions in society through dialogue and increased transparency in government decision-making; (3) reorganization of the work of the state machinery in order to reduce interference in the economy and improve the quality of public administration.

NATIONAL DEFENSE: SELF-RELIANCE IS THE ONLY OPTION

Andrei Porotnikov

Summary

In 2016, the security sector was progressing, although Belarus lost the status of Russia's exclusive political and economic partner. Self-reliance is what the country's leadership demanded, among other things because the interaction with the West in the defense sector remained of secondary importance to Minsk. Under the new conditions, the army is endowed with additional functions with a view to ensuring internal security, since the government has recognized hybrid warfare as a real threat, and the ongoing economic recession as a long-term factor that calls for urgent public spending cuts. The national defense industry showed certain progress thus getting less independent in terms of supplies to the domestic market.

Trends:

- The army is involved to a greater extent in ensuring internal security;
- The possibility of an internal armed conflict (instigated from outside) under certain circumstances is officially recognized;
- Defense, security and law enforcement agencies have set new ambitious tasks, although the available resources are running out;
- Attempts are made to step up the security dialogue with the West.

New Military Doctrine

On July 20, 2016, Alexander Lukashenko approved the final version of the new *Military Doctrine* of Belarus. The Doctrine significantly elevates the status of the army in the national security system. It is based on a systemic analysis of the military-political situation and aims at preventing threats of 'color revolutions' and provocation of internal armed conflicts.

Although neutral definitions were used to avoid negative assessments on the part of external analysts, strong criticism came from Armenia (Russia possibly being behind that). In response, Deputy Foreign Minister of Belarus Valentin Rybakov made it clear that the Belarusian leadership prioritized its own interests above all.¹

¹ «Стенограмма подхода к прессе заместителя министра иностранных дел Беларуси В. Рыбакова в рамках международной конференции

Army responds to ‘hybrid’ challenges

The year 2016 saw a number of large-scale checks of the army’s combat readiness that gave an idea of the threats the country’s political leadership considered real.

A comprehensive inspection of the armed forces took place in *January*. The military practiced reinforced border protection jointly with border guards and Interior Ministry troops², including that at the unequipped border sections (currently the border shared with the Russian Federation). The forces involved worked on repelling a small-scale invasion from a neighboring state in the midst of internal unrest in Belarus.

The combat readiness was checked again on March 15. Among other things, “present day approaches to respond to hybrid challenges, risks and threats”³ and new troops management algorithms were on the agenda.

In *September*, the command-staff exercise under the title ‘Management of Armed Forces Grouping, Other Troops and Military Units in a Special Operation to Stabilize the Situation in Some Crisis Areas of the State’ was held jointly with almost all law enforcement agencies of Belarus. The main tasks included:

- deployment of command and control centers of almost all law enforcement agencies and coordination of their actions by the General Staff;
- formation of interdepartmental groupings of various security, defense and law enforcement agencies;
- protection of military command centers and important transport and economic facilities amid public unrest,

“Осмысление безопасности Беларуси”.» *МИД Беларуси*. 05 May. 2016. Web. 26 Feb. 2017. <http://mfa.gov.by/press/news_mfa/a42cb97e04380bf6.html>.

² «Сообщение пресс-службы Министерства обороны.» *Во славу Родины*. 19 Jan. 2016. Web. 26 Feb. 2017. <<http://vsr.mil.by/2016/01/19/press-sluzhba-ministerstva-oborony-175/>>.

³ «В ВС Беларуси началась масштабная проверка боеготовности.» *Беларусь сегодня*. 15 Mar. 2016. Web. 26 Feb. 2017. <<https://www.sb.by/articles/v-vooruzhennykh-silakh-belarusi-nachalas-vtoraya-masshtabnaya-proverka-boegotovnosti.html>>.

when the protected facility staff collaborates with the enemy⁴;

- organization of the deployment of a telecommunication system unprecedented in terms of capacity and coverage, and testing of new communication facilities, including the *Belintersat* satellite communication system;
- uninterrupted reconnaissance of the terrain and radio communication;
- suppression of attempts to violate the land and air borders of the state;
- protection from air strikes;
- special actions, including those in urban areas, and artillery bombardment of populated localities determined to minimize damage to the infrastructure and civilians;
- organization of a massive relocation of civilians during a joint operation of the army and the Ministry of the Interior to block a simulated settlement occupied by illegal armed groups and elimination of the groups.⁵

Actions in conflicts of the past few years were taken into account during all *three* activities. The command-staff exercise held in September marked the changed role of the armed forces in light of the new Military Doctrine: the army is now responsible for performing a much broader range of tasks than just protection of the country from external aggression, and acts as a coordinator of the entire national security and defense system in a crisis situation.

Adapting to new realities

The Belarusian leadership does not expect significant improvements in the situation with public finances in the coming years and, therefore, takes steps to adapt the national defense system to living within the tight budget.

⁴ «Охрана важного объекта – комплексная задача.» *Во славу Родины*. 20 Sep. 2016. Web. 26 Feb. 2017. <<http://vsr.mil.by/2016/09/20/oxrana-vazhnogo-obekta-kompleksnaya-zadacha/>>.

⁵ «Любые задачи по плечу.» *Во славу Родины*. 21 Sep. 2016. Web. Web. 26 Feb. 2017. <<http://vsr.mil.by/2016/09/21/lyubye-zadachi-po-plechu/>>.

The government started reforming the military training system in late 2016⁶, putting an emphasis on the practical training of future officers, involvement of officers-practitioners, rather than theoreticians in the education process, and a reduction in the training time in some fields. On December 6, Alexander Lukashenko appointed Major General Victor Lisovsky head of the Military Academy of Belarus. Previously, Lisovsky supervised reorganization of education at the Minsk Suvorov Military School.

The territorial defense system was subject to certain adjustments as well. During a territorial defense exercise in February, it was announced that the territorial troops would be downsized from the early stated 120,000 given the demographic capacity. The president says the army, Interior Ministry troops, border guards, police, and territorial defense units will practice interaction, and emphasizes the importance of the mobilization component in all security, defense and law enforcement agencies.⁷

In May, territorial defense exercises were held in the Luninets and Gantsevichi districts of the Brest region, and, in June, an interdepartmental command-staff exercise in six districts of the Grodno region involved the territorial defense forces, Ministry of Defense, Ministry of the Interior, State Border Committee, KGB and Ministry of Emergency Situations. An Interior Ministry's unit formed of obligated reservists took part in such exercise for the first time.

Slowly going to the West

Minsk is seeking to develop cooperation with Western countries concerned about the security situation in Eastern Europe. Considering the scale of Russia's influence on Belarus in the

⁶ «Лукашенко поручил усовершенствовать систему подготовки военных кадров.» *БелТА*. 19 Oct. 2016. Web. 26 Feb. 2017. <<http://www.belta.by/president/view/lukashenko-poruchil-usovershenstvovat-sistemu-podgotovki-voennyh-kadrov-215278-2016/>>.

⁷ «Территориальная оборона: слова и дела.» *Belarus Security Blog*. 22 Feb. 2016. Web. 26 Feb. 2017. <<https://www.bsblog.info/territorialnaya-oborona-slova-i-dela/>>.

military-political domain, the Belarusian leadership has to prove its independence to the West.

At a Security Council session held January 22, Alexander Lukashenko spoke about increasing contradictions between Russia and NATO. In his opinion, further escalation of confrontation can have irreparable consequences.

Defense Minister Andrei Ravkov said on February 22 that Belarus was committed to protect its national interests using all available means. In addition to the cooperation with Russia and membership in the Collective Security Treaty Organization, Ravkov spoke about cooperation with China and Belarus' aspiration to develop constructive dialogue with NATO "towards the strengthening of international and regional security."⁸

A delegation of the Pentagon headed by Deputy Assistant Secretary of Defense Michael Carpenter visited Minsk in late March. Judging by the available information, the security of their NATO allies and a possible increase in Russia's military presence in Belarus were discussed. At a meeting with the delegation, Lukashenko said that Belarus was ready to fulfill obligations to its allies, but only in its own territory. He made it clear that Belarusian troops were not going anywhere.⁹

In August, Belarus and the United States appointed military attachés to the embassies. The Belarusian Defense Ministry and the Pentagon released a *joint statement* on cooperation and signed a bilateral military cooperation plan for 2017 on October 20 in Washington.

On November 23–24, Warsaw hosted consultations on the planning of Belarusian-Polish military cooperation. The parties signed a plan of cooperation between the Ministries of Defense of Belarus and Poland.

An agreement on cooperation between Ministries of Defense of Belarus and Latvia was signed on December 5–6.

⁸ «Беларусь должна быть готова реагировать на современные вызовы и угрозы.» *Во славу Родины*. 25 Feb. 2016. Web. 26 Feb. 2017. <<http://vsr.mil.by/2016/02/25/belarus-dolzha-byt-gotova-reagirovat-na-sovremennye-vyzovy-i-ugrozy/>>.

⁹ "Lukashenko: Belarus' military doctrine is defensive." *BelTA*. 30 Mar. 2016. Web. 26 Feb. 2017. <<http://eng.belta.by/president/view/lukashenko-belarus-military-doctrine-is-defensive-90103-2016/>>.

However, the degree of confidence in Minsk remained low. The absence of a Belarusian government delegation at the NATO summit in Warsaw in July was symptomatic. The official reason is the insufficient level of cooperation between NATO and Belarus. The real reason is that Western commanders doubt Belarus' independence when it comes to defense issues.

The West expects clear and unambiguous guarantees of non-participation under any circumstances in possible aggressive actions of Moscow against neighboring members of NATO, and concrete practical steps, which would demonstrate Belarus' independence in the field of defense. Verbal assurances of the Belarusian leadership are clearly not enough.

Flawed union

A summit of the Collective Security Treaty Organization was held October 14 in Yerevan. Belarus took over presidency in the organization. Although Belarus called for strengthening collective security and the military component of the Organization, the country is actually not interested in the real strengthening of the CSTO as a military-political union. For the period of the presidency, Belarus mainly focuses on talks with the UN on peacekeeping, combating terrorism and drug and human trafficking, illegal migration, and emergency relief operations.¹⁰ There is no room for militarism whatsoever.

An annual session of the Boards of the Defense Ministries of Belarus and Russia under the chairmanship of Ministers Andrei Ravkov and Sergei Shoigu was held November 2 in Minsk. Although both chairmen demonstrated optimism and satisfaction with the cooperation, different views on a number of fundamental issues were obvious. For example, the Belarusian military has no problem of confrontation with NATO, which is considered to be a partner of Belarus (not the main one for now, but clearly not an enemy).

¹⁰ «В МИД Беларуси заявили, что в период председательства в ОДКБ Республика Беларусь сосредоточится на консолидации усилий международных организаций по укреплению мира и безопасности.» *ОДКБ*. 01 Nov. 2016. Web. 26 Feb. 2017. <http://www.odkb-csto.org/news/detail.php?ELEMENT_ID=8608&SECTION_ID=91>.

A CSTO summit took place on December 26 in St. Petersburg. The Belarusian delegation canceled its participation. As a result, the appointment of a new secretary general of the CSTO was not considered again because representatives of Belarus were not there.

Defense industry: Industrial successes against the background of an administrative failure

The launch of Belarus' *first* telecommunications satellite *Belintersat-1* at the Xichang Launch Center of China on January 15 was the main achievement of the Belarusian defense industry in 2016. The satellite provides secured communication in a large area of Europe, Asia and Africa, being an important component of the integrated digital communication system of the country. The plan to launch the next *Belintersat* was officially announced in December 2016.

In August 2016, public attention was drawn to the delivery of the first multiple rocket launcher Polonaise. It is possible that the first batch was given to the military primarily for research purposes, particularly testing in operation, application and maintenance. A really large-scale supply will be associated with the adoption of a Polonaise modification with an action range of 300 km.

The following may be mentioned among other achievements of the defense industry:

- domestically manufactured wheeled armored vehicle V-1 developed by the Minsk Wheel Tractor Plant and Cayman of the 140th Repair Plant);
- testing of upgraded extended range missiles for the multiple rocket launcher Grad;
- testing of domestically produced solid rocket fuel;
- creation of a demonstrator of an unmanned fighting vehicle on the basis of Burevestnik-MB armed with two minor kamikaze drones for reconnaissance, surveillance and elimination of detected targets.

Last year, the army tightened control over the national defense industry, first of all by Defense Ministry's military offices endowed with the most extensive rights, including the moni-

toring of pricing in the defense industry. In December 2016, Major General Igor Demidenko was appointed first deputy chairman of the State Military-Industrial Committee. Before his appointment, he headed the Central Military Inspection of the Armed Forces of Belarus. Demidenko will now supervise the development of arms delivery programs, price determination, and quality and timeliness of maintenance. In fact, this means that the defense industry becomes less independent on the domestic market.

Conclusion

The Belarusian military-political leadership is guided by the assumption that external aggression is only possible in case of a heated internal conflict. In order to respond to any internal threats at early stages, it is ready to use all available means up to armed suppression.

As concerns national security, the government chose to rely on itself. Consequently, Minsk will most likely continue distancing itself from Moscow in the security area. The significance of the Collective Security Treaty Organization for Belarus has declined and will continue to decline in the future. At the same time, the dialogue between Belarus and the West is progressing very slowly due to the lack of trust between the parties.

All of the aforesaid means that Belarus faces the need to develop its own manufacture of military equipment and weapons (primarily missile systems as a basis for strategic deterrence). The Belarusian defense industry will supply its products to the domestic market with a minimum profitability, seeking profits in foreign markets.

PARLIAMENT: CHANGES WITHOUT CONSEQUENCES?

Andrei Kazakievich

Summary

The main political result of the year for the Parliament was the change in the political structure following the elections of September 2016. For the first time since 2000, a representative of an opposition party and one from civil society became deputies. Political parties received a record representation since the elections of 1995. Also for the first time since 2004 the age of MPs changed significantly: the number of those who are 40–50 years old increased, which could mean a departure from the model where the Parliament is considered the last point in the administrative and political career. The representation of the manufacturing sector increased while the number of representatives of the vertical power structure declined.

It is early to talk about real political consequences of such changes. Even if these changes were aimed at increasing political pluralism, then, like many other attempted reforms in Belarus, they were not consistent and were overlapped by counter moves. The party representation remained negligible and insufficient for collective political activity. Most political organizations (parties and *Belaja Rus*) are not represented in the Parliament by their leaders. Leading positions are taken by representatives of the executive vertical power structure.

Parliamentary groups as the main manifestation of collective political activity were not formed in the Parliament. It is likely that experiments at the stage of formation of the House of Representatives will not have consequences at the stage of political implementation.

Trends:

- Noticeable changes in the political structure: increased representation of parties, the presence of opposition representatives, rejuvenation of deputies, and an increase in the representation of the business sector;
- Key positions are still taken by people from the vertical power structure; absence of collective political activity of deputies, preservation of bureaucratic rather than political nature of parliamentary activities. In the Parliament there are no leaders of even those parties and organizations that received mandates;
- The uncertain and ambiguous status of *Belaja Rus* is preserved;
- Domination of the European vector in foreign policy.

In 2016, the most important event for the Parliament was the parliamentary elections. Despite the fact that the electoral process had not changed, the election results showed some changes in the formation of the House of Representatives (HR). The

structure of the HR differs greatly from all the previous ones in various parameters, which testifies to a certain experiment on the renovation of the legislative body.

Political structure

Since the elections of 2000 there was a critical drop in the representation of the formal party structures in the Parliament, the trend was steady, and the minimum party representation was reached at the 2012 elections (two parties were represented by 5 deputies). The results of the 2016 elections completely changed the trend of the last fifteen years: the party representation increased significantly, having reached its highest level since 1995. This caused the activation of several pro-governmental parties which campaigned intensively and proved their social and political prospects.

As already noted, in 2012 there were only five representatives of political parties in the Parliament. After the elections of 2016, their number grew to 16 people, which is the highest figure in the history of elections to the House of Representatives since 2000. In addition, the number and range of represented parties also increased significantly. If in 2004 their number fluctuated between two and three, now it reached five, and for the first time officially the opposition United Civil Party was represented. The modeling of pluralism though stays in 'testing' mode, as none of the parties is presented sufficiently even for the formation of a parliamentary group, not to mention organized influence on the legislative process.

The Communist Party of Belarus (CPB, 8 mandates) received the largest representation, which fits into the trend since 2000, according to which this party has always won the greatest number of seats compared to others. The Republican Party of Labor and Justice (RPLJ) and the Belarusian Patriotic Party (BPP) got three mandates each. The Liberal Democratic Party (LDP) and the United Civil Party (UCP) received one mandate each.

If to consider the increase in the representation of the parties as formation of political pluralism, the dominant position is given to the left wing (CPB, RPLJ, BPP), while BPP simultaneously acts as a formally pro-Russian political structure. The right wing in its opposition and non-opposition forms is

represented minimally by the LDP and UCP. Interestingly, at 2000 elections, when the attempts to form a Belarusian version of the controlled pluralism were made from the entire opposition camp only the former representatives of the UCP were admitted to the Parliament.

After the elections of 2016 parliamentary seats were won by 68 representatives of *Belaja Rus*¹, which means that the representation of the organization did not change (after the elections of 2012 they had received 67 mandates) and was above 60%. Despite such a strong position, the fact of the dominance of *Belaja Rus* in the Parliament is not easy to interpret. The organization has not transformed into a political party, and its value and weight in the political system remains in question. In the HR of the previous convocation the *Belaja Rus* members held the positions of Vice Speaker of the HR and the chairs of the several standing committees, now the leadership of the organization is not represented in the Parliament.

Also significant is the fact that at the meeting of *Belaja Rus* in November 2016, where they discussed the results of the parliamentary campaign, the deputies were represented by the ordinary Deputy Valery Kursievich. At the meeting of *Belaja Rus* Presidium on 15 December 2016, where the annual work of the organization was summarized, the Parliament was also represented by ordinary MPs². The lack of the Parliament's leadership at key meetings of the organization, which formally dominated the Parliament, raises the question of the political status of *Belaja Rus*.

It seems that *Belaja Rus* at the moment is not a political entity but a service organization whose main function is providing

¹ «В штаб-квартире “Белой Руси” подвели итоги парламентских выборов.» *Профессиональное образование. Республиканский портал*. 16 Sep. 2016. Web. 28 Apr. 2017. <<http://www.ripo.unibel.by/index.php?id=1996>>.

² «15 декабря 2016 года депутат Палаты представителей О.В. Нехайчик (Шабановский избирательный округ № 91) приняла участие в заседании Президиума Республиканского совета РОО “Белая Русь”, на котором были подведены итоги деятельности объединения в 2016 году.» *Палата представителей Национального собрания Республики Беларусь*. 15 Dec. 2016. Web. 26 Apr. 2017. <<http://www.house.gov.by/ru/news-ru/view/15-dekabrja--goda-deputat-palaty-predstavitelej-nexajchik-ov-shabanovskij-izbiratelnyj-okrug-91-prinjala-51833-2016/>>.

human resources. By analogy with the Belarusian Republican Youth Union for youth, the membership in *Belaja Rus* can contribute to further political or administrative career, but that does not mean either influence or significant political weight of the organization itself.

Since the beginning of the activities of the House of Representatives of the sixth convocation there has been no information about the creation of any deputy groups and other prominent political self-organization of parliamentarians. This means a continued bureaucratic model of deputies' activity which had formed in the early 2000s and means working in permanent commissions and thematic working groups. The political self-assembly of MPs in parliamentary groups has been absent in the Belarusian Parliament since 2004. However, immediately after the 2012 elections the parliamentary group *Initiative* was created. At that time the group included 21 members and the Minsk region was its regional framework, but there has been no noticeable activity since its establishment.

A demonstration of the political constraints of the Parliament is the absence of leaders of parties and organizations. Out of five parties, only BPP is presented by the head. The leaders of UCP and LDP did not enter the Parliament, and the leader of the RPLJ was forced to withdraw his candidacy. The first Secretary of CPB did not participate in the elections, nor did the leadership of *Belaja Rus*.

Renewal of the composition

After the elections of 2016, more than 24% of MPs kept their mandates. In comparison with previous years it can be considered average, which is higher than the results of 2012 elections (19.1%), but lower than all previous elections in the HR, where the share of reelected MPs ranged between 27–40% (Table 1).

Table 1. The share of reelected MPs from the total number of the deputy corps, percent

	2000	2004	2008	2012	2016
Share of reelected MPs	33.6	40.0	27.3	19.1	24.5

The election results show that the model, according to which the HR is formed, provides about $\frac{1}{4}$ of reelected deputies and the election of approximately $\frac{3}{4}$ new ones. This model appeared in 2008, and remains fairly stable and provides a substantial update of deputies.

Age and sectoral structure of the deputy corps

Significant changes occurred in the age structure of the HR. For the first time since 2000, the proportion of MPs aged 51 to 60 (suspended pension and retirement age) has dropped significantly. If in 2004 it made up the majority or even a significant majority of the deputies (49–62%), following the results of the elections in 2016, their share dropped to 46.4%. At the same time, the share of deputies in the middle of their careers increased significantly to 39.1%. For the first time since 2004, it shows an attempt to significantly rejuvenate deputies. Among other things, the consequence of the trend is that the HR is no longer considered the last point in the administrative and political career.

The sectoral structure of the new deputy corps in general is similar to the previous convocations. The main changes concerned the representation of the executive agencies and the industrial sector. According to the results of 2012 elections the largest group among the newly elected deputies was the officials of the vertical power structure (21 out of 89 deputies), while following the results of the elections in 2016, their number dropped to 16 people, in turn, the number of people from the manufacturing sector increased from 15 to 22 people. The number of newly elected MPs from the sphere of education, health, law enforcement agencies and public associations did not change compared to 2012 elections. The increase or decrease of their representation is no more than one or two members.

Changes in leadership

Vladimir Andreichanka was re-elected chairman of the House of Representatives: he has held this position since 2008, and before that, since 1994 he had headed Viciebsk regional Executive Committee. The newly elected deputy Baliaslau Pirshuk

became the Deputy Chairman, who since 2007 had held the position of Deputy Chairman of Homiel Executive Committee. Thus, the current senior management of the HR comes from the vertical power structure, which makes it slightly different from the Parliament of the previous convocation, where the position of the Deputy Chairman was taken by Viktor Huminski who had a military early career and eight years of experience of parliamentary activities prior to the appointment.

There was a significant update of the permanent commissions. Out of 14 chairs only two people retained their positions, which partly corresponds to the proportions of the MPs update (Andrei Naumovich, the Commission on Human Rights, National Relations and Mass Media; Liudmila Dabrynina, the Commission on Budget). Two other members became the chairs of the commissions where they had previously worked (the Commission on Economic Policy and the Commission on Legislation). Other Commissions were headed by newly elected MPs.

Among ten new chairs, five come from the executive agencies (three are from regional and one is from the national level). If to consider all heads of the Commissions as a group, taking into account the career experience prior to the election in the HR, the vertical power structure representatives take 7 out of 14 positions.

International activities

The Parliament traditionally performs a supportive role in the foreign policy of Belarus. The role of the Parliament is not decisive, but it is important for viewing the position of the Belarusian leadership at the international level, for the influence at the discussions on Belarusian issues, for maintaining contacts with politicians and officials of different countries and international organizations.

In 2016, the Western vector dominated over the traditional post-Soviet one in the international contacts of the Parliament. The most active contacts were developed with Poland. The Parliamentary delegation of Belarus led by the then HR Deputy Chairman Mr. Huminski, visited Poland twice: on 14–16 April and on 30 August – 1 September. During the latter visit, the

representatives of the Belarusian Parliament took part in the meeting of speakers of Parliaments of Central and Eastern Europe. In turn, in August and in December of 2016, the Polish Sejm delegation visited Belarus.

In 2016, the representatives of the HR also received parliamentary delegations of various levels from Romania and Bulgaria (April), Latvia (May), France (June). The leadership of the Belarusian Parliament also held meetings with the representatives of the Italian region of Sardinia (February), with the Foreign Minister of Bulgaria (April) and others. The Belarusian parliamentary delegations visited the Czech Republic (March) and Latvia (June). In addition, Belarusian deputies had contacts with the OSCE PA, the EU delegations, the Parliamentary delegation of the Conference of the Baltic Sea, the *Eastern Partnership* initiative.

Against this background, the contacts with the countries of the former Soviet Union were not so intense. Relations with Russian parliamentarians in the Parliamentary Assembly of Belarus and Russia took place as planned, and even the anniversary character of some meetings did not significantly affect their format.

Contacts with Georgia were also active. The delegation of Georgian parliamentarians visited Belarus in February, and there was a meeting with the government delegation in March. Also the representatives of the HR took part in celebrations on the occasion of the 25th anniversary of the independence of Georgia. In June a meeting was held with deputies of Moldova, and in November there was a visit to Kazakhstan.

In 2016 there were also contacts with Asian countries (Vietnam, Thailand, Afghanistan, Oman, China, Malaysia, Indonesia, Philippines). Besides, the National Assembly of Belarus was accredited as a permanent observer in various bodies of the Latin American Parliament, and also carried out contacts with representatives of Cuba and Ecuador.

During the year, Belarusian parliamentarians took part in various international and regional parliamentary structures: the World Assembly of the Inter-parliamentary Union, the Parliamentary Assembly of the Black Sea of Economic Cooperation, the Inter-parliamentary Assembly of Orthodoxy, and others.

Conclusion

In 2016, the development of Parliament was determined by some significant changes in the principles of the formation and a cautious experiment on political pluralism: the rise of party representation, the representation of the opposition, the rejuvenation of deputies, the increase in the representation of the industrial sector.

However, it is difficult to say whether these changes mean a transformation of the role and function of the Parliament. It is likely that they will remain exclusively formal. At least there is no noticeable increase in collective political activity in the Parliament, and the activity itself is of a bureaucratic rather than of a political character.

In the legislative process, the Parliament consistently adheres to a particular role, which envisages the completion and adoption of bills drafted by the government or by the Presidential Administration. The activity of deputies in initiating new laws is negligible. In the last few years the role of the Parliament increased in foreign policy and communication with social structures.

LOCAL AUTHORITIES: STRONGER REPRESENTATIVE VERTICAL AND HEAVIER ECONOMIC RESPONSIBILITY

Dmitry Kukhlei

Summary

Along with a reduction in social guarantees, the Belarusian leadership demonstrates a readiness to increase the responsibility of local authorities for social and economic development and to expand their powers. The greatest transformations take place at the primary level of self-government—village councils. However, the political, personnel and economic influence of representative bodies on the executive branch at the local and regional levels remains insignificant. Local councils and executive committees are still deprived of the opportunity to fully determine local development policies. The national authorities thus seek to foster local initiative towards the development of regional economies. The Belarusian leadership wants a greater integration of local councils of all levels into the vertical of representative power, and legislatively determines a new mechanism: regional assemblies of council members. This enables the government to improve the performance of local councils as an additional tool for shaping public opinion and carrying out public policy. On the other hand, horizontal ties between the councils get stronger by means of associations, which is, most likely, thanks to international cooperation and the search for extra funds for local budgets.

Trends:

- The national leadership encourages local authorities to be more proactive in finding additional sources of financing through international assistance and cross-border cooperation, tax autonomy, as well as efficiency and transparency in the disposition of funds;
- The authorities gradually change their attitude to private business in the regions as an important source of economic development and new jobs;
- The authorities start a campaign to prepare public opinion for changes at the primary level of councils.

Local councils as an element of the ‘party of power’

One of the main tasks assigned to the local councils is to win public support for government policy. For example, information and propaganda groups, which include members of local councils, hold the monthly nationwide event Universal Public

Awareness Day. The main topics are always chosen by the national authorities. Sometimes, those groups are headed by chairs of the councils. Also, heads of the councils are included in task groups to monitor activities of enterprises and assess their performance with respect to the set targets. Council members are thus much less active in the media (local state-controlled newspapers and websites) than local executive bodies.

On the other hand, the councils perform the function of an additional tool to provide feedback from local communities so that the national leadership can monitor public sentiments. The government strives to improve these tools, among other things, through coopting local councilors in republican representative bodies. Twenty-three members of the new Council of the Republic are members of local councils of the 27th convocation, including 15 members of regional, nine of district and city, and four rural councils.¹

The parliament is trying to restructure the mechanisms of interaction with the councils to better hear the local representative bodies. It was suggested to include chairpersons of the regional councils, and representatives of one district and one village from each region in the council for interaction with local government administrations formed as far back as 2007. This is supposed to keep the Belarusian leadership updated on what the representative vertical and the population in the regions think about social and political developments in the country. Recommendations given by local governments will be taken into account to adjust regional policies and self-government legislation.

The government widely uses regional assemblies of local councilors, members of both chambers of the parliament, and representatives of executive bodies as an alternative to the associations of councils. Regional assemblies are not a new invention. Amendments to the legislation on local governments passed in early 2016 made them a formal institution for their further integration into the power vertical.² These regional assemblies

¹ «Члены Совета Республики.» *Совет Республики Национального собрания Республики Беларусь*. 11 Sept. 2016. Web. 01 Mar. 2017. <<http://www.sovrep.gov.by/ru/senators-ru/>>.

² «Закон Республики Беларусь от 04.01.2016 № 348-З “О внесении дополнений в Закон Республики Беларусь о местном управлении и

are used to consolidate local political elites around the Belarusian leadership to give an extra impetus to the public outreach.

International cooperation: greater openness and transparency in exchange for financial assistance

The local councils are not considered a full-fledged governing institution capable of making local economic development decisions. Nevertheless, the role of the councils is increasing as they have a possibility to raise extra funds from international donors and cooperation programs. For example, the Grodno region alone reports around 200 project proposals for 2017 with a total budget of over EUR 50 million under the cross-border cooperation programs Latvia – Lithuania – Belarus and Poland – Belarus – Ukraine.³ This cooperation helps to enhance the effectiveness of local administrations and adopt international practices, as well as to ensure transparency in the application of funds.

Senator Igor Zhuk (chairman of the Grodno regional council) proposed to set up a republican fund for supporting local projects, which would distribute financial resources among local self-government agencies on a competitive basis. According to the official, the fund could be generated not only from money allocated from public funds, but also from sponsor contributions. It looks like the Belarusian leadership would like to ‘localize’ some international assistance programs for Belarus in accordance with the traditional centralization of the Belarusian power system and distribute the funds without the intervention of external donors.

International cooperation and contacts between representative authorities of the countries where they have much broader powers lead to a certain increase in the role of the councils in

самоуправления в Республике Беларусь”» *Национальный правовой Интернет-портал Республики Беларусь*. 06 Jan. 2015. Web. 02 Mar. 2017. <<http://pravo.by/document/?guid=12551&p0=H11600348&p1=1&p5=0>>.

³ “Савет па ўзаемадзеянні органаў мясцовага самакіравання пачаў працаваць.” *Звязда*. 25 Jan. 2017. Web. 02 Mar. 2017. <<http://zviazda.by/be/news/20170124/1485275503-savet-pa-uzamadzeyanni-organau-myascovaga-samakiravannya-pachau-pracavac>>.

the Belarusian power structure. The development of horizontal links and the strengthening of the position of councils for upholding common interests in Minsk are being observed through the establishment of regional associations of councils.

The formation and development of associations of local representative bodies is a regional initiative. The local administrations are thus encouraged to look for additional sources of funding, especially through cross-border cooperation projects. This initiative of the regional leadership does not always find a response among heads of the local councils. Anyway, the regional associations of representative bodies are a step towards the creation of a national association of local councils, which could fully represent the interests of local governments at the national and international levels.

Horizontal links between local councils are developing much more slowly than vertical ones. For example, it took five years to establish the first association of councils in Belarus (in the Grodno region) after legislation amendments. At the same time, the institution of regional assemblies of council members was legislated in just a few years of their convocation.

Local authorities are increasingly eager to participate in inter-municipality cooperation programs between Belarusian and European cities. The western regions of Belarus benefit the most from cross-border cooperation with the European Union. The eastern regions are trying to adopt European practices for the cooperation with Russian regions. In August 2016, Mogilev hosted a forum of the Mogilev and Bryansk regions.

The experience of cooperation between Belarusian and Russian regions is also used in the west of the country. In late 2016, Belarus and Poland signed an agreement to hold a forum of regions.⁴ The traditional forum of regions of Belarus and Russia (already third) contributes to the economic decentralization of local administrations and an increase in their political role. However, the regions and cities are still isolated from interaction for the most part that makes it easier for the national authorities

⁴ “Беларусь і Польшча маюць намер наладзіць цеснае ўзаемадзеянне паміж рэгіёнамі.” *БелТА*. 07 Dec. 2016. Web. 02 Mar. 2017. <<http://blr.belta.by/politics/view/belarus-i-polshcha-majuts-namer-naladzits-tsesnae-uzamadzjejanne-pamizh-regienami-53568-2016/>>.

to impose their way of interaction and maintain a rigid vertical for the implementation of government policy and decisions.

Village councils: reforms under the pressure of the recession

The authorities continue to reduce social guarantees in rural areas from the point of view of economic feasibility. Village councils merge, enabling them to revise the standards for servicing the population and to cut expenses. It should be noted that social guarantees are being revised even in the settlements in which considerable public funds were invested in the second half of the 2000s under the village revival program, which was one of the front elements of the ideology of the ‘Belarusian development model.’ One of the two main directions of social policy was to improve the quality of life in rural areas. To this end, new types of settlements (so-called “agro towns”) were created. We see a reverse process today: the social infrastructure is consistently declining.

The authorities declare their intention to introduce direct elections of the leadership of primary level bodies. It looks like the Belarusian leadership thinks that it can disregard the small risk that direct elections of chairpersons of village councils may entail, because the local communities adhere to conservative views and usually support local administrations. Political parties have long abandoned the idea of reaching the rural population, and there is little or no information in the public domain about opposition activists in rural areas.

The Belarusian leadership will continue to gradually reform the administrative-territorial division and the local government system. The national authorities are probably also considering the possibility of a gradual transformation of today’s three-level division into two levels and the abolition of village councils.

Local finance: expanding tax autonomy and stimulating economic initiative

The rules for the distribution of tax revenues between budgets are changing. It allows planning actions for a longer period.

The norms of tax deductions to local budgets are maintained for at least three years. At the same time, the Ministry of Finance seeks to push local authorities to a more transparent budget distribution.

There is a transformation of approaches of the central management to the assessment of local authorities' performance. Minsk is increasingly paying attention to the economic efficiency of local administrations, attraction of investment and economic development, rather than just prevention of social tensions and efforts taken to ensure social and political stability. The attitude towards small business is changing, and local leaders are trying to create better conditions for the development of entrepreneurship in their regions.

In the composition of local budgets, local revenues constitute the biggest part, averaging around 79.3% (over the first nine months of 2016).⁵ Subsidies to district budgets are unevenly distributed across the country, making up 35.8% in the Mogilev region, 32.0% in the Vitebsk region, 31.5% in the Gomel region, 29.5% in the Grodno region, 29.0% in the Grodno region, 29.0% in the Brest region, and 15.0% in the Minsk region. Minsk city manages almost without subsidies, only having 1.0%.

Every fifth budget of village councils is also non-subsidized; three out of five councils dispense with modest subsidies, and only one out of five is subsidized from higher budgets by 50.0% or over. Subsidies make up 70.0% and subventions up to 30.0% in the local budgets provided from the republican budget.

The councils began to massively use the opportunities to impose local taxes and dues to increase the proportion of local funds. In 2016, local administrations introduced a tax on dog owners, partly on procurers and a resort levy, and also received funds from tax introduced by decree No. 3 *On the Prevention of Social Parasitism*⁶. The national authorities, however, imposed

⁵ «Бюллетень об исполнении местных бюджетов.» *Министерство финансов Республики Беларусь*. 01 Oct. 2016. Web. 01 Sept. 2017. <http://www.minfin.gov.by/upload/bp/bulletin/2016_3/2016_3.pdf>.

⁶ «Декрет Президента Республики Беларусь от 2 апреля 2015 года № 3 “О предупреждении социального иждивенчества”.» *Министерство труда и социальной защиты Республики Беларусь*. 12 Jan. 2017. Web. 01 Mar. 2016. <<http://www.mintrud.gov.by/system/extensions/spaw/uploads/files/DEKRET-3-Etalon.pdf>>.

restrictions on the rates of tax on dogs. At the same time, they declare the intention to increase the tax autonomy of local councils starting from the primary level budgets, and transfer to the basic level the administration of other taxes, such as the single tax on individual entrepreneurs, levy on craftsmanship, and, fully, the resort levy and levy on procurers.

Local authorities are seeking replenishment of local budgets through selling real estate and land parcels. By expanding tax autonomy, the national authorities are trying to motivate the local administrations for the more efficient development of the local economies.

The Belarusian leadership also devolved the power to exempt individuals from the ‘tax on social parasitism’ on local councils, although the latter most often delegate these responsibilities to executive bodies. It should be noted that members of local councils do not unanimously support decree No. 3⁷, which does not happen very often.

The financial responsibility of local authorities is different. If not regulated by the national authorities, it can lead to insolvency of some regions. For example, the Postavy, Kirov, Pinsk, Brest, and Malorita districts have debts equal to 60% to 79% of budget revenues. Regional authorities have different approaches to lending: in 2016, debt service expenses in the Brest region amounted to five million Belarusian rubles, while the Vitebsk region reported 55 million.

Conclusion

Most likely, the national authorities will push members of local councils to intensify community outreach to relieve social tension in the regions, especially shortly before local elections. The strengthening of the vertical of representative bodies and their outreach can become one of the compensatory mechanisms for possible staff cuts in the ideology branch (no less importantly, a much cheaper one).

⁷ “Утрыманцаў стане менш?” *Звязда*. 25 Jan. 2017. Web. 02 Mar. 2017. <<http://zviazda.by/be/news/20170124/1485267604-utrymancau-stanc-mensh>>.

Heads of some regions will strive to strengthen horizontal links and associations of local councils. The latter will increase the capacity of local authorities to participate in cross-border projects and raise extra funds for the regions.

In all likelihood, the lowest (primary) level of self-government, which, in the opinion of the Belarusian leadership, poses the least threat in terms of political destabilization, will continue to undergo the greatest transformation. The Belarusian state is no longer able to maintain earlier promised social guarantees in rural areas, and this requires measures to reform socio-economic relations in rural councils.

NONGOVERNMENTAL ORGANIZATIONS: HOW TO FIT IN THE TRAJECTORY?

Dmitry Bryukhovetsky

Summary

The three largest state-sponsored and state-controlled NGOs – Federation of Trade Unions of Belarus (FTUB), Belarusian Republican Youth Union (BRYU) and *Belaja Rus* ('*White Russia*') – met the recent changes in the national socio-economic policy with great suspicion. This is primarily about the tightened monetary policy and sharply reduced social obligations. The NGOs were unable to lobby more favorable decisions.

All *three* NGOs made an attempted to adjust their activities to more or less comply with the policy provisionally called "soft Belarusization" and "liberalization", but those attempts were limited and unstable.

New NGOs, the pro-government nature of which is not that obvious, are playing an increasingly bigger role in the socio-political life of the country. They can imitate a relatively developed civil society in Belarus, while the FTUB, BRYU and *Belaja Rus* are gradually losing this function.

Trends:

- The leading pro-government NGOs are unable to adapt to ongoing socio-political and economic changes;
- The FTUB, BRYU and *Belaja Rus*, which used to play the role of civil society substitutes, are losing their relevance as new NGOs are taking the stage.

On this side of the tax on 'social parasitism'

In 2016, amid the growing social and economic crisis, the Federation of Trade Unions of Belarus showed a total inability to function as a pro-government public association meant to monitor the situation at enterprises and extinguish possible discontent. The traditional annual meeting between President Alexander Lukashenko and FTUB Chairman Mikhail Orda took place on October 24. Both agreed that the social and economic standing of workers was going down, but did not voice any proposals on how to protect their rights. Lukashenko only said that the existing problems must not be resolved through layoffs¹.

¹ Layoffs at Belarusian enterprises continued regardless of this statement.

Orda tried to criticize the tough monetary policy and a gradual retreat from the general zero unemployment principle, but he was not heard. Instead, he was tasked to reduce the FTUB staff in line with the 2017 government machinery optimization campaign².

Orda's speech at the 5th All-Belarusian People's Assembly held June 27 in Minsk was also vapid. The Union leader managed to articulate only two intelligible proposals: to provide preferential banking support to enterprises and to expand retraining and professional development programs. These measures certainly require budgetary funding that makes the FTUB one of the obvious opponents of the current tightened monetary policy. Apparently, the FTUB's pecuniary interests are directly affected by the alarming unemployment rate and wage cuts. However, the Federation is not entitled to directly criticize the official policy.

On July 13, 2016, after the All-Belarusian People's Assembly, the FTUB Presidium issued the resolution 'On the Package of Measures to Implement the Main Provisions of the Socio-Economic Development Program of the Republic of Belarus for 2016–2020 in the FTUB System.' Like the overall majority of Belarusian policy documents, this program is of low quality and lacks progressive ideas. Its main message concerns the inadmissibility of an increase in layoffs. Although the authors every time refer to the skillfully constructed term "socially responsible restructuring", the FTUB failed to make any clear proposals, not to mention effective measures to put these to practice.

The FTUB retained its traditional role as one of the legitimators of the electoral policy during the September parliamentary elections, and nominated over 9,000 union members to election commissions and 5,000 observers.

Internationally, the FTUB also, as always, failed to achieve any tangible results. For example, the issue of compulsory labor in Belarus was expectedly raised at the 105th session of the International Labor Organization on May 30 – June 11 in Geneva in connection with presidential decree No. 3 'On the Preven-

² This very fact reveals the actual status of the FTUB as, de facto, a government agency.

tion of Social Parasitism.’ Despite the attempts of Belarusian official delegations (including the FTUB delegation) to justify this decree, and the calls for the abolition of decree No. 9 ‘On Further Steps to Develop the Woodworking Industry’, the ILO demanded to bring the Belarusian legislation into compliance with the norms prohibiting forced labor. This largely degraded all previous successes, in particular, the non-inclusion of Belarus in the ILO special paragraph as a country where the rights of workers and trade unions were grossly violated in 2015 for the first time in several years.

Belarusian Republican Youth Union: National colors over the old set of propaganda clichés

As in previous years, the state-controlled NGO Belarusian Republican Youth Union (BRYU) tried to demonstrate its adaptability to the changing conditions. The promotion of national symbols was one of the main trends in the Union’s activities in 2016. The media called this process ‘soft Belarusization.’ On July 2, the BRYU, Ministry of Culture and Minsk City Executive Committee even held a *Vyshyvanka Day* (the day of the traditional shirt in embroidered national style) in the center of Minsk. It is hard to imagine such an event a year before. However, given the extremely limited nature of this soft Belarusization, and that the country’s leadership has no idea where it all should lead, the BRYU is unlikely to make further steps in this direction.

During the All-Belarusian People’s Assembly, when the ‘embroidered campaign’ was in full swing, BRYU First Secretary Andrei Belyakov did not say a word about it. His speech was based on standard Soviet clichés, and the topic of patriotism reduced to the memory of the Great Patriotic War of 1941–1945 and the postulate that young people should stay in the home country “not being free of it.”

He spoke about civil-patriotic education, but did not propose any innovations in other areas, such as online activities, culture and recreation, the volunteer movement, or organization of students’ teams. Given the situation in the economy, we can assume that the year 2017 will be even more difficult in all these domains.

The role of the BRYU remained traditional when it came to the follow-up support for elections. The Union delegated around 6,200 observers, thus contributing to the legitimization of the parliamentary elections.

The chronic problem of the Belarusian Republican Youth Union is that it is still dependent on public funding. The organization planned to achieve self-sufficiency by 2011, and then this term was postponed till 2013. Presidential decree No.6 of January 13, 2016 extended the budgetary financing of the BRYU to 2016–2017.

In December, the organization was strongly hit by personnel reshuffles in the Presidential Administration. Patron and curator of the Belarusian Republican Youth Union Igor Buzovsky was dismissed from office of deputy chief of staff. Moreover, during the restructuring in 2017, the position of presidential assistant for ideology was abolished, and Vsevolod Yanchevsky (the actual creator of the Union) was transferred to the position of High Technologies Park director.

So, although the BRYU is the most active of all *three* NGOs mentioned here (at least from the point of view of the specificity of its target audience), there were no significant transformations in its activities in 2016. To a lesser degree than the FTUB, the Belarusian Republican Youth Union opposes the current tightening of the monetary policy, because its financial standing does not directly depend on wages and the overall employment situation.

It is noteworthy that the BRYU is the only one among the three organizations that tries to join what is called ‘soft Belarusization’ and ‘liberalization’ campaigns. However, the vagueness of these processes, like the very Soviet nature of the Union, did not make it possible to considerably influence the sentiment of the part of society that welcomed this turn (albeit indecisive) in domestic policy.

Belaja Rus: on the margins of socio-political life

The NGO *Belaja Rus* is an absolute outsider among the *three* NGOs in question in terms of the adaptation to the changing conditions in the country and the involvement in political

processes. It was not mentioned a single time on the agenda of President Lukashenko and his Administration *throughout* 2016, which is a peculiar indicator of the NGO's insignificance. Moreover, although *Belaja Rus* Chairman Alexander Radkov was among the delegates to the All-Belarusian People's Assembly, he did not take the floor unlike Mikhail Orda or Andrei Belyakov.

Radkov's speech at a session of the Republican Council of *Belaja Rus* on January 28, 2017 testifies the pointlessness of the existence of the organization and its marginal status in the social and political life of the country. In fact, *Belaja Rus* had nothing to report in 2016. It cannot be said that the organization does not realize this and does not try to make a change. The organization has made and continues to make attempts to position itself as a centrist force capable of uniting the ruling class and population groups, which manifest skepticism towards it (of course, under the primacy of the powers that be).

During the preparation for the 2016 parliamentary elections, *Belaja Rus* proposed limited liberal amendments to the electoral legislation, and tried to act as an intermediary between the authorities and the OSCE. Nevertheless, during the elections, the leadership of the country preferred to traditionally use *Belaja Rus* as a source of loyal and obedient members of election commissions and observers. The elections did not bring significant changes for *Belaja Rus*: the House of Representatives of the 2012 convocation numbered 67 members of the organization (out of 110). Their number in the new parliament increased by *one*.

The NGO still has no chance to become a political party. Its chairman Radkov had to speak about that more than once in 2016.

Conclusion

From year to year, the role and importance of the *three* largest state-sponsored and state-controlled NGOs in the socio-political life of the country is steadily declining. This happens not only because of the gradual (yet very slow) changes in Belarusian society, which becomes less Soviet in the course of time, but also because society and the government do not need such organizations as much as they used to. As the social contract

is in decline, the government prefers to use other methods of political and social control. Another significant factor, which in many respects determines the declining importance of the FTUB, BRYU and *Belaja Rus*, is that new public associations somehow associated with the authorities have been popping up all over in the past few years.

Under the new conditions, their top priority is not so much to adapt to the ongoing changes (the economic recession, lay-offs in state-run enterprises and organizations, and a growing indignation at the state authorities and organizations associated with them), but to fit in to meet the new requirements set by the government, i. e. to offer effective ways to control the nation.

FOREIGN POLICY

BELARUS – RUSSIA: TOWARDS A REVISION OF THE ALLIANCE

Anatoly Pankovski

Summary

In 2016, Belarusian-Russian bilateral relations were, in many respects, determined by the mutual disagreement on the value of each other's services. Both countries were disappointed with the results of the partnership, as they obviously expected greater benefits from the membership in multilateral organizations, such as the Eurasian Economic Union and Collective Security Treaty Organization. Relations have undergone revision in almost all areas: politics, trade, energy, culture, and defense.

The tension was growing throughout the year. It was not relieved in any of the areas by the end of 2016. Disagreements, conflicts and disputes, nevertheless, did not lead to a full-scale crisis: both sides exercised caution, and did not risk the very basis of the partnership, as they were well aware of the limits of the pressure they can exert on each other. Belarus and Russia will apparently have to decrease the expectations from their cooperation.

Trends:

- Mutual support decreases due to a decline in benefits derived from the alliance;
- Russia creates its own transport, border and military infrastructure;
- Belarus makes attempts to strengthen its foreign policy independence and overcome the dependence from Russian energy commodities;
- Both countries are highly dependent on each other. For Belarus, this interdependence is critical.

General overview

Russia's accession to the WTO and the launch of the Eurasian Economic Union led to a reduction in the benefits from the Belarus-Russia alliance: Belarus experiences heavy competition on the Russian market and the effectiveness of domestic market protection measures taken in relation to Russian and third countries' commodities has declined. Sanctions against Russia have resulted in a decrease in Russia's paying capacity that affects Belarusian exports to Russia.

The fall of world prices of oil over the past few years also had a negative impact on the benefits of Belarusian-Russian cooperation in this area, since the oil price preferences for Belarus have significantly decreased in comparison with other Eastern

European countries. In this situation, each side attempted to adjust or revise existing agreements in its favor that led to a whole bunch of conflicts and disputes, which were not generally resolved by the end of the year.

The information component of this conflict, the dramatic intensity of which is very indicative, should be particularly emphasized. In 2015, Ukraine was in the focus of Russian propaganda. In 2016, Belarus was becoming a target of sharply intensified information attacks. The Belarusian leadership finally had to attend to information security issues. Among other things, this was manifested in the arrest of three contributors to the Russian news agency Regnum. Despite the informational aggression of the Russian media and the painful reaction of the Belarusian authorities, relations between officials, including the presidents, prime and foreign ministers, remained composed and quite 'allied' in this respect.

Almost the same (with certain reservations) can be said about the foreign policy coordination between Russia and Belarus. The reservations are related to the *ambiguous* position of Minsk on the Russian-Ukrainian conflict and the Crimean question, Lukashenko's 'initiatives' on the involvement of the United States in the peacemaking process and Minsk's attempts to strengthen its independence through intensified dialogue with the West and stepped up contacts with developing countries.

In general, Belarus showed caution, as its actions fit perfectly into the corridor of the Kremlin's basic preferences. At the July session of the OSCE Parliamentary Assembly, Belarus did not vote for the resolution, which condemned the occupation of the Crimea by Russia, and, when voting at the UN General Assembly in December, Belarus was among the countries blocking a draft resolution on the Crimea, in which Russia was recognized as an occupying country.

Reduction in oil and gas rent: a long-lasting dispute and logistics factor

The oil and gas conflict, which broke out in 2016, was the longest one in the history of Russian-Belarusian relations.¹ Since late

¹ As of early April 2017, the conflict still remained unresolved.

2015, Belarus had been unsuccessfully trying to change the price parameters set by the 2014 contract on Russian gas supplies² and, in early 2016, independently switched to a price it thought to be fair. In fact, the contract provides for this possibility in case the principle of ‘equal profitability’ does not work in the EEU (the ultimate price is calculated according to the old formula, but it is not supposed to be over the ‘equally profitable’ one). Minsk independently determined the price ceiling of ‘equal profitability’ and was paying for gas the whole year being guided by these considerations.

Russia predictably voiced objections, and the parties were trying to come to a compromise the entire year, but failed to agree. For the first time, Russia used oil supplies as leverage in the dispute over the gas price. It cut oil supplies to Belarus by more than 5 million metric tons since the second half of the year.³ In 2016, supplies were reduced 20.8% (18.1 million metric tons against 22.8 million in 2015) in total that heavily affected a number of Belarusian economy indicators, including export revenues and GDP.

As a matter of fact, the gas dispute was more of an excuse than the main reason for the oil supplies cuts. Russian Transneft sought to ensure incomes from the operation of Baltic Pipeline System-2 (BPS-2), the new infrastructure of the Ust-Luga port, i. e. to redirect a considerable part of oil from the Belarusian to the Baltic corridor (like it was done with BPS-1).⁴ Besides, this redirection leaves duties on oil and oil products to Russia instead of Belarus. Most likely, if Belarus did not give a reason by underpaying for gas, the Russians would find another justification to reduce oil supplies to Belarus (although, perhaps, not in such a significant amount).

² «Подписаны контракты на поставку газа в Беларусь и транзит по её территории в 2015–2017 годах.» *Газпром*. 12 Dec. 2016. Web. 28 Apr. 2017. <www.gazprom.ru/press/news/2014/december/article210959/>.

³ For more information see *Energy Sector: End of the oil and gas rent era* by Aliaksandr Autushka-Sikorski in this Yearbook.

⁴ See Головатый, Стас. «Договорится ли Лукашенко с Москвой?» *Наше мнение*. 22 Mar. 2017. Web. 26 Apr. 2017. <<http://nmnby.eu/news/express/6293.html>>.

In the final reckoning, the underlying cause of the oil and gas conflict in 2016 (like all previous and probable future ones) is that Russia made *one* more step towards a bypassing logistics infrastructure, which makes it possible to be less dependent on transit countries, while the Belarusian leadership turned out to be unprepared to put up with the declining transit importance of the country and, consequently, to accept the drop in the price of Belarus' transit services and, ultimately, a reduction in the oil and gas rent. Since *both* parties see the relative importance of their services and commitments differently, the oil and gas sector is likely to remain a potential zone of conflict in the foreseeable future.

Military and trade infrastructure

In 2016, the oil and gas collision was not the only cloud in the blue sky of the alliance. The bargaining over the placement of a Russian air force base in Belarus, which started in 2015⁵, continued to gain momentum, but with a zero result. Belarus' attempts to achieve supplies of new Russian weapons brought the same result. Russia came to the conclusion that it should reinforce the military infrastructure on its own territory near the Belarusian and Ukrainian borders and proceeded with the construction of a military base in Klinty thus distancing itself from its major ally in the defense sector.

This trend extended to the trade infrastructure: in 2016, Russia continued to build elements of a trade border with Belarus, mainly because Belarus did not support Russia's food anti-sanctions in retaliation to the sanctions against Russia. It should be noted that in recent years, Russia has been engaged in the arrangement of its borders with the surrounding countries with varying intensity, yet quite consistently. Belarus was no exception, although the special nature of the allied relations has been emphasized all the time.

The mutual trade turnover with the Russian Federation slightly decreased (94.8% against 2015) mainly due to a decrease in imports from Russia, reduced oil supplies making up

⁵ Mainly in the mass media.

a large proportion in trade. Belarus' exports slightly increased (104.0% against 2015), which had a positive effect on the trade deficit, which decreased significantly in comparison with 2015 to USD 4,476 billion in absolute terms and reached about the same amount as in 2004, when the total turnover did not exceed USD 16 billion.

Table 1. Dynamics of foreign trade between the Republic of Belarus and the Russian Federation in 2009–2015, USD million⁶

Index	2010	2011	2012	2013	2014	2015	2016	% against 2015
Trade turnover	28,035	39,439	43,860	39,742	37,371	27,533	26,114	94.8
Exports	9,954	14,509	16,309	16,837	15,181	10,389	10,819	104.1
Imports	18,081	24,930	27,551	22,905	22,190	17,144	15,295	89.2
Deficit	8,127	10,421	11,242	6,068	7,009	6,755	4,476	150.9

As seen in the table above, this is by no means the worst indicator of the bilateral trade turnover between Belarus and Russia, given that in 2015, its overall decline against 2014 was at 26.3% (USD 27,533 billion with a 6,755 billion deficit). It is, however, premature to speak about a revival of trade and economic relations in 2016.

The thing is that Russia and Belarus do not benefit from the membership in the Eurasian Economic Union: most tariff restrictions still stand and Russian departmental lobbies are busy initiating new ones. Belarus experiences real difficulties when trying to advocate the interests of its producers in the Eurasian Economic Union. Attempts to involve EEU executive bodies in disputes with Russian departments have not yielded significant results.

Conclusion

Since the mutual dependence of Russia and Belarus is a dynamic value, which will decrease in the future, any compromise on any

⁶ “Foreign trade / Annual data.” *National Statistical Committee of the Republic of Belarus*. Web. 15 Apr. 2017. <http://www.belstat.gov.by/en/ofitsialnaya-statistika/macroeconomy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__-po-___gody_10/>.

issue, including those in the trade, military, political, oil and gas sectors will be temporary. On the other hand, the unpreparedness of the Russian and Belarusian governments to carry out reforms and their deep-seated belief that socio-economic problems will be resolved automatically basically predetermine the preservation of the *status quo*, which can be defined as a 'mercantilist alliance.'

Due to the 'mercantilist' keynote in Russian-Belarusian relations, the Eurasian Economic Union will remain a weak alliance with a huge number of restrictions in the foreseeable future. Trade volumes will directly depend on oil prices and, accordingly, the stability of the Russian ruble, rather than institutional shifts.

Belarus will seek to maintain certain foreign policy independence, but the possibility of new repressions against opponents of the regime sets some limitations in this regard.

BELARUS – EUROPEAN UNION: QUANTITY DOESN'T TRANSLATE TO QUALITY

Denis Melyantsov

Summary

In 2016 the relations of Belarus and the European Union improved steadily: there was a gradual expansion and deepening of the agenda both with EU institutions and individual member countries, as well as new forms of interaction appeared. The main event was the lifting of almost all sanctions against Belarusian citizens and companies, which improved the atmosphere of a dialogue and opened a new stage in the relationship.

A new structured format of the dialogue, *the Belarus – EU Coordination Group*, was created. Against this background Minsk officially announced the conclusion of a basic agreement with the European Union as its medium-term goal. However, despite the increase in the number of contacts and deepening of the dialogue, Belarus is not completely satisfied with the practical impact of the normalization of relations with Brussels, while the European Union would like to see more reform efforts by the official Minsk.

Trends:

- Opening of new formats of cooperation;
- The resumption of top level meetings;
- The expansion and deepening of the bilateral agenda of relations;
- The intensification of bilateral relations with individual EU member countries.

Breaking down of barriers, creation of platforms

At the beginning of 2016, Belarusian-European relations displayed positive dynamics. On 15 February 2016, the EU Foreign Ministers took the expected decision concerning the non-renewal of sanctions against 170 Belarusian citizens, including President Lukashenka and three companies. The official Minsk welcomed the decision of the EU Council. However, some sanctions remained: an embargo on delivery of certain weapons to Minsk and restrictions for four citizens of Belarus suspected of involvement in political disappearances were extended for one more year.

In autumn 2015 upon the completion of the ‘temporary phase’ of the relations the sides decided to launch a new format

of bilateral cooperation and the first meeting of the *Belarus – EU Coordination Group* took place on 6–7 April 2016 in Brussels. As the Belarusian Foreign Ministry said, it meant a new format of the structured complex dialogue. At the meeting of the Coordination Group the Belarusian delegation was headed by the then Deputy Minister of Foreign Affairs Alena Kupchyna, the delegation of the European Union was represented by the Deputy Secretary General of the European External Action Service, Helga Schmid. After the meeting the sides discussed in detail the possibilities of intensified sectoral dialogues on economy, finance and environmental protection, as well as the prospects of the launch of new bilateral dialogues on trade, energy, customs, modernization and technical assistance, human rights issues, etc.¹ An unusual and positive event in the new format was the invitation of civil society representatives to participate in some discussions.

In general, the launch of the Coordination Group represents a step forward in the process of progressive expansion and elaboration of the agenda for Belarusian–European relations. It was decided to hold such meetings every six months in Minsk and Brussels in turn.

The second meeting of the Coordinating Group was held on 16–17 November in Minsk. The discussion focused on specific areas for further expansion of relations, including the participation of Belarus in the Eastern Partnership, the cooperation in the field of mobility, the current status of sectoral dialogues, the intensification of cooperation in the framework of technical assistance and human rights.

An important outcome of the Belarusian–European dialogue was *Vienna Forum: Promoting EU Investments in Belarus*, which was held in the Austrian capital on 24 May with the financial support of the European Commission. The Belarusian delegation was headed by First Deputy Prime Minister, Vasily Matyushevsky. The delegation included First Deputy Minister of Foreign Affairs Alexander Mikhnevich, First Deputy Minister

¹ «11 приоритетов диалога. Что обсуждали Минск и Брюссель на первом заседании Координационной группы.» *TUT.by*. 08 Apr. 2016. Web. 05 Mar. 2017. <<https://news.tut.by/politics/491767.html>>.

of Finance Maksim Ermolovich, officials of the National Bank, Ministry of Architecture, National Agency of Investment and Privatization, the Belarusian Chamber of Commerce and Industry. The EU was represented by the European Commissioner for European Neighbourhood Policy and Enlargement Negotiations Johannes Hahn and Vice-President of the International Bank for Reconstruction and Development Alain Pilloux. There were more than 90 companies from EU countries and more than 30 Belarusian enterprises presented at the Forum. The focus of the discussions and presentations was on cooperation in banking, information and communication spheres, environmental construction.

In October, Minsk and Brussels launched a new dialogue on trade, which complemented the already existing dialogues on economy, finance, environment and human rights.

Contacts in other areas were also intensified. On 21 November the full Political and Security Committee of the EU Council visited Minsk. Given the Committee's role in the development of the common foreign and security policy of the European Union, the delegation was received at the highest level: the President of Belarus met with the members of the delegation and summed up the normalization process of the relations in recent years and suggested ideas for further development of relations. Alexander Lukashenka, in particular, mentioned the need to start a discussion about the basic agreement. Among other expectations of the Belarusian side were the elimination of restrictions in trade with the EU, assistance in building relations with the IMF and the increase in the OECD credit rating of Belarus, as well as in the intensification of negotiations on access to the WTO. Referring to the growing geopolitical tension in Europe, Alexander Lukashenka suggested the possibility to launch a new peace process that could take place in the Belarusian capital (*Minsk process*).²

² «Лукашенко предлагает запустить “минский процесс” для урегулирования отношений между Востоком и Западом.» *БелТА*. 21 Nov. 2016. Web. 05 Mar. 2017. <<http://www.belta.by/president/view/lukashenko-predlagaet-zapustit-minskij-protsess-dlja-uregulirovanija-otnoshenij-mezhdu-vostokom-i-220091-2016/>>.

On the roadmap of normalization

In January 2015, the EU created an informal road map for further improvement of Belarusian–European relations entitled the *List of Possible Additional Specific Measures to Deepen Policy of Critical Engagement with Belarus*. This roadmap contained 29 specific measures that could be implemented in case the official Minsk continued to demonstrate its desire to move closer to the EU.

Today, 13 out of 29 points were implemented in one form or another, the most significant of which was the signing of the Partnership for Mobility and the Memorandum on an Early Warning Mechanism, the lifting of sanctions, the development of sectoral dialogues, as well as the increase in financial aid.³ However, a number of important measures planned in this document were not implemented by the EU. The sides, for example, had no progress in negotiations on visa facilitation and readmission mainly due to the additional conditions put forward by the European Union. The negotiations on signing the *Agreement on Cooperation and Partnership* were never even started.

However, the Belarusian side reminds of the fact that there is no basic agreement between Minsk and Brussels. The Belarusian President mentioned that point at the Belarusian National Assembly, as well as during the meeting with the delegation of the EU Council Committee on Policy and Security. This issue was raised at the meeting of Foreign Ministers of Belarus and Latvia in Riga in July. According to the Belarusian Minister Uladzimir Makei, the EU agreements with Kazakhstan and Armenia could serve as guidance for the document but there must be differences that would reflect the specificity of relations between Minsk and Brussels. Uladzimir Makei reminded of the desirability to start negotiations on a basic agreement between the European Union and Belarus in the course of an informal meeting of EU Foreign Ministers and those of the countries' participating in the initiative *Eastern Partnership* on 3 September in Bratislava.

Brussels, in its turn, refrained from making suggestions about the beginning of the negotiations, citing the need to move

³ In 2016, the European Commission doubled the amount of financial assistance to Belarus.

sequentially along a previously scheduled agenda of the relationship. In particular, the EU would like first to end negotiations on the visa facilitation and readmission. The EU also continues to stress the desirability of introducing a moratorium on the death penalty by Minsk.

An important background of the relations between Belarus and the European Union was the election campaign of deputies of the House of Representatives of the National Assembly. The fact that the election campaign did not create new obstacles to the development of the dialogue can be considered the main result for the relations between Minsk and Brussels. After the presidential elections in 2015 and the parliamentary elections in 2016 it became possible for the first time to break the ‘vicious circle’ of electoral cycles when there was a sharp deterioration of relations with the West after every election campaign. Moreover, the election of two opposition candidates to the Parliament was a positive signal for the European Union and gave the hope to build an inter-parliamentary dimension in the relations.

Despite the overall positive dynamics and atmosphere of relations, the official Minsk started to show some impatience and even frustration due to the lack of immediate certain results of cooperation. Late in April, addressing the Belarusian people and the Parliament with his annual message, President Lukashenka stressed the importance of ‘not talking down’ the process of normalization of relations with the EU and the West in general and moving to positive specifics: “There is some new stage in our relations with the West that has started, which I would describe as a kind of talkfest”.⁴

Bilateral relations and regional formats

In the process of normalization of the relations with the EU Minsk relied on the deepening of the dialogue, not only with

⁴ «Обращение с ежегодным Посланием к белорусскому народу и Национальному собранию.» *Официальный Интернет-портал Президента Республики Беларусь*. 21 Apr. 2016. Web. 05 Mar. 2017. <http://president.gov.by/ru/news_ru/view/aleksandr-lukashenko-21-aprelja-obratitsja-s-ezhegodnym-poslaniem-k-belorusskomu-narodu-i-natsionalnomu-13517/>.

European institutions but also with individual member countries that have weight in the decision-making system of the European Union. A vivid example of this approach was the improvement of relations with Poland.

In March the Minister of Foreign Affairs of Poland Witold Waszczykowski visited Belarus. Given the generally difficult relations between Minsk and Warsaw after December 2010 the visit of the Polish Minister had a special meaning and symbolism. This visit became the first in the bilateral format for last eight years.

The Polish Minister held talks with Uladzimir Makei and met with Aleksandr Lukashenka. The Belarusian President called for taking the relations between the two countries to a new level, to solve the existing problems, and stressed that Belarus was ready for close cooperation with Poland. In turn, Witold Waszczykowski said that the new Polish government regarded the old relationship between the countries as abnormal and therefore intended without any preconditions to start the dialogue and to settle all questions that could be solved in the near future.

In October, there was a return visit of the Belarusian Minister of Foreign Affairs to Warsaw during which Mr. Makei held negotiations with the President of Poland Andrzej Duda, Secretary of State, Chancellery of Poland Krzysztof Szczerski and Minister of Foreign Affairs Witold Waszczykowski. As a sign of good will Mr. Makei brought archival documents from Minsk, which according to Mr. Waszczykowski, concerned “the fate of many Poles”.

On 20 May President Lukashenka visited Italy and the Vatican. Lukashenka's visit to Rome, the first visit of the Belarusian President to the European Union since the withdrawal of the visa sanctions, was a concomitant of the meeting planned long before with the Pope at the Vatican. Though the Holy See did not act as an official intermediary between Brussels and Minsk, it played a certain role in a new reduction of tension. In July 2015 it was the Pope Francis who wrote a letter to Lukashenka with a request to release political prisoners. This wish was granted, which became the impetus for further steps forward. Today it is the Vatican that opens the gateway to Europe for Belarus:

Lukashenka's visit was supposed to signal that it was normal to receive the Belarusian leader in other European capitals.

It is noteworthy that in 2009, during the previous period of the improved relations between Minsk and the European Union, the Vatican became the first stop in the EU for the head of Belarus. However, then he was received by the Prime Minister of Italy. This time the Italian program of Lukashenka was limited to a meeting with the President, who is a largely ceremonial figure in the political hierarchy of Italy.

On 6–7 July Uladzimir Makei paid a working visit to Riga. Noteworthy is the large number of meetings that the Belarusian Foreign Minister had with Latvian authorities and the heads of several Ministries: President Raimonds Vējonis, Prime Minister Māris Kučinskis, Minister of Foreign Affairs Edgars Rinkēvičs, Deputy Prime Minister and Minister for Economics Arvils Ašeradens and the Minister of Transport Uldis Augulis.

On 5 November, the Prime Minister Andrei Kobayakov paid a visit to Riga and took part in the summit of the heads of governments of the Central and Eastern Europe and China (in the format “16+1”). Belarus had received an invitation to the summit as a special guest. On the sidelines of the summit there were talks of the Belarusian delegation with the Prime Minister of Latvia Kučinskis, during which multiple issues of trade and economic cooperation and realization of joint projects were discussed.

On 10 November Deputy Prime Minister and Minister for Economics Arvils Ašeradens visited Minsk: he met with Deputy Prime Minister of Belarus Anatoly Kalinin and Minister of Economy Vladimir Zinovskiy.

The official visit of Defense Minister of Belarus Andrei Ravkov to Latvia which took place on 5–6 December also stands out. The Defense Minister held meetings with his counterpart Raimonds Bergmanis and Minister of Foreign Affairs Edgars Rinkēvičs. The main outcome of the visit was the signing of an agreement between the Defense Ministries of the two countries on cooperation.

One of the most important events of the year was the visit of the Prime Minister of Slovakia Robert Fico to Belarus late in November. This is the highest status visit (in the context of

bilateral relations) of any European politician over the last six years. In the second half of 2016 Slovakia held the presidency of the European Union, which means that Robert Fico came to Belarus in a dual capacity. This visit should not be seen as a breakthrough between Belarus and the European Union, though it would not have been possible without positive dynamics in this relationship.

On 9 February the Embassy of Austria in Belarus officially opened in Minsk. The ceremony was attended by Minister of Foreign Affairs of Belarus Uladzimir Makei and Secretary General of the Foreign Ministry of Austria Michael Linhart. Gradually relations with Sweden come back to normal. Charge d'affaires a. i. of Belarus Alexey Paplavsky arrived in Stockholm. The Embassy of Belarus in Sweden is to resume its work soon. In December the Embassy of Belarus in Spain was opened.

Conclusion

2016 was probably the best year in the Belarusian-European relations: most sanctions were abolished, high-level contacts were resumed, the financial assistance of the European Union increased, the agenda of dialogue was expanded. A new bilateral format, *the Belarus – EU Coordination Group*, was created.

The parliamentary elections did not lead to a cooling of relations, but rather created the preconditions for the establishment of inter-parliamentary cooperation. However, the official Minsk is not getting the desired dividends from this progress, such as significant funding by the European institutions, the growth of investment and the creation of a legal base for the Belarusian-European relations.

BELARUSIAN-AMERICAN RELATIONS: DISTURBING OUTLOOK AGAINST THE BACKGROUND OF POSITIVE DEVELOPMENTS

Andrei Fyodarau

Summary

A certain improvement in the relations between the Republic of Belarus and the United States observed in 2015 continued in 2016, although no tangible, concrete results were achieved. Minsk displayed the willingness to expand the cooperation. In turn, Washington considerably defused the criticism of the Belarusian regime. At the same time, Belarus' heavy dependence on Russia and profound changes in U.S. politics do not suggest that positive trends will continue for sure.

Trends:

- The sides (especially Belarus) declare their strong commitment to normalize the relations, but no substantial positive changes were made;
- Economic cooperation indicators show a decline against 2015;
- Belarus may face serious threats to its sovereignty due to global changes in American foreign policy.

Event history

January 18: An agreement on an almost USD 100 million trade loan for Belarusbank from one of the largest transnational American corporations is signed in Geneva.

March 28–30: U.S. Deputy Assistant Secretary of Defense Michael Carpenter makes an official visit to Belarus. He meets with Alexander Lukashenko and the foreign and defense ministers.

April 14: The U.S. Department of State releases annual Country Reports on Human Rights Practices. Belarus is said to still have significant problems in this area.

April 25: Minsk school No. 130 is named after U.S. national Ruth Waller, a UNRRA mission officer. Foreign Minister Vladimir Makei makes a speech at the ceremony.

April 29: The U.S. extends the partial suspension of sanctions against Belarusian enterprises until October 31.

May 17–18: Deputy Assistant Secretary of State for Europe and Eurasia Bridget Brink and Deputy Assistant Secretary of State for Democracy, Human Rights, and Labor Robert Berschinski visit Belarus, which hosts the third round of the U.S.-Belarus Human Rights Dialogue.

June 11: Barack Obama extends restrictive measures against a number of Belarusian officials. “The actions and policies of certain members of the Government of Belarus and other persons continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States,” reads his statement addressed to the Congress.

July 2: The U.S. Department of State announces sanctions against a number of companies, including Belvneshpromservice on suspicion of violating the American law on the proliferation of weapons of mass destruction.

July 6: U.S. Charge d’Affaires to Belarus Scott Rauland meets with President Lukashenko on the occasion of the expiration of the charge d’affaires mandate.

August 8: The Ministry of Defense of Belarus accredits Michael C. VanDeVelde as non-resident defense attaché from the United States of America to the Republic of Belarus.

August 22: Newly appointed U.S. Charge d’Affaires at the U.S. Embassy in Minsk Robert Riley arrives in Belarus.

September 19–20: During a UN session in New York, Foreign Minister Vladimir Makei holds talks with Assistant Secretary of State for European and Eurasian Affairs Victoria Nuland and U.S. Deputy Assistant Secretary of Defense Michael Carpenter. They agree that it is imperative to continue the Belarusian-American dialogue. They also discuss the “establishment of a direct dialogue between the defense authorities of both countries considering the growing tensions in the Eastern European region.”

September 21: When in New York, Vladimir Makei signs a Belarusian-American intergovernmental agreement on the protection and preservation of some cultural values.

October 18–19: Deputy Assistant Secretary in the Bureau of European and Eurasian Affairs Bridget A. Brink visits Minsk. She says the U.S. extended the suspension of sanctions against a number of Belarusian companies for the next six months.

October 20: At a task meeting in Washington, representatives of the Defense Ministry of Belarus and the Department of Defense the United States sign a bilateral military cooperation plan for 2017.

November 28–30: Jorgan Andrews, Director of the Office of Eastern European Affairs in the U.S. Department of State, meets with Belarusian officials, representatives of the opposition, nongovernmental organizations, and the mass media in Minsk.

December 28: The Belarusian Foreign Ministry and the U.S. embassy exchange statements on the occasion of the 25th anniversary of the establishment of the diplomatic relations between the Republic of Belarus and the United States.

Progress is made. Breakthroughs are nowhere near

The facts and dates above show that the bilateral relations continued to change for the better. The restrictions against Belarusian officials extended by the U.S. president, sanctions against *Belvneshpromservice* and criticism in the State Department's Country Report on Human Rights Practices clouded the spirits, but just a bit, being mainly routine actions, which were not even followed by standard rebukes. The spokesman for the Belarusian Foreign Ministry thus expressed hope that "the tenth anniversary year of the sanctions will be the last."

In the meantime, Minsk spared no effort to display its commitment to the further normalization of the relations. At a meeting with Deputy Assistant Secretary of Defense Michael Carpenter, the Belarusian leader spoke about "some positive developments in the relations with the United States" saying that he "would very much like it to be a new page."¹ During the farewell audience with Scott Rauland, Lukashenko said, "We have never concealed that we will not have

¹ «Встреча с заместителем помощника Министра обороны США Майклом Карпентером.» *Официальный интернет-портал Президента Республики Беларусь*. 30 Mar. 2016. Web. 1 Feb. 2017. <http://president.gov.by/ru/news_ru/view/vstrecha-s-zamestitelem-pomoschnika-ministra-oborony-ssha-majklom-karpenterom-13375>.

a full-scale foreign policy without normal relations with the United States.”²

During the parliamentary elections of September 11, Lukashenko said at a polling station that the resumption of a mutual diplomatic representation on the level of ambassadors was possible, and that he was willing to facilitate an increase in the embassies’ staff. Finally, at the ceremony of presenting credentials by foreign ambassadors on December 15, he said, “It is an empire, the leading nation of the world, and we should have good relations with them”, and added that “it would be totally wrong to ride before the hounds and promise something that we will never do.”³

Washington was not that optimistic. The Department of State was far from being ecstatic about the parliamentary election campaign in Belarus. Neither was it optimistic about the prompt and full restoration of diplomatic relations.

Nonetheless, compared with the statements made two years ago, the United States’ rhetoric became noticeably milder. Scott Rauland recognized that the relations between the U.S. and Belarus were much better than two years back, “among other things, thanks to the steps made by the Belarusian leadership.” So, a general improvement in the climate cannot be denied. However, all those visits and talks looked more like probing in order to find possible points of rapprochement.

Specific examples of more or less appreciable breakthroughs are very few. Agreements in the defense sector that were not given much publicity and the agreement to increase the embassies’ staff to *nine* officers each can be mentioned as such. In particular, the sides took the opportunity to accredit military attachés.

² «Встреча с временным поверенным в делах США в Беларуси Скоттом Роландом.» *Официальный интернет-портал Президента Республики Беларусь*. 06 Jul. 2016. Web. 01 Feb. 2017. <http://president.gov.by/ru/news_ru/view/vstrecha-s-vremennym-poverennym-v-delax-ssha-v-belarusi-skottom-rolandom-13974>.

³ «Лукашенко: Беларусь хочет иметь добрые отношения с США, но не будет бежать впереди паровоза.» *БелТА*. 15. Dec. 2016. Web. 01 Feb. 2017. <<http://m.belta.by/president/view/lukashenko-belarus-hochet-imet-dobrye-otnosheniya-s-ssha-no-ne-budet-bezhat-vperediparovoza-223850-2016/>>.

Strictly speaking, although the return of ambassadors can only be welcomed, it is rather a symbolic gesture. For example, in 2007, the bilateral relations aggravated to the highest degree when the ambassadors were in place, whereas in 2016, when there were none, the relations were, perhaps, the warmest over the past two decades.

The results of the economic cooperation were not very inspiring either. There was too little time to feel an effect of the suspension of the sanctions, though. According to American sources⁴, over the first 11 months of 2016, Belarus' trade turnover with the U.S. was at USD 273.5 million, the deficit standing at 16 million. As usual, for not very clear reasons, the statistics provided by Belarusian sources⁵ differs a lot: 539 million against 300 million, respectively.

Even in the latter case, this commodity turnover only constitutes 1.2% of Belarus' total foreign trade, which can hardly be considered a great accomplishment in the trade with the world's leading economy. Besides, the turnover dropped by more than 3% year-on-year, so there is nothing to brag about in this field.

In fact, Belarus is only ranked 120th among 225 countries and territories in terms of the total volume of supplies to the American market. Considering that potash fertilizers make up the largest proportion of the exports, the situation looks even more discouraging.

It certainly cannot be said that nothing was done to rectify the situation. In early June, an American business delegation that represented a dozen companies (the names were not specified) visited Minsk to explore possibilities to expand their operations in Belarus. The delegation met with Deputy Foreign Minister Alexander Mikhnevich, representatives of the National Agency for Investments and Privatization and the National Bank of Belarus.

⁴ "Trade in Goods with Belarus." *United States Census Bureau*. Web. 01 Feb. 2017. <<http://www.census.gov/foreign-trade/balance/c4622.html>>.

⁵ «Итоги внешней торговли Республики Беларусь за январь-ноябрь 2016 года.» *Государственный таможенный комитет*. Web. 1 Feb. 2017. <http://www.customs.gov.by/ru/2016_stat-ru/view/itogi-vneshnej-torgovli-respubliki-belarus-za-janvar-nojabr-2016-goda-677/>.

A Belarusian delegation formed of high-ranking officials of the Presidential Administration, National Bank, Ministry of Finance, Ministry of Economy and other ministries made a reciprocal visit in early December. Particular economic, trade and investment matters were discussed at the Department of State, Department of Commerce, Office of the U.S. Trade Representative, Federal Communications Commission, Department of Agriculture, and Agency for International Development (USAID). According to official reports, the parties reached agreements in the areas of finance, investment, high technologies, agriculture and energy. It is clear, though, that they are a matter of a distant future at best.

Common threats bring the sides together. Not fully, though

The motivation of the Belarusian leadership to expand the cooperation with the West and, particularly, the United States, as much as possible is understandable: Belarus is in desperate need of external support, as Russia is blatantly cherishing its imperial ambitions, and relations in some areas are getting increasingly complicated. As for the goal of the United States' policy towards Belarus, Scott Rauland put it crystal clear at a meeting with Lukashenko saying that "the main thing is that the territorial sovereignty and independence of Belarus must be at the highest and sturdiest level."

So, the political situation in the region is what brings the sides together. Besides, in the current difficult economic situation, Minsk frankly counts on the United States' assistance in obtaining the long-awaited loan from the IMF.

At the same time, the Belarusian leadership is apparently not inclined to go too far along the path of rapprochement. Should there be even half a chance that the presidential powers will be put in question, the process will be stopped instantly.

On the other hand, the fact that the sanctions have not yet been lifted, but only suspended, attests to the caution that, the White House takes when communicating with Belarus and that it has learned its lesson. It looks like the White House has finally figured out the essence of the Belarusian regime, and does not

hurry to resume the diplomatic relations on the previous level knowing that pivotal changes in Belarus can hardly be expected in the foreseeable future.

Possible scenarios do not raise hopes so far

However, all of the above considerations would only be justified to one extent or another if Hillary Clinton won the presidential election. Now, it is highly doubtful that with the new U.S. Administration, Belarus has a good chance to pursue even a fairly independent foreign policy.

Moreover, Belarus' future will be determined not so much by its own relations with America, as by the state of affairs between Washington and Moscow. Donald Trump himself can hardly predict now what will happen in the nearest future, so it is possible to consider several scenarios, and only three of them are fundamentally different.

Scenario 1: Return to the Yalta-Potsdam system. During the election campaign, the new U.S. president repeatedly declared his aspiration to establish better relations with the Kremlin. Therefore, we can assume that he will agree to a repetition of the Yalta Agreement of 1945 that will give Moscow a carte blanche for any action in most of the former USSR. Ukraine and Georgia will find themselves in the most difficult situation. Belarus will have almost no chances to overcome the total dependence on Russia.

Scenario 2: Resumption of a full-scale Cold War. In this case, any Belarus' deviation from the position of Russia will be regarded as a betrayal justifying an armed annexation. In such circumstances, even if Washington makes attempts to win over the Belarusian leadership, it will not succeed. So, the result will be pretty much the same as in the previous scenario.

Scenario 3: Maintaining the status quo. This would be the most favorable one. On the one hand, it is unlikely that Moscow will have a pressing need to once again neglect international law and carry out a military intervention. On the other hand, it will fear that this kind of action will aggravate the situation, which is already far from being pacifying. In this case, the Belarusian government could (if willing, of course) pursue a gradual nor-

malization of Belarusian-American relations, but, obviously, to a certain point.

Conclusion

Unfortunately, the main problem stems from the doubts about the acceptability of preserving the status quo for the new U.S. president, since all that is known about him so far does not inspire much optimism. There is no certainty that the Belarusian president will be credited with his recognition that “no one supported Trump openly and honestly, with all our hearts more than we did.”⁶

All heard Trump’s numerous election pledges “to stop trying to build foreign democracies, overthrow regimes, and thoughtlessly strive to intervene in situations in which America has no right to intervene.” Accordingly, the aspiration to expand democracy worldwide is unlikely to top the United States’ agenda any longer.

Meanwhile, throughout almost the entire contemporary history of Belarus, this aspect has been predominantly decisive due to Washington’s poor motivation to seek political and economic cooperation with the country. If the Belarusian issue is put aside or excluded from consideration at all, Belarus can virtually drop out of America’s sight with all the above-mentioned consequences.

⁶ «Лукашенко: больше, чем мы, открыто и честно, от души, никто Трампа не поддерживал.» *Белорусские новости*. 15 Dec. 2016. Web. 1 Feb. 2017. <<http://naviny.by/new/20161215/1481806340-lukashenko-bolshe-chem-my-otkryto-i-chestno-ot-dushi-nikto-trampa-ne>>.

POLAND AND BELARUS: A NEW OPENING?

Anna Maria Dyner

Summary

Taking into account all the frequent meetings of the authorities of Poland and Belarus at the political level, 2016 can be considered a 'new opening' in the relations between the two countries. The change in relations became possible due to the improved communication between the European Union and Belarus, and especially due to the lifting of sanctions, which was supported by Poland. Therefore, both states have chances for a greater use of the neighboring potential and common historical heritage in tourism development and intensification of economic contacts. However, unresolved bilateral matters connected with the activities of the Union of Poles of Belarus and the entry into force of the local border traffic agreements will remain a real challenge.

Trends:

- The concentration of Polish–Belarusian relations on cooperation in the field of economy and infrastructure;
- Increased chances to use opportunities of bilateral relations through EU funds, especially the program “Poland – Belarus – Ukraine” and the development of regional cooperation;
- The failure to resolve fundamental problems in the Polish-Belarusian relations associated with the activities of the Union of Poles of Belarus and the entry into force of the local border traffic agreement (LBT).

Political relations

Although 2016 can hardly be considered a turning point in the relations of Poland and Belarus (the visit of President of Belarus to Poland or the visit of the President of Poland to Belarus could have served an example of such a turning point), since 2010 the most intensive political and economic contacts have been developed. The change in the policy of Poland can be explained by the overall situation in the region rather than by significant political and economic transformations in Belarus. It can be assumed that the situation in Ukraine made the Belarusian authorities change their approach to their EU partners. Especially significant was the decision of the EU states adopted on 15 February 2016 on the abolition of sanctions against Belarus. Although this step

had been awaited since autumn 2015, it improved greatly the relations between Poland and Belarus only in 2016.

Belarusian authorities reacted positively to the fact that the Polish government actively advocated the abolition of the EU sanctions against Belarus. Just over a month after this decision, on 23 March 2016, Minister of Foreign Affairs paid a visit to the Republic of Poland for the first time since the autumn of 2010. The main purpose of the meeting of Witold Waszczykowski and Vladimir Makei was the focus on solving the current bilateral problems and instead of politicizing them.

During his visit the Polish Minister also met with President of Belarus Alexander Lukashenko. On 20 July in Warsaw the bilateral political consultations were held at the Foreign Ministry level. The meeting was attended by the Minister of Foreign Affairs Mr. Waszczykowski and Deputy Minister of Foreign Affairs of Belarus Alena Kupchyna. During the consultation an agreement on cooperation in the field of education was signed.

Intensive political contacts continued in autumn. On 10 October 2016, Minister of Foreign Affairs of Belarus paid an official visit to Warsaw. During the visit he met with President Andrzej Duda and Minister of Foreign Affairs Witold Waszczykowski. Along with political and economic issues, the talks also dealt with cooperation in the framework of the Chinese *New Silk Road* project. During his visit to Warsaw Vladimir Makei gave an interview to the newspaper *Rzeczpospolita*, in which he pointed out that Belarus did not see in NATO a threat to its security.¹

On 24 October in Minsk the Belarusian-Polish economic forum *Good Neighborliness* began, which was attended by Deputy Prime Minister Mateusz Morawiecki. In his speech, he raised the issue of economic cooperation between the states and the Chinese *New Silk Road* project and the opportunities it gave to the development of Polish-Belarusian economic cooperation.

During numerous political meetings that accompanied the forum, Belarusian Prime Minister Andrei Kabiakou asked Mateusz Morawiecki to support the Belarusian efforts to join

¹ Bielecki, Jędrzej. "SzeF MSZ Białorusi: nie jesteŃmy utrzymankami Moskwy." *Rzeczpospolita*. 16. Oct. 2016. Web. 22 Apr. 2017. <<http://www.rp.pl/Swiat/310169954-SzeF-MSZ-Bialorusi-nie-jestesmy-utrzymankami-Moskwy.html#ap-1>>.

the World Trade Organization. Andrei Kabiakou touched on the topic of future energy cooperation with Poland and the EU states, stressing that in 2018 the first unit of Astraviec nuclear power plant would be put into operation.

In the framework of the forum *Good Neighborliness* the meeting of the Polish-Belarusian Commission for Economic Development also took place. It was agreed that the Commission should meet once or twice a year. On 8 November a delegation of the Polish Ministry of Agriculture with vice Minister Ryszard Zarudzki visited Belarus.

The contacts in the field of security were also established: on 23–24 November, Warsaw hosted consultations between the Ministries of Defense of both countries. On 2 December, the Polish military inspection under the Vienna document visited the 111th Belarusian Guards Artillery Division.

In 2016, parliamentary contacts also developed. On 2 August in Minsk, the Chairman of the Council of the Republic (the upper chamber of the Belarusian Parliament) Mikhail Myasnikov met with Deputy Speaker of the Sejm Ryszard Terlecki. During his stay in Belarus, Deputy Speaker Tarlecki also met with Deputy Foreign Minister of Belarus Alena Kupchyna.

Another group of Polish parliamentarians visited Minsk on 5 December. The delegation was headed by the Senate Speaker Stanisław Karczewski, who met with the President of Belarus Lukashenko, the Head of the Council of the Republic Mikhail Myasnikov and the Head of the House of Representatives Mr. Andreichanka. As a result of the meeting the Polish-Belarusian parliamentary group was created and the cooperation between the upper chambers of the parliaments of the two states (the Senate and the Council of the Republic) was established.

In 2016, expert consultations in the field of transport, agriculture and investment were resumed. Technical cooperation between the national banks of both countries continued. It is also planned to restore the sessions of the Commission on cooperation in science and technology.

Due to the activity of the Polish government, Belarus signed the Partnership for Mobility (MOST) with the EU. It was launched on 13 October in Luxembourg, with the aim to ensure better management of migratory flows. Thus, the contacts

reached far beyond the technical level, which used to be the maximum in previous years. It might be predicted that in the few years to come the intensity of relations at different political levels will be maintained.

Bilateral treaties

In March the problem with the issuance of visas was solved. On the territory of Belarus 8 visa centers were opened in regional cities – Minsk, Brest, Hrodna, Homiel, Mahiliou, Pinsk, Baranavičy and Lida. This greatly simplifies the work of Polish consular offices, and especially the application of Belarusian citizens on visas. Moreover, as in previous years, Poland issued Belarusians almost 400 thousand visas.

In 2016, the Polish-Belarusian agreement on cooperation in the field of education was signed. On the basis of this document a joint Consultative Commission was created, which should coordinate the work of schools for the Polish minority in Belarus and the Belarusian minority in Poland. It should be noted that the agreement should facilitate the cooperation among Universities. At the moment, all Belarusian Universities have contacts with Universities and research institutions in Poland.

In 2016, the work on the cooperation agreement between Poland and Belarus in the field of water management continued with a special emphasis on the monitoring system of the river Buh, as well as on the cooperation agreement in the field of the return of the water route E40 Dniepr–Vistula. It is planned also to sign bilateral agreements on cross-border cooperation. It should be noted that on 23 August 2016 Lukashenko signed a decree that allows coming and staying on the territory of the recreation park *Augustou Canal* without a visa. However, the abovementioned contracts are only a part of the issues related to the joint legal base which require further work.

Economic cooperation

To Belarus, Poland is the third trading partner after Russia and Ukraine. According to the National Statistics Committee of Belarus, the trade turnover between the two countries in 2016

reached almost USD 2 billion, USD 815.9 million out of which was the Belarusian export to Poland, and USD 1,183 million was the Polish export to Belarus.² The increase is 7% compared to 2015, when the trade turnover was USD 1.8 billion. The development of the political relations contributed to the increase of trade between the states, especially taking into account the situation in the region.

Regional cooperation

As in previous years, an important element of the bilateral relationship was contacts at the local level. However, unlike in previous years, they constituted only a part of the Polish-Belarusian relations and were not their main core. On 7 September 2016 Hrodna and Augustów signed an agreement on the development of cross-border cooperation. The agreement on cooperation in the field of woodworking was signed by Podlaskie Voivodship and Hrodna region. During the December visit of Polish parliamentarians to Belarus it was decided to hold the Forum of regions of both states annually. It partly overlaps with a similar cooperation which took place between Poland and Russia.

Cooperation between the local authorities focused also on solving the problems of the borderland. In October, Podlaskie voivode Jerzy Leszczynski and Chairman of Hrodna region Executive Committee Vladimir Krautsou proposed making a new border crossing between Poland and Belarus called *Safijova – Lipczany*. The checkpoint is planned for pedestrians, cyclists and cars weighing up to 3.5 tons. The transition should ease the way to the Belarusian Park *Augustou Canal* and also to shorten the way from Augustów to Hrodna from more than hundred kilometers to 57 km. The driveways lead to the border on both sides and on the Polish side there are already spots intended for the construction of border facilities.

The transition is particularly significant, given the increasing tourist traffic at this segment of the border. Since 2016 tourists

² “Foreign trade / Annual data.” *National Statistical Committee of the Republic of Belarus*. 2017. Web. 22 Apr. 2017. <http://www.belstat.gov.by/en/ofitsialnaya-statistika/macroecconomy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazатели-za-period-s-__-po-___gody_10/>.

will be able to visit Belarus via the border crossing Rudava – Liasnaja (it became the second checkpoint of this type after the border crossing Bialowieza – Piarerau). However, the initiative of local authorities requires coordination at the state level.

The cooperation between Polish and Belarusian actors in the framework of the EU program *Poland – Belarus – Ukraine 2014–2020* continued to develop. Especially active in cooperation are the state fire service and the Belarusian Ministry of Emergency Situations (MES). Both services plan to implement 8 projects, mainly in the field of infrastructure for disaster management (fires, floods) in the border regions. On 23 November an agreement on cooperation between the MES University and the Main school of fire service was signed.

In turn, Hrodna region suggested 30 projects in the tourism sector to Polish subjects. Thus the program *Poland – Belarus – Ukraine 2014–2020* becomes an essential element that stimulates the Polish-Belarusian regional cooperation. It seems also that in future, the cooperation at this level should contribute to the economic and personal contacts.

Potential for cooperation

Despite the improvement in political relations, both countries have a long way ahead to realize the full potential of bilateral cooperation. The main importance will be given to the construction of transport infrastructure (especially at the border), especially if the Belarusian authorities decide to start the agreement on local border traffic with Poland.

According to the Polish Border Guard Office, in 2016 the land border with Belarus was crossed more than 7 million 925 thousand times³ (about 1% more than in 2015) and the launch of the LBT or an increase in visa-free tourist movement in Hrodna region will increase the burden on border crossings even more. Therefore it is necessary to increase the throughput of checkpoints for those who cross the border for tourism by car, on foot,

³ “Statystyki SG styczeń-grudzień 2016.” *Straż Graniczna*. 2017. Web. 22 Apr. 2017. <<https://www.strazgraniczna.pl/pl/granica/statystyki-sg/2206,Statystyki-SG.html>>.

by bike or by water. It is also necessary to increase the number of trucks that are registered because queues occur regularly.

One of the most important elements of cooperation with Poland is energy. In 2018, the first unit of Astraviec nuclear power plant will be launched, and the Belarusian authorities try to make Poland one of the consumers. However, this requires large expenditures on the development of the existing energy utilities.

Poland and Belarus have a considerable potential for cooperation in the field of tourism. First of all, it touches the greater use of the potential of the *Bielaviezhskaja Pushcha* and the *Augustou Canal*. Both states think on the creation of joint commissions for the management of the *Augustou Canal*, which should contribute to the better use of touristic potential of this region.

Economic contacts also have the potential for development: Belarusian authorities look for and require foreign investment, particularly from the EU states. Belarus notes that the product created on its territory may be freely imported to the entire territory of the Eurasian Economic Union. However, a significant limitation in this area may be the policy of Russia (prohibition of imports of consumer products from the EU countries, as well as an increasing economic protectionism and trade wars for political purposes).

Therefore, it is clearly seen that due to the neighborhood, common historic and nature heritage, both countries have considerable potential for cooperation and exchange of experience. And this potential is used to a small extent.

Conclusion

Despite the intensification of political contacts the question of the activities of the Union of Poles in Belarus (the one recognized only by the authorities of the Republic of Poland and the one recognized by Minsk authorities) remains unsolved. But the problem of UPB will require considerable diplomatic effort and good will on the part of both states.

The unsolved cases also touch historical issues. They primarily concern the transfer of the so-called “white Katyn list” and the construction of war cemeteries in Kurapaty. They should be

the subject of intensive work of the Polish-Belarusian group on historical issues.

The agreement on local border traffic has not yet entered into force. Officially, the Belarusian side refers to the argument associated with the poor state of border infrastructure. In January 2016, the head of the state border committee of Belarus Leanid Malcau said that the cost of launching the LBT at the border with Poland and Lithuania will cost up to BYN 100 million (out of which 45 million is the cost of the contract with Poland). The money should serve to increase the number of border crossings, their renewal and the opening of crossings for pedestrians. Leanid Malcau also stressed that all three countries must apply for EU money to improve the functionality of the border infrastructure. At the same time both Poland and Belarus underline the need for bilateral cooperation related to the protection of the borders.

It is therefore evident that to solve problems in the relationships, as well as to develop the cooperation potential, both countries should intensify further mutual contacts, including the ones at the regional level. Only then it will be possible to talk about noticeable changes in the relations of the two states.

BELARUS – UKRAINE: PERIOD OF ‘MATURE PARTNERSHIP’

Oleg Bogutsky

Summary

In 2016, cooperation with Ukraine remained a strategically important component of Belarus' foreign policy. The pragmatic position of Minsk on the situation in Ukraine contributed to a relaxation of tensions in the relations with the West and resulted in the lifting of most sanctions. Ukraine and the West welcomed the Belarus' refusal to host a Russian airbase.

The sides demonstrated their willingness to promptly resolve disputes in mutual trade. Despite the problems with Russian oil supplies, Belarus remained the key exporter of oil products to Ukraine. Both countries sought greater cooperation in the field of transit and looking for alternatives to Russian energy commodities.

Trends:

- Belarus and Ukraine were committed to preserve the strategic importance of the bilateral relations;
- Belarus maintained partial neutrality in the Russian-Ukrainian conflict;
- To a certain extent, Minsk lost its relevance as a negotiating platform for the resolution of the conflict in southeast Ukraine;
- Belarus and Ukraine stepped up cooperation in the defense sector;
- Both countries worked on joint transit projects to bypass Russia and reduce their oil dependence on the Kremlin.

Politics

In 2016, Ukraine-related matters were mentioned by the Belarusian leadership on fewer occasions than in 2015. At the 5th All-Belarusian People's Assembly in June, Alexander Lukashenko touched upon Ukraine only in passing, basically because the events there were not as relevant to Belarusian voters as before, although Ukraine remained a strategically important partner of Belarus. The Belarusian leadership in the person of President Lukashenko, Foreign Minister Vladimir Makei and Ambassador to Ukraine Valentin Velichko continued to declare support for the territorial integrity of Ukraine and assure that Belarus will not become a beachhead for aggression.

In confirmation of this assurance, Belarus did not agree with the placement of a Russian airbase in its territory, and was nonjudgmental when it came to Ukraine's cooperation with NATO. Kiev appreciated this position. During a visit to Kiev in August, Makei said that Belarus did not consider the deployment of additional NATO contingents near the Belarusian borders as a threat to military security. He also criticized the Kremlin for the non-transparency of military exercises near the borders of Belarus and Ukraine.

Also, Minsk did not recognize 'passports' of the self-proclaimed Donetsk and Lugansk People's Republics, which was another friendly gesture towards Ukraine. This position was confirmed after Russia de facto recognized their passports.

Foreign Minister Makei's visit to Kiev in August was the main diplomatic event in the bilateral relations in 2016. Makei held talks with Petro Poroshenko, Ukrainian Foreign Minister Pavlo Klimkin and Vice Premier Hennady Zubko to discuss border management and the expansion of the trade and economic relations through the increased cooperation in the areas of mechanic engineering, energy, agribusiness, transport, defense and culture. Makei said after the talks that Belarus and Ukraine had "no unsolvable problems" and called the bilateral relations "mature partnership of the two states." He particularly thanked the president of Ukraine for his assistance in the resumption of the dialogue between Belarus, the European Union and the United States.

Minsk remained an important negotiating platform for the settlement of the conflict in Ukraine. However, this importance was steadily declining due to the ineffectiveness of the Minsk agreements. In April, Belarus, however, put in question its neutral status when, at Russia's request, it did not let Vice Speaker of the Ukrainian parliament (Verkhovna Rada), Ukraine's representative to the talks in Minsk Iryna Herashchenko and a number of Ukrainian parliamentarians enter the country. The situation was quickly resolved, but it still caused a nervous reaction in Kiev. Ukrainian MPs even addressed PACE and the Council of Europe on that matter.

Lukashenko tried to compensate for the declining significance of the Minsk process by making other peacekeeping

efforts, including those that clearly contradicted the Kremlin's position. During the talks with U.S. Deputy Assistant Secretary of Defense Michael Carpenter in March, the Belarusian president proposed involving the United States in the peace-making process and reminded that he had already put forward this proposal before.

In May, President Lukashenko mentioned Ukraine at a meeting with Pope Francis. He spoke about the political influence of the Vatican and his readiness to turn Minsk into a platform for inter-Christian dialogue in the post-Soviet space. In November, Lukashenko offered Belarus' assistance in holding elections in the southeast of Ukraine and establishing control over the border.

The Crimean issue remained the main problem in the bilateral relations with Ukraine. Belarus took an ambiguous position. On April 8, Makei said Belarus must have been guided by the fact of "who de facto owns the Crimea today." "This does not mean that we agree or disagree with something. We believe that the main task now is to preserve the territorial integrity and inviolability of the remaining part of Ukraine," he said.¹

At the OSCE PA session of July 6, Belarus did not vote for the resolution, which condemned the occupation of the Crimea by Russia. Representative of the Belarusian delegation Valentina Leonenko said Belarus would not vote when it comes to disputes between Russia and Ukraine.

On November 15, at a session of the UN General Assembly's Human Rights Committee, Belarus tried to block Ukraine's draft resolution on the Crimea on procedural grounds. In the draft Russia was recognized as an occupant country for the first time. At a session of the UN General Assembly on December 19, Belarus was among 26 states that voted against a similar resolution.

This position of Belarus aroused an emotional reaction in Kiev. Verkhovna Rada Vice Speaker Iryna Herashchenko called

¹ «Министр иностранных дел Владимир Макей: "Мы должны исходить из того, чьим Крым является де-факто".» *Комсомольская правда*. 09 Apr. 2016. Web. 04 Apr. 2017. <<http://www.kp.by/online/news/2359759/>>.

it a “betrayal” and “a stab in the back.” Head of the Verkhovna Rada Foreign Affairs Committee Hanna Hopko and leader of the Mejlis of the Crimean Tatar People Refat Chubarov suggested rejecting Minsk as a place for negotiations. In response, Spokesman for the Belarusian Foreign Ministry Dmitry Mironchik said that Belarus’ position on the territorial integrity of Ukraine had not changed, and the voting against the resolution was only a rejection of the practice of country resolutions on human rights.

Minsk was making attempts to play along with Ukraine in local (yet very sensitive for Kiev) issues. In March, the Belarusian Foreign Ministry reminded that the government did not approve trips of Belarusian citizens to the Crimea, especially from the territory of Russia, and that Minsk complied with the legislation of Ukraine in this matter. In May, the Belarusian Railways decided not to resume traffic routes to the occupied Crimea. In June, the Mogilev city administration removed from sale the global maps, on which the annexed Crimea was marked as a Russian territory, after the Ukrainian media pointed at that fact as outrageous.

Defense

Relations in the defense sector were quite ambiguous. In February, Belarus held a large-scale military exercise close to the Ukrainian border. It involved Tochka-U tactical missiles, *Smerch*, *Uragan* and *Belgrad* multiple rocket launcher systems, and MSTA-B long-range guns. It agitated the Ukrainian media, but most Ukrainian experts did not see a military threat in that. Verkhovna Rada member Dmytro Tymchuk said, “At present, Ukraine cannot see Belarus as a source of potential military threat.”²

The Ukrainian, Belarusian and Russian mass media repeatedly covered the stepped up military cooperation between

² «Ракеты на границе с Украиной: Тымчук оценил опасность вторжения из Беларуси.» *Обозреватель*. 05 Feb. 2016. Web. 04 Apr. 2017. <<https://www.obozrevatel.com/crime/97153-raketyi-na-granitse-s-ukrainoj-tyimchuk-otsenil-opasnost-vtorzheniya-iz-belarusi.htm>>.

Belarus and Ukraine. In June, the Ukrainian media reported the transportation of Belarusian-made chassis designed for anti-aircraft missile systems under the T-38 Stylet joint project to Ukraine, which, on its part, provided missiles designed by Luch engineering bureau.

In March, the Ukrainian corporation *Bogdan* (connected with the family of President Poroshenko) and the Belarusian Automobile Plant (MAZ) entered into an agreement on the joint manufacture of dual-purpose trucks. It became known in April that the Defense Ministry of Ukraine was going to procure *Bogdan-MAZ* trucks. In response to the criticism of the opposition that this would lead to a shutdown of the Kremenchug Automobile Plant, Advisor to the President of Ukraine Yury Biryukov explained that the Belarusian vehicles were of higher quality.

According to Ukrainian experts, over the *two* years of the warfare in the Donbas region, Minsk has made a lot of efforts to strengthen the defense capacity of Ukraine. There is an estimate that Belarus provided assistance worth US\$ 90 to 100 million not including fuel supplies.³

In July, Belarusian officers conducted an inspection in Ukraine as part of the agreement on additional confidence- and security-building measures. In September, representatives of the Ministry of Defense of Belarus visited air force bases and military units of the land forces of Ukraine under the 2011 Vienna Document of the Negotiations on Confidence and Security-Building Measures (OSCE) to look at new types of weapons.

On October 28, representative of the Main Directorate of Intelligence of the Ministry of Defense of Ukraine Vadym Skibitsky said that during a joint Belarusian-Russian exercise, the Russian air force used Belarus' airspace to practice air strikes on targets in Ukraine. Spokesman for the Belarusian Ministry of Defense Vladimir Makarov responded that the joint CIS air defense exercise involved units of Armenia, Belarus,

³ «Власти Беларуси помогают Украине создавать мощную армию.» *Politeka*. 11 May. 2016. Web. 05 Apr. 2017. <<https://politeka.net/214926-vlasti-belarusi-pomogayut-ukraine-sozdavat-moshhnyuy-armiyu/>>.

Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, and call Skibitsky's statement an attempt to inadequately interpret information.

Trade and economics

In 2016, Ukraine was Belarus' *second* major trading partner in terms of turnover and exports (its proportion went up from 6.1 to 7.5% and from 9.4 to 12.2%, respectively) and *fifth* in terms of imports. In 2015, Ukraine was *second*, *third* and *fifth*, respectively. Belarus had a considerable trade surplus of \$ 1.87 billion (1.56 billion in 2015). Belarusian exports increased from USD 2.515 to 2.848 billion, and imports went up from 0.952 to 0.982 billion.⁴

Belarus mostly exported oil products, liquefied gas, coke, and bitumen oil worth USD 1.874 billion that constituted 75% of total exports (1.820 billion, 72% in 2015). The physical volumes thus increased from 3.621 to 4.881 thousand metric tons. Belarus also exported USD 158 million worth tractors, truck tractors, cargo vehicles, parts and accessories for cars and tractors (6%), USD 137 million worth mineral and nitrogen fertilizers (5%), 57,800 worth tires (2%), and 33,130 worth glass.

Ukraine mostly supplied agricultural products (USD 216 million, 22%), vegetable oil residues (USD 138 million, 14%), metallurgical products (USD 131 million, 13%), furniture, confectionery, and pharmaceuticals.

Belarus boosted its export of dairy products five times, and became the major supplier of rye (66% of imports) and potatoes to Ukraine. Air transportation increased significantly: the traffic at Minsk-2 airport increased by more than 20%, which was basically caused by the Ukraine – Russia mutual air blockade. An official dealer of the Belarusian Potash Company started operations in Ukraine in October to maximize the coverage of Ukrainian consumers.

⁴ Here and elsewhere: "Foreign trade / Annual data." *National Statistical Committee of the Republic of Belarus*. Web. 05 Apr. 2017. <http://www.belstat.gov.by/en/ofitsialnaya-statistika/macro-economy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__-po-____gody_10/>.

One more Belarusian-Ukrainian ‘trade war’ ended in January. The Ukrainian Interdepartmental Commission on International Trade suspended protective duties on a number of Belarusian commodities. Prior to that, Minsk lifted restrictions on the import of confectionery and beer from Ukraine.

The *bilateral* trade and economic cooperation was promoted by the Belarusian-Ukrainian ad hoc group on mutual trade, Intergovernmental Mixed Commission on Trade and Economic Cooperation, ad hoc group on the industrial and production cooperation, which sat in regular sessions in September-November. They resolved many controversial issues in the mutual trade and determined new areas of agro-industrial and machine-building cooperation. In particular, they removed problems with the export of Belarusian cement and restrictions on the supply of jet fuel for the Ukrainian air force. The parties agreed to increase the mutual trade to USD 8 billion.

In July, the problem with the supply of Russian oil to Belarus resulted in a decrease in supplies of Belarusian oil products to Ukraine, which was of strategic importance to Kiev. Although the supplies were resumed pretty soon, both sides began to explore other options. Kiev held talks with Azerbaijan and Iran on a resumption of transit through the Odessa – Brody main. In September, Lukashenko expressed interest in deliveries of Caspian oil to Belarus through Ukraine, and, in October, he announced the start of negotiations with Tehran and Baku. The first batch of Azerbaijani oil to Belarus went through the Odessa port.

Presently, the Caspian oil transit is back-pedaled due to a shortage of light oil in the Odessa – Brody main, although the operator declares the readiness to promptly resolve this problem. Kiev worries about the stability of such supplies in the future, since Minsk has already used this alternative as blackmail leverage in talks with the Kremlin. A sharp decrease in the transit of Belarusian oil products through Ukrainian ports due to a reorientation to Lithuania is another problem.

Considerable progress was made in the transit by land, primarily as part of the New Silk Road project (from China to Ukraine). In February, this project merged with the Viking project (the freight rail route Ilyichevsk – Minsk – Klaipeda). Both routes are intended for the transit of cargoes bypassing Russia. The significance of the project was stressed by Chinese leader Xi Jinping in June. He said China was going to invest around \$ 15 billion into the project.

In November, the parties agreed to step up the transportation by water in the Baltic-Black Sea corridor.

Border arrangements

Belarus and Ukraine ratified a number of bilateral border agreements. Negotiations between the heads of customs and border agencies on the simplification of procedures of border passing by individuals and cargoes went on throughout 2016. The countries implemented joint targeted projects within the framework of the Eastern Partnership and other international technical assistance programs.

There were problems caused by Belarus' refusal to recognize new Ukrainian ID cards. The Belarusian Foreign Ministry said that "the visa-free regulations on travels between Belarus and Ukraine that fell under the current agreement were still in force", but requested additional consultations regarding the ID cards. In October, Foreign Ministry Spokesman Dmitry Mironchik said that Kiev had not initiated a procedure to recognize the new cards.

Conclusion

In 2016, the bilateral relations between Belarus and Ukraine remained stable and strategically important to both sides. The role of Ukraine as the largest market for Belarusian commodities increased. Its proportion went up to 12% (for comparison, the proportion of Russia constitutes 46% and that of the EU makes up 24%). Ukraine's dependence on Belarusian oil products also increased. Minsk's pragmatic attitude to Ukraine

and the refusal to deploy a Russian airbase in the territory of Belarus contributed to the normalization of relations with the West. For Ukraine, this was an important guarantee of the northern border security. There are very good opportunities to join efforts in looking for alternatives to reduce the oil dependence on Russia.

BELARUS AND DEVELOPING COUNTRIES: LOGICAL STAGNATION

Andrei Yeliseyev

Summary

The year 2016 saw a downturn in diplomatic contacts with developing countries¹ in comparison with the previous year, although they were on an upswing in 2011-2014. Belarus was most actively promoting relations with China and South and South-East Asia, while the interaction with Latin America and Africa was stagnant. There were no qualitative breakthroughs in relations with the Middle East either. Turkey was the only exception.

Belarusian President Alexander Lukashenko only made *two* official visits to developing countries—China and Pakistan—in 2016. He also took part in a summit of the Organization of Islamic Cooperation in Turkey. The previously announced visits to Ecuador and Mongolia did not take place.

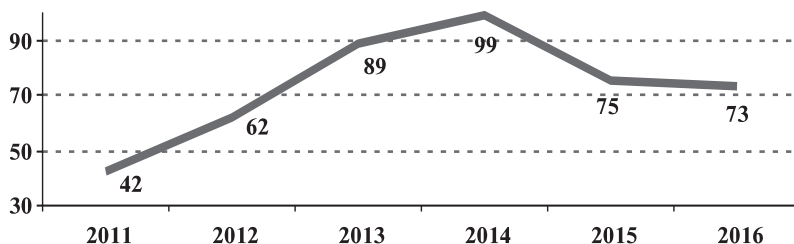
Trends:

- Stagnation in the diplomatic contacts with developing countries continues;
- Belarus makes attempts to achieve observer status in a number of regional organizations to maintain and develop relations with distant countries;
- Modest progress was achieved in creating free trade zones between the Eurasian Economic Union (EEU) member states and developing countries;
- The statistics of official trade with many developing countries was distorted because of the re-export of embargoed products from Belarus to Russia.

A decline in the number of political and diplomatic contacts between Belarus and developing countries had been observed for the second year in a row (Figure 1). The highest dynamics were observed in relations with South and South-East Asia and China.²

¹ As in the previous *Belarusian Yearbooks* and for conceptual convenience, the term ‘developing countries’ does not refer to the CIS members and Georgia, the countries of former Yugoslavia, and also 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.

² Among the developing countries, China remains the main foreign trade partner of Belarus. Benefits and issues in the relations with China are reviewed in detail in the previous *Belarusian Yearbook*. There were no fundamental

Figure 1. Index of foreign policy contacts with developing countries

Note. The dynamics of foreign policy cooperation between Belarus and China are not included.

Source: Foreign Policy Index BISS 2011–2016.

South and South-East Asia: Potash fertilizers and military cooperation

President Lukashenko set the task to boost trade with India, Indonesia and Pakistan to USD 1 billion each in 2015–2016. In 2016, the total trade turnover with these *three* countries stood at around 660 million, potash fertilizers constituting the largest proportion of exports.

Among the countries of the region, political and economic cooperation with Pakistan was most active, as it was in 2015. In May, Minsk hosted the first session of the joint trade commission. During Lukashenko's official visit to Pakistan on October 5–6, the parties signed a package of documents on cooperation in various fields. In the long term, Belarus hopes to increase supplies of road machinery to Pakistan for a large-scale project on the construction of the China-Pakistan economic corridor. In this regard, Belarusian *Amkodor* has already announced plans to upgrade the knockdown assembly of its machinery and MTZ tractors in Pakistan. The military-technical cooperation remains a very important sector in the bilateral relations.

Other countries of the region expressed a profound interest in closer military-technical cooperation with Belarus.

changes in the Belarusian-Chinese relations in 2016; see Yeliseyeu, Andrei. "Belarus and Developing Countries: Looking for new 'Venezuelas'." *Belarusian Yearbook 2014*. Vilnius: Lohvinaū, 2015: 97–106. Print.

A government delegation of Thailand headed by the minister of defense visited Minsk in February. The minister of defense of Indonesia came to Belarus in April. The delegations met with representatives of the Belarusian leadership and the State Military-Industrial Committee.

Belarus continued to promote joint production projects in Vietnam, Thailand, Sri Lanka and India. However, there were no significant developments in this area, except for the opening of a BelAZ service center in Nagpur, India.

The *agreement on a free trade zone* between the Eurasian Economic Union and Vietnam signed in May 2015 came into effect in October 2016. It will hardly step up Belarusian-Vietnamese trade, because both countries still apply protection measures with respect to most sensitive types of commodities.

Technically, free trade agreements within the EEU could become a driver of Belarus' trade with developing countries, but progress is still slow, although around 40 countries have manifested interest in preferential trade with the EEA, and joint research groups have been working with a number of states (including Egypt, India and Iran). There is no information about any upcoming contracts.

Turkey: Commodity turnover goes up, but not in favor of Belarus

Turkey remains Belarus' major foreign policy and trade partner in the Middle East. Belarus' contacts with Arab monarchies (Saudi Arabia, Qatar, Bahrain, and the UAE) continued, although qualitative breakthroughs were not achieved. A visit of a large business delegation from Oman to Belarus and a Belarusian-Omani business forum in September can be mentioned among significant events.

Minsk and Tehran tried to give an impetus to the stagnant trade relations, and approved an economic cooperation development plan for the period until 2018. At a meeting with the Iranian ambassador to Belarus, whose mandate was nearing expiration, Lukashenko expressed extreme dissatisfaction with the bilateral cooperation. "If we look at the actual level of our cooperation knowing our capacity, we'd see just nothing," he

said.³ The example of the Belarusian-Iranian relations shows that the similarity of the foreign policy views of heads of state does not guarantee flourishing trade between the countries they lead.

In April 2016, Alexander Lukashenko took part in a summit of the Organization of Islamic Cooperation in Istanbul at the invitation of Turkish President Recep Tayyip Erdogan. The Belarusian president met with Erdogan and ranking officials of Afghanistan, Pakistan and Qatar. Belarus is looking forward to get observer status in the OIC to have an extra opportunity to maintain ties with Muslim countries.

President Erdogan made an official visit to Minsk in November. Belarus is one of the few European countries that are ready to accept Erdogan after the massive crackdown on the independent media, democratic opposition and civil society in Turkey following the thwarted coup.

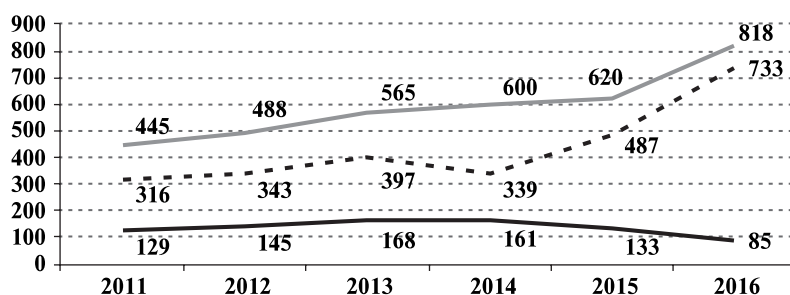
Lukashenko and Erdogan solemnly opened the Minsk mosque, which was an important event to the local Muslim community and the history of the city, considering that the original mosque built in the 19th century was destroyed by the Soviet administration in 1962. Erdogan took the chance to demonstrate Turkey's generous support for the Muslims living outside his country. The mosque was constructed with the help of the Turkiye Diyanet Foundation affiliated with the Religious Affairs Department of Turkey. In turn, Lukashenko continues building an image of a regional peacemaker, who ensures the peaceful coexistence of people of different nationalities and religious confessions. In his welcoming speech at the opening of the mosque, Erdogan supported this image and spoke about "manifestations of xenophobia and intolerance in a number of European countries" for the sake of contrast.

The analysis of the official Belarusian trade statistics and findings of the Russian Federal Veterinary and Phytosanitary Monitoring Service ("Rosselkhoz nadzor") and other watchdogs

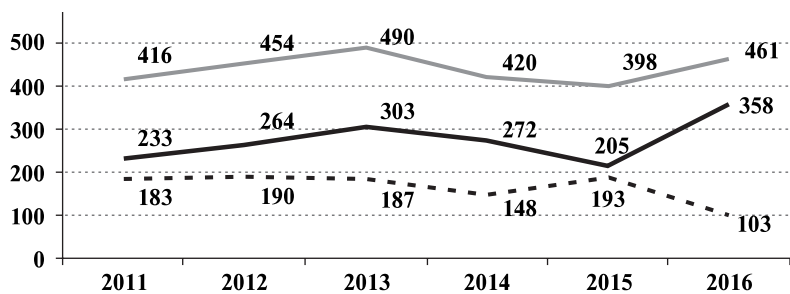
³ «Встреча с Чрезвычайным и Полномочным Послом Исламской Республики Иран в Беларуси Мохаммадом Резой Сабури.» *Официальный Интернет-портал Президента Республики Беларусь*. 15 Dec. 2016. 01 Apr. 2017. <http://president.gov.by/ru/news_ru/view/vstrecha-s-chrezvychajnym-i-polnomochnym-poslom-islamskoj-respubliki-iran-v-belarusi-mohammadom-rezoy-saburi-15095/>.

shows that Western food products were partly exported to Russia under the guise of Turkish foods. As a result, Belarus' statistics shows an annual increase in the trade with Turkey. However, according to Turkish data, the trade turnover with Belarus went down in 2014. In 2016, Belarus reported USD 818 million in trade turnover, which is almost twice as much as Turkish statistics show (around USD 461 million) (Figure 2).

Figure 2 Bilateral trade: Statistical data of Belarus (a) and Turkey (b), USD million



(a) — Exports — Imports — Turnover



(b) — Exports — Imports — Turnover

Note. The diagrams are based on the official statistical data on the trade between Belarus and Turkey.

Whatever the case, the trade statistics of *both* countries indicate an unfavorable trend for Belarus towards a reduction in Belarusian exports and a constant increase in the trade deficit. Earlier, Belarusian Prime Minister Andrei Kobyakov set the task to boost trade

with Turkey to USD 1 billion in 2016, which is not very reasonable given Belarus' continuously increasing foreign trade deficit.

Stagnation in relations with Latin America and Africa

There was no qualitative progress in relations with African and Latin American countries in 2016. In Latin America, over the past few years, a positive trend was observed in relations with Ecuador, with which economic and political tensions appeared in 2016. During a visit of the speaker of the Ecuadorian parliament to Belarus in March, Lukashenko said he was going to visit Ecuador within a year. However, the trip did not take place for unknown reasons, possibly due to financial problems that arose in Belarussian Belzarubezhstroy Company in Ecuador. It became known in May that company employees were not paid for the works performed under a large investment project in Ecuador. It was said that the Ecuadorian state-owned CELEC E.P. had wage arrears of USD 18.7 million.⁴

In early 2016, Belarus was granted observer status in the Association of Caribbean States, which unites 25 states in the Caribbean and Central and South America. In June, Deputy Foreign Minister of Belarus Yevgeny Shestakov took part in a summit of the Association. This status enables Belarus to maintain relations with far off countries having no resident diplomatic institutions there. Belarus' presence in the region increased, though, after it opened an honorary consulate in Rosario, Argentina.

In 2016, Belarusian delegations formed of Foreign Ministry officers and representatives of industrial enterprises visited Morocco, Ghana and Nigeria. Also, Belarus tried to step up the relations with Sudan, Ethiopia and Namibia. However, nothing is known about new agreements to arrange Belarusian production facilities in Africa, or large contracts on supplies of Belarusian industrial commodities to African countries.⁵

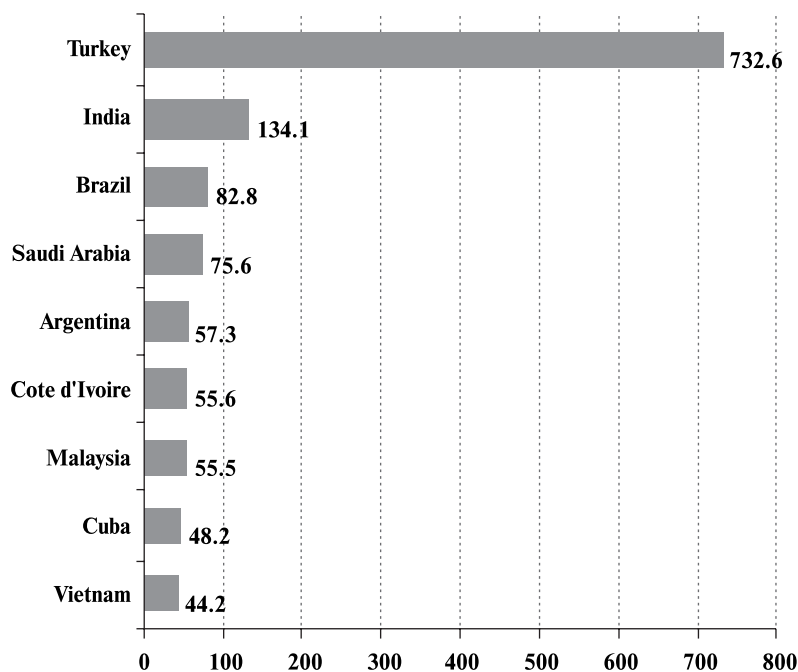
⁴ «Экваторский долг: белорусские строители страдают на чужбине от безденежья.» *Завтра твоей страны*. 02 May 2016. Web. 01 Apr. 2017. <http://www.zautra.by/art.php?sn_nid=21267>.

⁵ For more information about issues in the relations between Belarus and the African region see Yeliseyev, Andrei. "Belarus and developing countries: South Asia in priority." *Belarusian Yearbook 2016*. Vilnius: Lohvinaŭ, 2016: 107–116. Print.

Only on paper: A fictitious leap in trade with Côte d'Ivoire

The Belarusian official statistics on the trade with developing countries in 2016 should be used with a great caution, just like data on 2015. In order to circumvent Russia's embargo on Western foods, large amounts of products with counterfeit certificates of origin were supplied to the Russian market through Belarus.

Figure 3. Belarus' imports: Top 10 developing countries in 2015, USD million



Note. Data on China not includes. Imports from China exceeded total imports from all other developing countries and reached USD 2.1 billion in 2016.

Source: Belstat.⁶

⁶ "Commodity imports to the Republic of Belarus by non-CIS countries." *National Statistical Committee of the Republic of Belarus*. Web. 01 Apr. 2017. <http://www.belstat.gov.by/en/ofitsialnaya-statistika/macroecconomy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za

This explains why Morocco and Ecuador were on the list of top 10 largest trading partners of Belarus among developing countries in 2015.⁷ Imports from Cote d'Ivoire and a number of other West and Central African countries including Benin, Burkina Faso, Guinea, Guinea Bissau, Cameroon, Liberia and the Central African Republic unexpectedly skyrocketed in 2016 apparently for the same reason. According to the Belarusian National Statistics Committee (Belstat), some of these states increased supplies of vegetables and fruits to Belarus dozens and even hundreds of times.

As a result, Cote d'Ivoire was ranked 12th among the developing countries in terms of the total trade turnover with Belarus, and 7th in terms of total imports (USD 55.6 million), following China, Turkey, India, Saudi Arabia, Brazil and Argentina (Figure 3). For comparison: in 2015, Belarus' imports from Cote d'Ivoire totaled USD 15.1 million.

Conclusion

There was certain stagnation in the foreign economic and foreign policy relations with developing countries in 2016. This especially concerns Latin America and Africa.

Efforts made by Belarus to obtain observer status in various regional organizations began to bear fruit. In 2016, Belarus was granted observer status in the Association of Caribbean States, and got closer to that in the Organization of Islamic Cooperation. A year before, Belarus became an observer in the Shanghai Cooperation Organization and the Conference on Interaction and Confidence Building Measures in Asia. Although such status in regional associations does not provide a voting privilege and does not enable directly influencing decision-making processes, it allows maintaining contacts with various distant countries, where Belarus cannot afford to establish resident diplomatic institutions.

Cooperation with Russian diplomats, who can assist in estab-

period-s-__-po-__gody_10/commodity-imports-to-the-republic-of-belarus-by-non-cis-countries/>.

⁷ Ibid: 125.

lishing economic ties with a number of countries in Africa and Latin America, is another way to develop relations with distant countries, which Belarus began to use more actively in 2016.

The National Program for Export Support and Development for 2016-2020 reasonably states that over the years of the previous five-year program, agencies of state administration and state-controlled enterprises were not ready “to rapidly respond to changes in the market situation and promote commodities on the markets of distant countries.” The program also aims to diversify Belarusian exports for an equal distribution of exports between the three markets: the Eurasian Economic Union, European Union and all other countries in a 3/3/3 ratio by 2020.⁸

The proportion of Belarusian exports to distant countries (their list roughly coincides with the category of developing countries in this article) has significantly increased in recent years and reached 26.6% in 2015. However, this happened not because exports to these countries increased in absolute terms, but mainly because of a decline in exports to the EU and Russia.

The factors that impede more effective interaction with developing countries remain the same: the absence of new competitive industries, an inefficient public sector, poor management, and underdeveloped marketing services in Belarus. In this situation, Belarus cannot expect qualitative changes in foreign economic relations.

⁸ «Национальная программа поддержки и развития экспорта на 2016–2020 годы.» *Совет министров Республики Беларусь*. 01 Aug. 2016. Web. 01 Apr. 2017. <<http://www.government.by/upload/docs/fileaff83a3fc04eb9c0.PDF>>.

SOCIETY

CIVIL SOCIETY: FROM CRISIS TO DEVELOPMENT IN A DIFFERENT ENVIRONMENT

Yury Chausov

Summary

In 2016, the development of civil society organizations (CSO) took place in an environment of previously observed trends that were external to the non-governmental sector: the reorientation of donor policies on cooperation with state entities that had a continued, though largely formal nature of warming relations along the line 'state – CSOs'.

A tendency to improve self-awareness of the civil sector, which is recorded in the CSO sustainability index prepared by USAID, continued: experts recorded progress in all parameters, except for the legal environment. Overall assessment of the sustainability of the civil society had also improved (for a second year in a row), while since 2008 the improvement was 0.5 points, which showed significant improvement in the index methodology¹. However, neither in law nor on the level of law enforcement any positive changes were recorded, which would allow to consider the improvement of self-awareness of Belarusian CSOs as something institutionally proved.

Trends:

- Reorientation of CSO activities in the direction of constructive cooperation with state bodies and local authorities;
- Increasing importance of domestic resources for the development of civil society through the mechanisms of crowdfunding, crowdsourcing and social entrepreneurship;
- Creation of new CSOs in most cases in the form of institutions;
- The growth of activities of CSOs, aimed at attracting attention of media and the public to organizers and problems rather than at achieving real changes.

The conditions for the development of the civil sector

Legal conditions for the creation of new CSOs in Belarus remain adverse both in law and in practice. The law bans NGOs without state registration and specifies criminal responsibility for it.

¹ “Civil Society Organization Sustainability Index (CSOSI).” *USAID*. Web. 20 Mar. 2017. <<https://www.usaid.gov/europe-eurasia-civil-society>>.

The procedure of registration of NGOs and funds remains complex and burdensome (financially as well) in comparison with other countries in the OSCE region and commercial organizations. However, even the implementation of this procedure does not guarantee a positive outcome: registration bodies consider this issue as something political rather than legal and register only those organizations whose existence is recognized by the state as appropriate. In particular, during the year, the following NGOs were denied registration: the Center for gender studies “Ruzha”, “Youth of Revival”, “Peace Initiatives and Solutions”, the Committee for entrepreneurship support “Solidarity”, “Gender Partnership”, the Movement of solidarity “Razam” and others.

According to the Ministry of Justice² 2,731 NGOs (221 of which are international and 730 are national) and 172 funds (16 of which are international, 6 are national) had the status of registered organizations in Belarus as of January 1, 2017. In 2016, 116 new NGOs (2 international and 17 national) and 16 new funds (including 1 international and 1 national) were registered (Table 1).

Compared to 2015, the total number of registered NGOs increased by 2.5% (from 2665 to 2731). The number of registered funds increased by 4.9% (from 164 to 172). Among the NGOs that are created in the country, many are sport organizations – in total there are 745 NGOs like that in Belarus. Despite the unfavorable conditions for the registration of funds and NGOs, this segment of CSO has demonstrated a steady tendency to growth since the end of the 2000s.

In most cases, newly created CSOs are registered in the form of an institution. However, only few of them state the norms of collegial governance, transparency and accountability in their statutes. As a result, the pattern of dominance of institutions carries a long-term threat to the sustainability and health of the Belarusian public sector.

² «О результатах работы органов юстиции по государственной регистрации общественных объединений, фондов и других некоммерческих организаций в 2016 году.» *Министерство юстиции Республики Беларусь*. 10 Feb. 2017. Web. 20 Mar. 2017. <<http://minjust.gov.by/ru/news/909/>>.

Table 1. The increase in the number of NGOs and funds in Belarus, 2008–2017

	January 1, 2008	January 1, 2009	January 1, 2010	January 1, 2011	January 1, 2012	January 1, 2013	January 1, 2014	January 1, 2015	January 1, 2016	January 1, 2017
<i>NGOs</i>										
The number of newly registered NGOs (at the end of the previous year)	94	–	94	134	118	111	70	86	106	116
The total number of NGOs registered in the country as of the indicated date	2255	2221	2225	2325	2402	2477	2521	2596	2665	2731
<i>Funds</i>										
The number of newly registered funds (at the end of the previous year)	9	9	8	14	21	22	11	11	11	16
The total number of funds registered in the country as of the indicated date	64	75	84	99	119	139	145	155	164	172

The legal framework for CSOs

In 2016, there were no significant changes in the framework of the legislation regulating the activities of CSOs. A number of innovations or legal acts drafts affected certain activities of CSOs: creative unions and cultural organizations (*the Code of Culture* entered into force on 3 February 2017), CSOs for informal education (the new edition of *the Education Code* that is under discussion), CSOs for the protection of animals (the Law of the Republic of Belarus *On treatment of animals* was prepared for the adoption by the Parliament in 2017).

The main relevant legislative change for CSOs was Decree No. 5 *On foreign grant aid* that came into force on 4 March 2016. The Decree was aimed at improving the position of government organizations as beneficiaries, but it created additional difficulties for CSOs in connection with the gaps of regulation and the inconsistent practice of the Department on Humanitarian Activity in terms of interpretation of the provisions of the

Decree when processing foreign grants. Only a few problems, gaps and inconsistencies in the interpretations were solved in the course of practical work and explanation. At the end of 2016 the Department of Humanitarian Activity acknowledged the imperfection of the new Decree and initiated a discussion with the CSOs interested in its adjustment.

In 2016 under the Commission on International Technical Cooperation affiliated with the Council of Ministers the Coordination Council started its work with the participation of representatives of state bodies, facilities support donors and the non-governmental sector. This advisory body, established on a tripartite basis, has a great potential in terms of reconciling the interests of key stakeholders. In December, at the meeting of its working group, it was decided to involve the public in the discussion of the draft of the passport of the National Program on International Technical Assistance until 2020. This four-year program is a list of projects with budgets that Belarus would like to finance at the expense of foreign donors and international organizations.

Crowdfunding, social entrepreneurship and public order

The political thaw in relations between Minsk and the West led to a change in donor strategies of the main sources of foreign aid to Belarus. Despite the increased size of aid provided to Belarus (also mentioned by the European Union³), financial flows underwent restructuring in favor of government agencies and institutions (universities, loyal and state-controlled CSOs, including the ones created especially for simulating public participation in the implementation of projects, especially at the local level).

Some CSOs started to adapt to this state of affairs in a traditional way, changing their tactics of fundraising in the foreign market or by redirecting its focus on cooperation projects with

³ «Глава представительства ЕС: Евросоюз увеличит помощь Беларуси в модернизации экономики.» *TUT.by*. 09 Mar. 2016. 2017. Web. 20 Mar. 2017. <<https://news.tut.by/economics/487849.html>>.

the authorities. Some CSOs (especially smaller organizations and new start-ups) reoriented the tactics of financial search in Belarus: in 2016, a boom in crowdfunding projects continued. The scale of the projects funded by the Belarusians is expanding: among the projects that are supported at crowdfunding platforms are activities of traditional organizations, publishing projects (books, movies, cartoons), educational seminars, social startups, raising of funds to send athletes to international competitions. Unlike in previous years, charity ceased to dominate the donations.

It is too early to state that money raised in Belarus by means of crowdfunding can be comparable with the sums of the facilities support or foreign aid: for the majority of CSOs they are the main sources of funding. But for projects that develop specific products with a clearly stated public demand crowdfunding has become a new and promising alternative.

The development of social entrepreneurship became less visible to the society but important to the sector itself. For quite some time, Belarusian non-governmental initiatives had started to commercialize their work, trying to gain certain sustainability of their products and services: dissemination of national symbols and products with national elements became the sphere of activities not only for craftspeople, but also for specialized organizations that can exist in the form of CSOs and commercial enterprises. In 2016, this process evolved incrementally.

A boom of social entrepreneurship is out of question, but the topic is significant for the sector. It is possible to say that in 2016, social entrepreneurship began to gain institutional and theoretical framework.

The enthusiasm for crowdfunding and prospects of social entrepreneurship is in contrast with some disappointment in state social order, which began to be implemented in Belarus in 2012. Hopes that the appearance of the mechanism of competitive distribution of state funds among CSOs in the Belarusian legislation would radically change the structure of financing of at least social CSOs did not come true. In reality this mechanism is available only to a few organizations with a CV politically spotless for the authorities, which are able to fulfill complex requirements for recipients of a state order.

The number of contracts of the social order is growing, but in 2016 as in 2015 most contracts were drawn with only one organization, namely the Belarusian Red Cross Society and its regional offices. However, some CSOs rely on the expansion of state social order to new spheres, in particular to the fight against socially significant diseases.⁴

These directions of attracting internal funding can be considered as examples of the effectiveness of different strategies to change the infrastructure of public sector support. The changes that were achieved through legislative reform, clearly demonstrate less efficiency (and less importance to the community) compared to those implemented through the creation of new communication tools, approaches and tactics without governmental intervention, although taking into account the existing political and legal realities.

The search for effective solutions: in pursuit of public attention

The need to build activities based on an income from domestic sources did not affect the growth of the number of CSOs based on membership: an NGO remains a less popular form in comparison to institutions. This is due to a more simple procedure for the registration of institutions and greater opportunities for obtaining material resources at the expense of the provision of services to target groups. Some CSOs legalize their activities in the form of commercial organizations engaged in social entrepreneurship, conditions of their work are better than those of CSOs⁵.

In 2016, CSOs demonstrated flexibility in seeking opportunities for effective actions to make use of the opportunities that were opened in a changed geopolitical situation. The government moved from a policy of total rejection of social initiatives and, even demonstrated openness to cooperation in some areas, including such sensitive areas as the protection of human rights.

⁴ «Государственный социальный заказ: анализ практики применения и предложения по совершенствованию.» *АКТ*. Web. 20 Mar. 2017. <http://www.actngo.info/sites/default/files/files/gsz_praktika_i_predlozheniya.pdf>.

Such cooperation often left the impression of formal interaction, while there were no real, useful results.

The trend of ‘soft Belarusization’ positively received by the state continues. It was originated by the civil society and became the main feature of the cultural policy of the state in 2016 having spread along a variety of spheres.

More organizations and initiatives with a gender perspective appear, aimed at promoting the rights of women and their visibility in all spheres of the society. Several women's organizations adopted the methods of direct action, which is new for the feminist movement in Belarus.

For environmental organizations the most striking event was the conflict with the Catholic Church regarding the felling of trees in the Katouka Park, where a Church building was planned to be built. The “green” won the battle: the government cancelled the decision on allocation of land for construction, and proposed an alternative site where there was no need to fell trees.

In the civil society there is a marked increase of activities and events aimed at attracting attention of media and the public to certain issues and organizations (and organizers), but not at achieving real results and changes in society.⁵ In this regard, the lifting of the taboo on the participation of experts and activists of independent organizations in state-run television programs can be regarded as something important and many CSOs consider it a valuable achievement.

For human rights organizations the main event of 2016 was the adoption of the *Interdepartmental plan* on the implementation of the recommendations adopted by the Republic of Belarus on completion of the second cycle of the universal periodic review at the UN Council on human rights, and recommendations addressed to the Republic of Belarus by the treaty bodies on human rights for 2016–2019. The fact of the adoption of the plan was received by the human rights community as positive,

⁵ This tendency was underlined by participants of the expert meeting held by the International educational association *AKT* in September 2016, see: «Организации гражданского общества Беларуси: 8 тенденций 2016 года.» *AKT*. 29 Oct. 2016. Web. 20 Mar. 2017. <<http://www.actngo.info/article/organizacii-grazhdanskogo-obshchestva-belarusi-8-tendenciy-2016-goda>>.

but in their joint statement⁶ Belarusian human rights CSOs mentioned that out of 22 topics on which the coalition of human rights organizations of Belarus had submitted their proposals to the *Interdepartmental plan* only some suggestions for 17 topics were partially taken into account. Human rights activists point out the lack of events on implementation of recommendations in such important areas of human rights as freedom of speech and association, religious freedom and socio-economic rights in the *Interdepartmental plan* as a significant disadvantage.

Human rights CSOs, using monitoring techniques and watch dog tactics, struggling with problems of violation of freedom of speech, assembly and association, focusing on the presence of political prisoners⁷ in the country, try to find new directions and approaches. They turned to the issues of discrimination and social rights (especially in connection with Decree No. 3 *On prevention of social dependency* which was painfully perceived by the society). The Belarusian Helsinki Committee began to develop the topic of *Human Rights and Business*.⁸

Conclusion

In 2017, the existing trends are expected to continue in the CSO sector associated with the adjustment to existing conditions: the economic crisis combined with the warming in the relations between Minsk and the West created a new reality that appear to

⁶ «Общая позиция белорусских правозащитных организаций в связи с принятием Межведомственного плана по реализации рекомендаций, адресованных Республике Беларусь в рамках механизмов ООН.» *Беларускі Хельсінскі камітэт*. 21 Nov. 2016. Web. 20 Mar. 2017. <<http://belhelcom.org/be/node/347>>.

⁷ Despite the fact that the European Union called the release of political prisoners the main reason in 2016 for the removal of most sanctions against Belarusian officials, the Belarusian human rights organizations say that there are still two people in prison convicted in connection with their public activities, who are recognized as political prisoners by human rights defenders according to the developed criteria: Mikhail Zhamchuzhny and Alexander Lapicki; see: “Спіс палітычных вязняў.” *Вясна*. Web. 20 Mar. 2017. <<http://spring96.org/be/news/49510>>.

⁸ «Беларусь: права человека и бизнес.» *Беларускі Хельсінскі камітэт*. Web. 20 Mar. 2017. <<http://belhelcom.org/sites/default/files/biz-belhelcom.pdf>>.

be long-term. In turn, the government will not take drastic steps to change the conditions for CSOs or will make partial advances, preferring to promote a dialogue and cooperation on procedural questions, rather than creating an institutional framework and take on additional commitments for real reform. This will be facilitated by the absence of important election campaigns in 2017. Local elections to be held in early 2018, will not be an important event for CSOs that prefer to achieve their political goals by methods that are not related to electoral campaigns.

In general, the CSO sector aims at promoting the already announced initiatives, and it will also respond to the most controversial and unpopular actions of the authorities in the socio-economic sphere.

POLITICAL PARTIES: DEVELOPMENT UNDER A LOW CEILING

Valeria Kostyugova

Summary

In 2016, the tone in the development of political organizations was set by the election campaign to the Parliament, by the general liberalization of state internal policy, growing socio-economic problems in the country and, as a result, increased competition of political parties among themselves. Parties and movements began to use the social agenda more widely in political agitation, due to which they managed to increase the number of their supporters and even for the first time since 2000 to get some kind of representation in the Parliament. The analyzed period can be considered relatively successful for the development of political organizations, but the achievement of more significant results is problematic without changes in the political system as a whole.

Trends:

- Intensive inclusion of social issues into their campaigns by political organizations;
- Most political organizations prefer participation in elections, negotiations with the authorities and 'peaceful changes' strategies to boycott;
- Appearance of new faces at the political scene;
- Reaching of 'growth limits', i.e. institutional ceiling of the involvement of political organizations in the political life of the country.

The creation of new coalitions

Parties spent the first half of 2016 trying to regroup and strengthen their positions in the political field. As in 2015, the structure of this field was set by the collision connected with self-determination of parties and political movements concerning the format of participation/non-participation in the elections controlled by the authorities – with all the consequential differences in the preference of ultimate goals, tactics and strategies.¹

¹ See Kostyugova, Valeria. "Opposition parties and the presidential election: Self-withdrawal from the legal political process." *Belarusian Yearbook 2016*. Vilnius: Lohvinau, 2016: 142–153. Print.

Coalition realignment began during the Presidential elections in 2015, because both the then coalitions *People's Referendum* and *Talaka* could not agree on common approaches to the participation in the elections, and finally ceased to exist. Preparations for the parliamentary elections began almost immediately after the Presidential election campaign. In November 2015, the leaders of the civil campaign *Tell the Truth* (TT) Tatyana Karatkevich and Andrei Dmitryjev said they would form a list of prospective candidates on their own.

In December 2015 under the patronage of the European People's Party (EPP) the Center-right Coalition was established, which included the United Civic Party (UCP Chairman Anatol' Lebedzko), the *For Freedom* movement (leaders Alexander Milinkevich, Yury Hubarevich), the Organizing Committee of the Belarusian Christian Democracy Party (BCD, co-chairmen Pavel Severynets and Vital' Rymasheuski). The center-right members announced their participation in the parliamentary campaign.

Some observers thought that the Coalition was created as a counterweight to the TT and ex-presidential candidate Tatyana Karatkevich.² But the principles of the Coalition excluded³ the interaction not only with the populist TT, but also with the Belarusian Social Democratic Party *Narodnaja Hramada* (BSDP) (NH) chaired by Iryna Veshtardt), and the social democrats, led by Mikalaj Statkevich, and the leftist party *Fair World* (led by Siarhiey Kaliakin). In the end, the scope of the Coalition was narrow even for the right-wing Belarusian Popular Front (led by Alexej Janukievich), who in the beginning signed the Center-right Coalition.

In spring 2016 the Belarusian National Congress (BNC) was formed around the ex-presidential candidates in 2010 elections Mikalai Statkevich and Vladimir Nekliajev, who tried to

² See «Оппозиция переформируется против Короткевич?» *TUT.by*. 12 Dec. 2015. Web. 10 May 2017. <<https://news.tut.by/politics/476736.html>>.

³ «Белорусская оппозиция может создать после парламентских выборов Ассамблею народных представителей.» *Naviny.by*. 12 Dec. 2015. Web. 10 May 2017. <http://naviny.by/rubrics/politic/2015/12/10/ic_news_112_468017>.

attract some of the regional activists. Initially, the BNC tried to unite all democratic forces, excluding “the KGB and Communists” (i. e. *Tell the Truth* and *Fair World*), but failed to find allies and was forced to make its own decision concerning the parliamentary elections.

During the Coalition rearrangements three independent centers were formed, each of which formulated its own agenda and identified their specific tactics and strategies. They are: (1) Belarusian National Congress, (2) *Tell the Truth* movement and (3) the Center-right Coalition. BNC kept its categorical position against the regime and relied on street protests and the “expansion of free zone”. *Tell the Truth* movement was focused on ‘peaceful changes’, advocacy of interests of social groups and a direct dialogue with the authorities (meetings in the Parliament, with the government, active presence in the state mass media, collecting signatures, etc.). The Centre-right Coalition chose a combination of both strategies.

An important and defining point of political organizations was their joining the street protests. In case of the struggle for the abolition of decree No. 222 in February–March 2016, political organizations joined a series of street actions in Minsk and in the regions. The most numerous action was held on 15 February (about 1000 people), where along with entrepreneurs Mr. Statkievich, Lebedzko, Nekliajev, Severynets, Kuchuk (the leader of the Green Party), Taustyka (*For Freedom* movement) took part.

Despite the paucity of street protests in 2016, the participation of political organizations in them brought positive results. First, a number of parties and movements saw some potential in the politicization of social and economic issues – including the fact that the protests contributed to the suspension of the implementation of repressive measures of the decree. Second, for the first time since December 2010 the fear of political activists of *Maidan* significantly decreased. Third, political structures partly restored some of the lost skills of carrying out protests outside the circle of their unconditional supporters.

A series of peace protests of February–March 2016 became a model for protests in spring 2017 with all the strong points (non-bureaucratized and independent joining of protests by political organizations; provision protesters with organizational

and other services in the form of posters, flags, sound-amplifying equipment, etc.; promotion of the interests of social groups, including the collection of signatures and handing them over to the authorities) and weak points (euphoria of initial success, outstripping the real determination of protesters; premature inclusion of the 'ultimate' political agenda).

The nomination of candidates

Common to all the participants in the parliamentary election campaign of the parties was the desire to consolidate their party structures, to attract new supporters, and to train activists. Despite the fact that some political organizations declared special purposes of participating in the parliamentary elections, propaganda campaigns, programs and candidates' speeches had more similarities than differences: most of them promoted the idea of 'peaceful changes' (i.e. reforms without upheavals and revolutions), more effective and just social policy, the strengthening of the sovereignty and independence of the country. Moreover, even the candidates-puppets of the authorities who took the trouble to pursue a more active election campaign, also drew the public's attention to these three points.

The opposition's attempts to unite under the pressure of opinion leaders, who support the idea of 'unity', were short-lived and insincere. Therefore parties did not waste time and strength on that and had an opportunity to nominate and to prepare their candidates for the election campaign. As a result, in 2016, democratic parties and political movements nominated a record number of candidates — 202, together with pro-governmental parties — 357 people. In general, there was a record number of total candidates: on the first day of the early voting there were 488 people per 110 seats in the Parliament; initially there were 521 registered.

The representation of democratic parties in the election commissions remained traditionally low due to the elimination of party representatives carried out by the Central Election Commission (CEC), and the small number of the nominated: only 55 out of 65,857 people (Table 1). The expansion of party representation in the commissions was carried out by the CEC at the expense of loyal parties.

Table 1. The inclusion of representatives of opposition political organizations and those loyal to the regime into election commissions (according to CEC⁴)

№	The name of the party or public association	Nominated to commissions		Included into commissions	
		2012	2016	2012	2016
<i>Political organizations loyal to the authorities</i>					
1	Belarusian Agrarian Party	571	655	485	637
2	The Communist Party of Belarus	845	988	635	816
3	The Republican Party	262	310	235	265
4	The Republican Party of Labor and Justice	832	1141	704	994
5	Belarusian Social and Sport Party	609	660	551	639
6	<i>Bielaja Rus'</i>	4799	4626	4189	4536
7	Belarusian Republican Youth Union	4345	4066	3674	3488
8	Belarusian Union of Women	4037	4344	3791	4241
9	Belarusian NGO of Veterans	3128	3160	2635	2876
10	FTUB	10400	9350	9418	8939
<i>Opposition political organizations</i>					
11	The Belarusian Green Party	20	0	0	0
12	The Belarusian Party Fair World	216	169	39	31
13	BSDP (<i>Hramada</i>)	30	42	5	3
14	The United Civic Party	240	223	5	14
	<i>The Center-right Coalition</i> ⁵		400		17
15	The BPF Party	158	80	12	5
16	The Social Democratic Party of Popular Consent (SDPS)		4		2
	Democratic organizations in total	664	518	61	55

An important feature of party participation in the elections of 2016 was the growth of 'double' nomination of candidates – in party lists and by collecting signatures. This should have helped parties to avoid the 'mishap of 2015' when two party leaders failed to gather enough signatures for their nomination. Democratic parties and organizations recorded a total of 95 action groups (the largest number was at the UCP and the TT). Pro-government candidates also resorted to the double mecha-

⁴ «Выборы депутатов Палаты представителей Национального собрания Республики Беларусь.» *Центральная комиссия Республики Беларусь по выборам и проведению республиканских референдумов*. Web. 10 May. 2017 <<http://rec.gov.by/ru/arhiv-vybory>>.

⁵ For your reference: «Правоцентристы: оппозицию на выборах и видно, и слышно». *Official BCD web page*. 01 Aug. 2016. Web. 10 May 2017. <<http://bchd.info/11416-pravocentristy-oppoziciyu-na-vyborah-i-vidno-i-slyshno.html>>.

nism and often even a ‘triple’ nomination (through workforce) and mainly those candidates who used at least two methods of nomination were elected to the Parliament.

304 initiative groups on collecting signatures for nomination were registered (for 110 seats in the Parliament); there had been submitted 479 applications for the registration of such groups. Active collection of signatures by candidates increased the actual time of the election campaign, allowing the candidates at an early stage to present themselves to voters and communicate with them.

At this stage the democratic organizations carried out joint pickets, mini actions, work to protect the interests of voters, etc. Within the collection of signatures Mr. Lahviniec even held a concert of the famous singer Liavon Volski. However, the CEC head Lidiya Jarmoshyna expressed dissatisfaction with the use of amplification equipment, megaphones and musicians on the pickets of Mr. Lahviniec (who in the end was not registered as a candidate) and Mr. Dmitryjev.

In general, the process of collecting signatures during the month contributed to the mobilization of party activists and voters.

Election campaign and observation

Party monitoring as well as the nomination of candidates was carried out coherently only partly. Fearing that the *Tell the Truth* movement agreed with the authorities on getting its leaders (Andrei Dmitryjev and Tatyana Karatkevich) in, the coalition of the party observation *Right of Choice* eliminated the TT from the observation campaign, and the TT organized the supervision at their precincts independently. BNC also appeared beyond the observation campaign. In the end the Coalition was made up by eight organizations: the BSDP (NH), BCD, UCP, *For Freedom* movement, the BPF Party, the Belarusian *Green* Party, the Independent Union of Electronic Industry, the Organizing Committee of the Freedom and Progress Party.

Peculiarities of the 2016 campaign indicate the adjustment of the approach of the authorities to election campaigns.

First, the authorities are interested in a larger number of participants in the election, simulating competition, and encourage their candidates to greater public activity. Second, in comparison with the previous elections, the authorities are less interested in providing actual turnout of voters at ballot stations. As Deputy Chairman of the Human Rights Centre *Viasna* Uladimir Labkovich said, “elections in Belarus can be carried out without voters.”⁶ Statements of officials, including CEC representatives, about the organization of the election campaign suggests the idea that the authorities started to think about reducing the cost of electoral procedures, the formation of a ‘political class’ and creating a barrier between voters and this class.

Probably, it was these long-term goals that led the authorities to increase the weight of political parties in the Parliamentary elections and to encourage their candidates to collect signatures, to campaign and participate in TV-debates, etc.

The opposition, in turn, was able to exploit the changed conditions and introduced many new players. Some candidates had quite intense and vivid campaigns. As a rule, they were those candidates working along the mobilization paradigm of ‘peaceful changes’, or evolutionary changes involving voters in the political process by means of elections.⁷

Despite the relatively modest financial capabilities of the opposition during the current election campaign, candidates of this type became the most recognizable faces of the opposition – Andrej Dmitryjev, Tatyana Karatkevich (NH), Volha Kavalkova, Maryna Khomich (BCD), Ilya Dabratvor, Ales Mikhalevich (BPF), Mikalai Ulasevich, Anna Kanius (UCP), Jury Hubrevich, Viktor Janchurevich (*For Freedom* movement), etc. But even those candidates who worked along the traditional opposition demobilization paradigm (elections are fake, therefore, one must not participate in the ‘show’ elections), did not

⁶ «Выборы в Беларуси уже можно проводить без избирателей.» *Хартия’97*. 22 Sep. Web. 10 May 2017. <<https://charter97.org/ru/news/2016/9/22/223788/>>.

⁷ The strategy of “peaceful changes” implies a close contact with the voters of the precinct and the focus on their problems, most often social ones.

withdraw their candidacy – as it had been in 2012⁸ – and stayed in the election campaigns till the end.

With the development of the campaign, the authorities began to fear the politicization of society and the high turnout on the voting day. To avoid this, they set down separate candidates – both democratic and pro-governmental. In addition, in 2016, the state refused to finance the propaganda campaigns of candidates. Finally, the already negligible opportunities for promotion in the state media (one five-minute speech on TV and an extra five minutes in case of the debate at the precinct) were minimized due to the partial silencing of the election topic in the news bulletins (not more than 2% of the time at the end of a program), while the personalities of the candidates were completely ignored. Besides, this time the channels did not put candidates' addressing on the Internet (unlike in 2012 and 2015).

However, 2016 elections were brighter and more noticeable than the previous election campaigns. In the end, the activity of democratic organizations amid the growth of protest moods in the country made the government acknowledge the political weight of the opposition and its right to have their minor representation in the Parliament: Anna Kanapackaja, a UCP member, became a deputy. In general, the representation of parties in the Parliament increased significantly.⁹

Conclusion

In general 2016 can be considered favorable for the development of parties and political organizations. Paying a high price for many years of attempts to unite, to organize boycotts and *Maidan*, and facing a serious threat of complete exclusion from a legal political field, the parties changed their strategy in favor of self-development and achieved some success. In any case, one seat in the Parliament is more than none. In addition, after

⁸ Chavusau, Yuri. "Political parties: From participation in presidential elections to boycotting parliamentary ones". *Belarusian Yearbook* 2012. Minsk: Lohvinau, 2013: 152–163. Print.

⁹ See Kazakievich, Andrei. "Parliament: Changes without consequences" in this volume.

the parliamentary elections following the *Tell the Truth* other political organizations also began regular contacts with the authorities in order to promote the interests of their trustees from certain social groups.

However, the adverse political environment, where the direct impact of parties on the political agenda and the authorities is not available, and the indirect one is limited (through the mobilization of public opinion, appeal to the authorities and organization/coordination of the various forms of protest), sets well-known limits to the development of political organizations. For more serious participation of political parties in the political life of the country it is necessary to form institutions of such participation, which is in the interest of not only democratic parties but also of those loyal to the authorities.

MEDIA: A LACK OF CONSISTENT MEDIA POLICY IN A CHANGING GEOPOLITICAL SITUATION

Elena Artiomenko

Summary

In 2017 Belarus faced the problem of information security. The tension in relations between Belarus and Russia affected the media sphere. In the Russian media the number of unfriendly materials about Belarus increased, which forced the Belarusian authorities to react in various ways: to modestly increase the diversity of content on state media, or to press journalists of Russian media, shifting emphasis in the propaganda and as usual restricting independent media.

Information security is under threat also due to reduced funding. In 2016, as earlier the reduction in media advertising continued, and so did donor support of the independent media. However, experts predict the recovery of positive dynamics, which will impact primarily the market of television and Internet advertising.

The parliamentary election campaign did not cause any increase in pressure on the independent media but state media traditionally covered it very poorly.

Trends:

- The escalation of tensions in Russian-Belarusian relations, which is negatively reflected mainly in the Russian media;
- Increased pressure on journalists of foreign publications;
- Reduced internal and external financing of media;
- Depoliticizing of the issue of elections in the state media.

The growing problem of information security

The post-Soviet countries faced the problem of information security connected first of all with Russian propaganda after the start and during the development of the conflict in Ukraine. The Belarusian media system did not have the resources to resist Russian influence, and therefore propaganda techniques influenced significantly public opinion in Belarus. In 2014, the main target of Russian propaganda was Ukraine; in 2016 Russian media began to spread more content aimed at the aggravation of relations between Russia and Belarus.

The creation of “a common information space” is one of the goals of the Union State of Belarus and Russia: another action plan for 2016–2020 was approved on May 12 at the meeting of the Councils of Ministers of the USBR. At the same time Deputy Head of the Presidential Administration Ihar Buzouski in an interview on May 15 expressed a note of warning concerning the Russian media content from the point of view of “preservation of national culture and information security”¹.

On November 24 *Belarus 1* channel aired the talk-show “Neighbors. Time Will Tell” where the participants expressed their concerns about the allegedly Russophobic tendencies in Belarus in the mould of such resources as IA *Regnum*. If previously the information security issues were raised by independent media experts, 2016 showed that representatives of the Belarusian authorities are also concerned. In December on suspicion of inciting ethnic hatred Belarusian citizens Jury Paulaviec, Dmitry Alimkin and Siarhiey Shypcienka who wrote under pseudonyms for the resources of the Russian news Agency *Regnum*, *lenta.ru* and *eadaily.com* were detained.

Early in 2016 the persecution of the Belarusian journalists cooperating with foreign media resumed. Before that there had been some easing of pressure, particularly during the Presidential campaign of 2015, which was associated with the orientation of the Belarusian authorities to improve relations with Western partners. According to the Belarusian Association of Journalists (BAJ) monitoring, in January-March 2016 in Homiel region, journalists of foreign mass media were brought to administrative responsibility seven times (journalist Konstantsin Zhukouski six times, Larisa Shchiryakova one time for their materials at *Belsat* satellite TV channel)².

Positive trends could be attributed to the release of Eduard Palchys and the termination of the criminal prosecution of Aleksander Alesin. However, the beating of the journalist of the

¹ «Минск обеспокоился информационным влиянием Москвы.» *Naviny.by*. 31 May 2016. Web. 24 Mar. 2017. <http://naviny.by/rubrics/politic/2016/05/31/ic_articles_112_191783>.

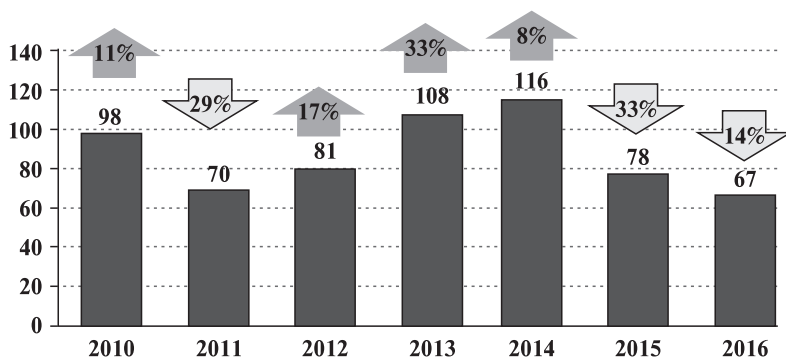
² «Массмедиа в Беларуси – 2016 № 1(47).» *Белорусская ассоциация журналистов*. 25 Apr. 2016. Web. 24 Mar. 2017. <<https://baj.by/ru/analytics/massmedia-v-belarusi-no147-yanvar-mart-2016>>.

TUT.by portal Pavel Dabravolski at the courthouse and the fine imposed on him do not allow talking about any improvements in media freedom.

Internal and external financing of traditional media

Just as in the previous year, the economic crisis in 2016 continued to affect the size of the media advertising market. In 2016, it decreased by 14% in dollar terms³ (in 2015, the comparable figure was 33%) (Figure 1). The decrease in the rate of decline of the advertising market gives hope for the restoration of positive dynamics in 2017. According to experts, the market growth could reach 6%. This figure correlates with the general economic growth forecasts. At least the reduced rate of decline in GDP, reduced household consumption and capital investments give such a hope.⁴

Figure 1. The evolution of the advertising market size in Belarus, 2010–2016, million USD

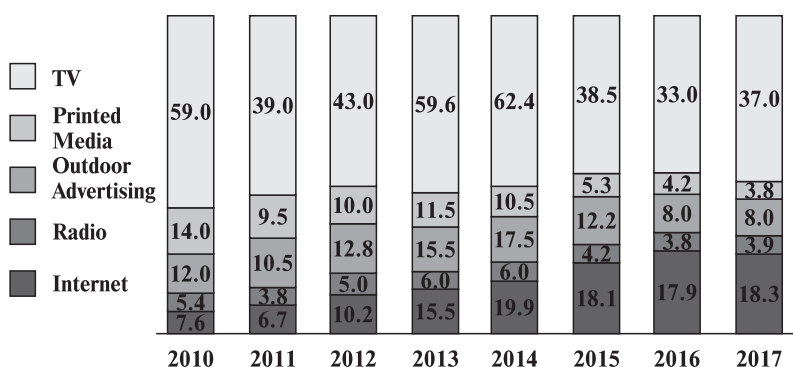


³ «Итоги VIII профессиональной конференции «Интернет – наиболее эффективный медиаканал».» *Webexpert*. 24 Feb. 2017. Web. 24 Mar. 2017. <<http://www.webexpert.by/news/itogi-vosmoy-professionalnoy-konferentsii-internet-naibolee-effektivnyiy-mediakanal/>>.

⁴ Чубрик, Александр. «Экономика Беларуси: восстановление началось? Надолго ли?» *Исследовательский центр ИПМ*. Web. 23 Mar. 2017. <<http://www.research.by/webroot/delivery/files/chubrik20170310.pdf>>.

A reduction of expenditures on advertising primarily affects the traditional media. The market size of Internet advertising dropped just a little (from USD 18.1 million in 2015 to 17.9 USD in 2016). The TV advertising market decreased from USD 38.5 million to 33 million, respectively. In 2017 the growth of media advertising market may lead to the growth of the TV advertising market up to USD 37 million, but it will not affect the dynamics of the size of radio and print advertising (Figure 2).

Figure 2. Distribution of advertising budgets over communication channels



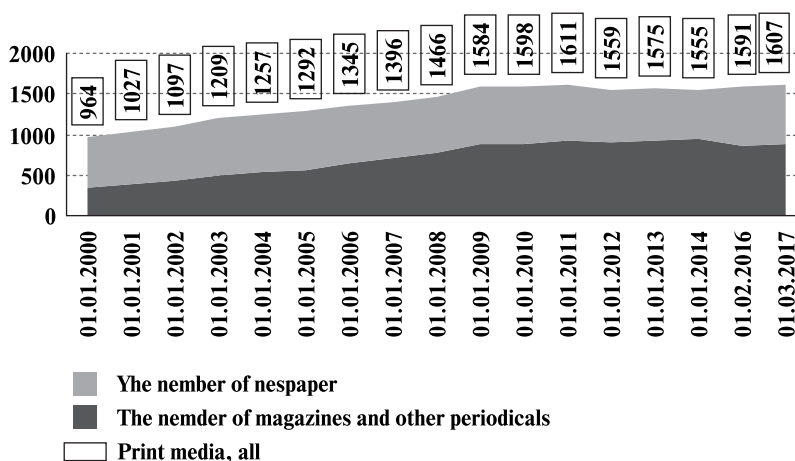
According to the Ministry of Information, the number of publications barely continues to increase (1% during 2016)⁵. However, due to the slowdown of the economic downturn and the decline in the advertising market the trend of reduced proportion of other major magazines and periodicals suspended: in 2016, their number increased from 867 to 878 items (newspaper ads increased from 724 to 729 items) (Figure 3).

Not only economic factors influence the reduction of funding of media in Belarus. Independent media traditionally are incapable (primarily because of discrimination by the authorities) of supporting themselves, experiencing a reduction

⁵ «Сведения о средствах массовой информации, информационных агентствах на 1 марта 2017 года.» *Министерство информации Республики Беларусь*. 01 Мар. 2017. Web. 24 Mar. 2017. <<http://www.mininform.gov.by/ru/stat-ru/>>.

in donor funding. The most noticeable event in 2016 was the announcement of Polish Minister for Foreign Affairs Witold Waszczykowski about the plans to reform *Belsat* TV channel i. e. to reduce the funding of the channel and further to replace it with a common channel for Poles abroad. As the BAJ statement said in connection with the situation around the channel, it happened despite the fact that the channel had become “one of the most important elements of the national system of mass media”.⁶

Figure 3. Evolution of the number of print media



The reasons for the reduction of foreign funding are clear: the more significant internal problems, refugees from the Middle East, the conflicts in Syria and Ukraine come to the fore. Problems of financial sustainability of independent media, the reduction of the advertising market and the inability of state media to compete with Russian editions lead to greater vulnerability of the national information space.

⁶ «Совет БАЖ: “Белсат” стал одним из значимых элементов национальной системы СМИ.» *BELSAT*. 30 Dec. 2016. Web. 24 Mar. 2017. <<http://belsat.eu/ru/news/sovet-bazh-belsat-stal-odnim-iz-znachimyh-elementov-natsionalnoj-sistemy-smi/>>.

The coverage of the parliamentary elections

The Presidential election of 2015 was accompanied by a reduction of pressure on the independent media to create a favorable image of the election campaign. This practice continued during the parliamentary elections in 2016. As stated in the BAJ report, during the campaign “new cases when journalists were brought to administrative responsibility for cooperation with foreign mass media without accreditation (which has been one of the most serious problems of the Belarusian independent journalism recently), massive obstructing of the work of journalists during elections and other forms of apparent pressure on the independent media were not reported”.⁷ Although according to experts, a fundamental improvement of the situation of media in Belarus is not happening.

According to the results of the monitoring *Covering the 2016 parliamentary elections in the Belarusian media* BAJ experts recorded the main trends how the electoral process was covered in the official media. In particular, they pointed to the extremely limited attention of state media to the elections throughout the whole period (July–September 2016). Experts also compared the amount of airtime dedicated to sports news (sports were taken as a benchmark) and the elections. The results of the monitoring were as follows: in the program *Panorama* on “Belarus 1” channel 30.0% of airtime was dedicated to sports and only 2.9% to the election; in the program *Our News* on the *ONT* channel the figures were 19.0% and 1.1%, respectively, in the program *Radiofact* – 13.0 and 6.0%.⁸

Another feature of election coverage in state media touches the subjects of the election process. According to the monitoring results, most often the media presented the Central Election

⁷ «Масмедиа в Беларуси – 2017 № 3(49).» *Белорусская ассоциация журналистов*. 31 Oct. 2016. Web. 23 Mar. 2017. <<https://baj.by/ru/analytics/massmedia-v-belarusi-no349-smi-v-period-vyborov-v-palatu-predstaviteley-iyul-sentyabr-2016>>.

⁸ «БАЖ: Модель освещения выборов в государственных СМИ нацелена на дистанцирование избирателей от участия в избирательном процессе.» *Белорусская ассоциация журналистов*. 08 Sep. 2016. Web. 23 Mar. 2017. <<https://baj.by/ru/analytics/bazh-model-osveshcheniya-vyborov-v-gosudarstvennyh-smi-nacelena-na-distancirovanie>>.

Committee in the face of its head Lidija Jarmoshyna and Secretary Nikolaj Lozovik instead of potential candidates or their organizations. If it was about the real participants of the process, most often they were mentioned as ‘action groups’ and non-personified ‘potential candidates’. The candidates’ speeches on television were not covered and were not promoted: candidates’ names were not indicated in the program titles.

Conclusion

In Belarus conditions for ensuring information security have not been created for quite a long period. The authorities are aware of threats but they do not take any strategic steps to develop the market. Media policy remains inconsistent.

On the one hand, the processes of integration with Russia involve the integration of information space. On the other hand, it is necessary to protect the public opinion in Belarus from Russian influence. On the one hand, it is important to demonstrate the reduction of pressure on the independent media in the development of relations with the West. On the other hand, the authorities have to treat journalists of foreign publications in a tough way due to a certain way of their understanding of information security.

The economic crisis and the decline of Western finance do not allow developing either state or independent media. The independent media continue to be discriminated against and severely controlled. The stabilization of the economic situation and restoring growth in the advertising market give hope for some improvement in the national media. However, the lack of a unified strategic approach to the information policy and structural changes in the media system are unlikely to lead to significant progress in this direction. In the coming years, the country’s information security will remain under threat.

‘DIGITAL TRANSFORMATION’: TO WHAT EXTENT IS THE COUNTRY READY TO EMBRACE IT?

Mikhail Doroshevich, Marina Sokolova

Summary

Belarus tops the list of Eurasian Economic Union (EEU) members in the International Telecommunication Union’s ratings. However, in terms of digitalization (World Bank index), Belarus is second last in the EEU above Kyrgyzstan. The digital adoption index is the lowest when it comes to government agencies and organizations.

The infrastructure (technical capacity) is developing, while the demand (availability and need) is not. The digital transformation process is basically hampered by group interests, unclear regulation, and preservation of the state monopoly. Provisions of the State Program for the *Development of the Digital Economy and Information Society for 2016–2020* adopted in 2016 clearly determine directions for the development of the telecommunications infrastructure. The tasks related to the application of technologies are thus vague, and performance indicators are narrowly sectoral. At the same time, the discourse on digital transformation goes beyond the traditional partnership between the state and the branch lobby.

Trends:

- Preservation of digital inequality;
- Emphasis on extensive infrastructure development;
- Inadequate elaboration of the regulatory and legal framework hindering the digital transformation of society;
- Slower growth of the number of Internet users;
- Actualization of the need for dialogue between state-run public authorities and society with a view to map out a strategy for the use of digital technologies for sustainable development.

Infrastructural development, the audience and the use of information and communication technologies

Belarus has been assigned higher ITU ratings every year. In 2016, the country was ranked 23rd among 195 countries in terms of broadband access and 31st among 175 countries with respect to ICT development (46th in 2010). In the ‘access’ sub-index, Belarus moved up from the 50th to the 36th position; in the ‘users’

sub-index from the 50th to the 44th, in the ‘skills’ sub-index from the 8th to the 5th, and with respect to the cost of fixed broadband access from the 72nd to the 47th with 3 Mbps. The gateway capacity increased by 137 Gbps against 2015 to 1,100 Gbps.¹

At the same time, Belarus has lost its position as the most actively developing country for a number of reasons, one of which is the steady trend of slowing growth of the number of Internet users (around 70% of users aged 15 to 74 since 2014) (Table 1). On the other hand, the proportion of those going online every day has grown significantly to 90% (users aged 15 to 74).

Table 1. Dynamics of Internet users in 2009-2016, million

	2009	2010	2011	2012	2013	2014	2015	2016
Number of users, million	3.0	3.4	4.1	4.6	4.8	5.0	5.08	5.1

The development of infrastructure does not contribute to the growth of the number of users: the supply (technical capacity) is growing, while the demand (availability and need) is not. The average connection bandwidth per subscriber was only 8.8 Mbps with the technical capacity of 1 Gbps²: users connect at a lower speed, because it is cheaper this way.

The cost of the Internet connection is relatively high due to the state gateway monopoly, which hinders the development of the market of telecommunication services. Private operators (secondary providers) have to buy traffic from the state operators Beltelecom or *beCloud*. Beltelecom thus performs mutually exclusive functions: it competes for customers on the domestic market and sets the cost of access for all other operators.

In 2016, Beltelecom’s monopoly advantages expanded with the installment of *YouTube* cache servers in the data center. The company was entitled to monopolize the cost and private

¹ “Measuring the Information Society Report 2016.” *ITU*. 2017. Web 26 Apr. 2017 <<https://www.itu.int/en/ITU-D/Statistics/Documents/publications/misr2016/MISR2016-w4.pdf>>.

² «Беларусь вошла в тройку стран с суперскоростным доступом в интернет.» *БелТА*. 23 Feb. 2016. Web 26 Apr. 2017. <<http://www.belta.by/tech/view/belarus-voshla-v-trojku-stran-s-superskorostnym-dostupom-v-internet-182709-2016/>>.

providers' access to them. As a result, commercial operators pay for the access to Google servers as if the servers were located in Germany or the U.S.

An increase in the VAT rate on telecommunication services for cellular operators and Internet providers from 20% to 25% since April 2016 led to a rise in the cost of access to the Internet and had a negative impact on the development of the Internet audience.

Despite some narrowing of the gap, digital inequality in geographical and age terms remains a serious problem. Among residents of Belarus under the age of 30, 91% to 93% go online every day. The proportion of persons aged 55 and over is 20% smaller. In age terms, Internet users aged over 50 are *three* times fewer than those under 30.³

Forty percent of residents of Minsk and the Minsk region have Internet access that exceeds the proportion of Internet users in other regions of Belarus manifold: Gomel region 14%, Brest region 13%, Vitebsk region 12%, Grodno region 11%, and Mogilev region 10%.⁴ This digital inequality leads to informational asymmetry and determines the differences in access to services. Analysis of the audience of the websites *edu.by*, *gpk.gov.by*, *minsk.gov.by*, and *nbrb.by* in May 2016 showed that persons aged 55 and over make up slightly more than 5% of the visitors.⁵ Internet banking is most actively used by respondents aged 16 to 34 living in cities and urban-type settlements.⁶ Online purchases are most often made by residents of regional centers. In 2016, Minsk residents made five times more purchases than residents of Vitebsk and seven times more than residents of Gomel.⁷

³ According to *Gemius Audience*.

⁴ According to *Gemius Audience*.

⁵ Дорошевич, Михаил. «Аудитория E-Government сайтов в Беларуси, май 2016.» *Infopolicy.biz*. 16 Aug. 2016. Web 26 Apr. 2017. <<http://www.infopolicy.biz/?p=8617>>.

⁶ «Белорусы за последние четыре года стали активнее пользоваться цифровыми банковскими технологиями.» *БелТА*. 16 Nov. 2016. Web 26 Apr. 2017. <<http://www.belta.by/economics/view/belorusy-za-poslednie-chetyre-goda-stali-aktivnee-polzovatsja-tsifrovymi-bankovskimi-tehnologijami-219446-2016>>.

⁷ «Яндекс.касса: онлайн-траты жителей Беларуси – итоги 2016 года.» *Belrynok.by*. 31 Jan. 2017. Web 26 Apr. 2017. <<http://www.belrynok.by/ru/page/news/4561/>>.

It is symptomatic that Belarus is the last but one among the EEU countries in the World Bank's digital adoption rating. This index is the lowest when it comes to government agencies and organizations (Table 2).

Table 2. World Bank's digital adoption index

	Armenia	Belarus	Kyrgyzstan	Kazakhstan	Russia
Digital adoption index, total points, <i>including</i>	0.67	0.52	0.49	0.63	0.71
business	0.48	0.43	0.37	0.32	0.37
individuals	0.82	0.76	0.60	0.73	0.62
government	0.72	0.36	0.50	0.83	0.52

The country does have a system of interdepartmental document circulation and a single operator of this system – the National Center for Electronic Services. The system's infrastructure is being actively adopted: from 2012 to the 1st quarter of 2016, the proportion of system subscribers among government agencies and organizations has grown 22 times (3% in 2012, 31% in 2015 and 66% in 2016), while the number of documents passed through this system only doubled (23% in 2012, 31% in 2015 and 46% in 2016).⁸ This means that the expensive infrastructure is used inefficiently.

According to Prime Minister Andrei Kobyakov, “the proportion of correspondence transmitted electronically does not even reach 50% in most government agencies”, and “the funds allocated for the introduction and application of digital technologies in government agencies remain unused in full: less than 50% of the funds were used in 2015 and only 85% in 2016.”⁹

⁸ «Состояние и перспективы развития межведомственных информационных систем.» *Tibo*. Apr. 2016. Web. 26 Apr. 2017. <http://www.tc.by/download_files/tibo2016/prezentaciya_mejvedomstvennye_informacionnyye_sistemy.pdf>.

⁹ «Кобяков поручил активнее использовать для развития электронного правительства созданную инфраструктуру.» *БелТА*. 24 Jan. 2017. Web. 26 Apr. 2017. <<http://www.belta.by/economics/view/kobjakov-poruchil-aktivnee-ispolzovat-dlja-razvitija-elektronного-pravitelstva-sozdannuju-229829-2017/>>.

The underdeveloped advertising market (3.5 euros per capita¹⁰) does not create conditions for the development of national content, which is one of the main objectives of the national information society advancement strategy. Foreign resources still prevail both in terms of traffic volume and coverage (the number of unique visitors). Over 40% of the traffic falls on *youtube.com*, *vk.com* and *mail.ru*.¹¹ In terms of the coverage, *google.com* leads with 71% being followed by *vk.com* (57%), *youtube.com* (50%), *yandex.by* (43%), *mail.ru* (41%), and *tut.by* (39%).¹² The ‘Russian direction’ prevailed few years ago (70%), and then, in 2016, the traffic to Russian and European resources was almost even. Freedom House still ranks Belarus as ‘not free’ with respect to the Internet¹³ and this does not contribute to the development of national content either.

Digital Business Confederation

The need to integrate into the global digital economic environment, where the actors can not only supply goods and services produced by e-business, but also carry out any economic activity, presupposes the creation of a favorable business environment for digital business at the national level. Much depends on which of the currently conflicting trends will be determinative: simplification of procedures and reduction of the regulatory function of the state, or the aspiration to deprive digital business of preferences and equalize it with traditional one.

The Confederation of Digital Business was created in May 2016 to consolidate efforts in overcoming negative trends in this area. The scientific and technological association Infopark,

¹⁰ For comparison, in the Czech Republic this indicator is at EUR 100 per capita.

¹¹ «“Белтелеком” рассказал о предпочтениях белорусских интернет-пользователей.» *БелТА*. 21 Jan. 2016. Web. 26 Apr. 2017. <<http://m.belta.by/tech/view/beltelekom-rasskazal-o-predpochtenijah-belorusskih-internet-polzovatelej-178423-2016/>>.

¹² Дорошевич, Михаил «Топ-30 сайтов белорусского интернета в августе 2016.» *Infopolicy*. 05 Oct. 2016. Web. 09 Apr. 2017. <<http://www.infopolicy.biz/?p=8962>>.

¹³ “Freedom on the net.” *Freedom House*. 2016. Web. 09 Apr. 2017. <<https://freedomhouse.org/report-types/freedom-net>>.

association of automatic identification GS1 Bel, and NGO Information Society are among its founders. It is assumed that the founders of the Confederation will be able to unite organizations of various sectors of the economy, which conduct their main businesses using information technologies (ICT associations, companies, banks and payment systems, online shops, telemarketing systems, and providers of e-document management, logistic and other digital services). This will enable the business community to communicate with government agencies in order to work out effective measures to regulate the digital market.

The business community is also striving for the removal of barriers to national and cross-border electronic commerce, particularly the harmonization of the digital market with the European Union and creation of a unified digital space of the Eurasian Economic Union. The first initiative is being implemented within the framework of the Eastern Partnership (HDM panel, EU4Digital), and the second one is based on the declaration on the formation of the digital space of the Eurasian Economic Union adopted in November 2016.

Digital Economy and Information Society Development Program

Initiatives of the business community, as well as failures in the introduction of e-government services, suggest one thing: the digital transformation should prioritize not the development of infrastructure, but creation of an adequate conceptual and legal framework for electronic interaction between businesses, individuals and government agencies. Does the State Program for the *Development of the Digital Economy and Information Society for 2016–2020* adopted in March 2016 meet this need?¹⁴ The analysis of the Program and the first results of its implementa-

¹⁴ «Государственная программа развития цифровой экономики и информационного общества на 2016–2020 годы. Постановление Совета министров Республики Беларусь от 23.03.2016 № 235.» *Совет министров Республики Беларусь*. 23 Mar. 2016. Web. 26 Apr. 2017. <<http://www.government.by/ru/solutions/2435>>.

tion (or rather failure to implement¹⁵) are giving strong reason for doubt.

The goal of the Program is to “improve conditions” for the formation of the digital economy, development of an information society and improvement of e-government. The logic of the structuring of the program (subprogram) differs from the goal-oriented part and includes three components (subprograms): ‘information and communication infrastructure’; ‘informatization infrastructure’ (introduction of e-government technologies); ‘digital transformation’ (transformation of business processes in all domains of society). This discrepancy makes it very difficult to assess the extent of achievement of the program’s objectives in general.

The distinctive feature of this document is that the directions of the development of the telecommunications network are made clear, while the plans for the effective use of these technologies are vague or narrowly sectoral, which is typical of Belarusian strategies in this area. For example, the Program prioritizes quite concrete measures to be taken to develop the national information and communication infrastructure, such as the development of fixed and wireless broadband access, digital TV broadcasting and cloud technologies. At the same time, the informatization infrastructure subprogram does not answer the key questions: how many fully automated services for individuals and businesses are already available and how many there will be; what is the strategy for re-engineering the back office; what technologies will be used; how will the digital market be harmonized?

The degree of “transformation of business processes in all domains of society” is limited to indicators of the proportion of institutions covered by the Electronic School project, the proportion of medical professionals able to write prescriptions electronically, the number of e-visas issued to foreign nationals, and an annual increase in the number of Border Guard facilities, which use the integrated state border protection system. Will the calculation of the number of electronic prescriptions, visas and

¹⁵ An open data portal and a Belarusian integrated service-payment system were supposed to be created in 2016.

border guard systems enable to evaluate digital transformation successes in “all domains of society”?

“Higher E-Government Readiness Index of the United Nations and the ICT Development Index of the International Telecommunications Union to be achieved by 2020” as an indicator of Program’s success is not only devoid of certainty, but only partially correlates with the stated goals of the Program. In this situation, the necessity of a dialogue between government agencies and the public to identify growth points and obstacles to the use of digital technologies for sustainable development is getting even more urgent.

The national initiative to hold an Internet Governance Forum on May 17, 2016¹⁶ indicates that this dialogue goes beyond the traditional partnership between the state and the branch lobby. The next task is to maximize the effect of these initiatives by involving all stakeholders in forum activities, increasing their competence, and joining global and regional discussions.

Conclusion

Despite the adoption of new development programs in 2016, the trends of the previous period remained unchanged: preservation of digital inequality, emphasis on the extensive development of infrastructure, and inadequate elaboration of the regulatory and legal framework hindering the digital transformation of society. It is quite possible that these trends will continue even if the legislative environment for the digital transformation planned for 2017–2018 will be created. The 2016 government program does not contain a single indicator of the introduction of state electronic services for individuals.

On the other hand, the acceleration and consolidation of business community efforts towards the development of a single digital market and expansion of the dialogue on Internet governance can eliminate shortcomings in national strategic planning to a certain degree and contribute to the success of the digital transformation.

¹⁶ «Первый национальный форум по управлению интернетом: как это было.» *42TUT.by*. 24 May 2016. Web. 26 Apr. 2017. <<https://42.tut.by/497694>>.

EDUCATION POLICY: THE POWER OF OLD DECISIONS MADE BY SOMEONE ELSE

Vladimir Dounaev

Summary

The year 2016 was marked by the ongoing tacit conflict of *two* strategies for responding to chronic problems in Belarus and the global challenges to education in the 21st century. Moderate reformers in the government and academic circles continued attempts to legislate certain tools for modernization and integration of national education into the international education system without stepping into direct conflict with the conservatives.

Trends:

- The fulfillment of Belarus' international obligations to reform the system of general and professional education is increasingly hampered by the reluctance of the country's top leadership to sanction the changes;
- The modernization of the legislation on education is hampered by inconsistency and lack of cooperation between various ministries and departments;
- The tools for the internationalization of Belarusian education that do not affect fundamental academic values and rights are being gradually adopted.

Introduction

The next education policy cycle ended in 2016. It has been determined for years by a confrontation between two competing strategies that coexist in the Belarusian education sector in spite of the inexorable logic of centralization. The third attempt since 2010 to counter sectoral logic and common sense with the illogical and neurotic reaction of the country's leadership to the growing crisis in national education ended up in the removal of Mikhail Zhuravkov from office of education minister in December 2016.

The signs of this crisis are obvious:

- low professional level of graduates, which is especially noticeable against the background of the strong rise in unemployment resulting from the ongoing recession;
- insensitivity of the vocational education system, most importantly, higher education, to the needs of employers because

of the orientation towards the market of educational services, rather than the labor market;

- low quality of secondary education. The irresponsible ‘reform’ of 2008 just aggravated the situation, and poor centralized test results prove this conclusively.

It is not even about those very problems, but their chronic nature. They have not been addressed for many years due to the populist education policy, ideological instrumentalization of the education system, lack of funding and impaired efficiency of investments. Underlying global crisis phenomena are thus seen behind these already familiar problems.

A regression scenario for Belarusian education

The fact that Belarusian education faces a new unprecedented challenge can hardly be denied. Even President Lukashenko admitted in his annual address to the nation and parliament that changes in education were inevitable to respond to the “incredible, stratospheric leap in the development of society.”¹ However, the strategy for responding to this challenge has distinct features of a regressive perversion: instead of modernization scenarios, the answer is sought in returning to previous patterns.

In order to understand the state of education in Belarus, it is important to reconstruct the education policy promoted by the president. Although it is in the president’s exclusive jurisdiction to determine this policy, we would not find any intelligible description of it whatsoever. Therefore, we only can reconstruct one having in mind a number of Lukashenko’s program statements. He frankly shared his understanding of education threats no less than three times in 2016 and pointed at the necessity to find viable solutions.

Although he admitted that “graduates’ knowledge and the level of educational institutions, regretfully, leaves much to be

¹ «Обращение с ежегодным Посланием к белорусскому народу и Национальному собранию.» *Официальный Интернет-портал Президента Республики Беларусь*. 21 Apr. 2016. Web. 08 Apr. 2017. <http://president.gov.by/ru/news_ru/view/aleksandr-lukashenko-21-aprelja-obratitsja-s-ezhegodnym-poslaniem-k-belorusskomu-narodu-i-natsionalnomu-13517/>.

desired”, he resolutely rejected any attempts to remedy the situation through the adoption of best foreign practices and supranational protocols. He flatly stated that “the copying of foreign practices is inadmissible.”²

The Bologna Process came under Lukashenko’s criticism in 2016. Belarus joined the European Higher Education Area in 2015 on condition that the standards and values of the Bologna Process set by the Belarusian higher education reform roadmap would be implemented in the national legislation by 2018. This road map could not be accepted by Belarus without approval by the Presidential Administration. However, last year, Lukashenko saw a threat in it. “They will simply ruin the old, normal education system, and nothing will come in its place,” he said.³

There is also a more distinct indication of the risks of copying western patterns. Above all, it is the brain drain problem. “We are bursting to get there, in this Bologna Process. What for? Graduates will receive diplomas and travel all over the world? Do you really want this?” the president said.⁴

The last argument only seems justified at first thought. It is not the openness to the world, but self-isolation of Belarusian higher education that motivates young people to seek better options outside the country. According to UNESCO, Belarus is among Europe’s leaders in terms of the number of students studying abroad, not far behind Ukraine, the population of

² «Обращение Президента к парламентариям пятого и шестого созывов.» *Официальный Интернет-портал Президента Республики Беларусь*. 07 Oct. 2016. Web. 08 Apr. 2017. <http://president.gov.by/ru/news_ru/view/vstrecha-s-deputatami-palaty-predstavitelej-i-chlenami-soveta-respubliki-natsionalnogo-sobranija-belarusi-14586/>.

³ «Доклад о ходе приемной кампании и подготовке системы образования к новому учебному году.» *Официальный Интернет-портал Президента Республики Беларусь*. 09 Aug. 2016. Web. 08 Apr. 2017. <http://president.gov.by/ru/news_ru/view/doklad-o-xode-priemnoj-kampanii-i-podgotovke-sistemy-obrazovanija-k-novomu-uchebnomu-godu-14168/>.

⁴ «Обращение Президента к парламентариям пятого и шестого созывов.» *Официальный Интернет-портал Президента Республики Беларусь*. 07 Oct. 2016. Web. 08 Apr. 2017. <http://president.gov.by/ru/news_ru/view/vstrecha-s-deputatami-palaty-predstavitelej-i-chlenami-soveta-respubliki-natsionalnogo-sobranija-belarusi-14586/>.

which is almost *five* times bigger (35,898 Belarusian and 39,670 Ukrainian students in 2013).⁵

The dynamics of the number of Belarusian students studying abroad is even more indicative. From 2005 to 2015, this number increased *three-fold* from 11,313 to 34,723 and it spikes every time when an attempt is made to isolate the education system of Belarus. So, after the isolationist reform of secondary education in 2008, the number of Belarusians studying in foreign universities *doubled* against 2007 from 14,835 to 29,772. After the crackdown on protesters in 2010, the number rose to 40,525 in 2011. Vice versa, when Belarus approached the European Higher Education Area, the outflow of young people to foreign universities went down from 41,591 in 2012 to 34,723 in 2015.⁶

Reliable statistics on the outflow of graduates and young professionals is not available, but it is well known that they leave not because the national education system is being modernized, but because the country has no decent employment options to offer. So, not the Bologna Process but the conservative policy of the Belarusian leadership is what pushes Belarusians to leave their homeland.

The *second* threat, in Lukashenko's opinion, is connected with the penetration of modern digital technologies into everyday life. Given the fundamental trans-border nature of these technologies, the ability of the national education system to control students' development is very limited. Lukashenko suggests neutralizing these new threats with the help of revived traditional tools of ideological control, patriotic and moral upbringing, and calls for involving "ideologists and constructive public organizations" in this work.⁷

⁵ "Education." *UNESCO Institute of Statistics*. Web. 06 Apr. 2017. <http://data.uis.unesco.org/Index.aspx?DataSetCode=EDULIT_DS&popupecu stomise=true&lang=en>.

⁶ «Обращение с ежегодным Посланием к белорусскому народу и Национальному собранию.» *Официальный Интернет-портал Президента Республики Беларусь*. 21 Apr. 2016. Web. 08 Apr. 2017. <http://president.gov.by/ru/news_ru/view/aleksandr-lukashenko-21-aprelja-obratitsja-s-ezhegodnym-poslaniem-k-belorusskomu-narodu-i-natsionalnomu-13517/>.

⁷ *Ibid.*

Regressive responses to new social challenges are seen in the president's reaction to a significant deterioration of the situation in the labor market for graduates of universities and other educational institutions. Young professionals face big employment problems. For the first time in many years, the shortage of human resources changed into a shortage of jobs, especially for people with no work experience.

Under these conditions, the system of compulsory placement of graduates inherited from the Soviet Union has turned into an obvious anachronism. Its preservation became possible mainly due to manipulation of statistics, direct pressure on the management of educational institutions and intimidation of students. Under government pressure, provosts and deans have to compensate the shortage of employment proposals for graduates with coercion of students, who do not pay for education, to provide fake proposals from potential employers to make the statistics look nice. Even after admitting the problem, President Lukashenko denied the necessity to reconsider the employment system.⁸

Belarus needs an employment strategy for young people and a comprehensive program for increasing the employment of graduates by strengthening the link between higher education and the labor market, encouraging the creation of jobs for young people, training, retraining, internships, job quotas for young professionals and other instruments, which have proved effective in Europe, but the president is willing to sacrifice social and economic efficiency for the sake of the Soviet ideological mirage. However, government officials are not always willing to cultivate such myth-making. The frequent replacement of ministers and heads of line agencies in the past three or four years shows that Alexander Lukashenko still fails to impose his mythology and education policy despite the intimidating messages that he sends to the government.⁹

⁸ «Лукашенко приветствует готовность молодёжи плодотворно работать и проявлять инициативу.» *БелТА*. 28 June 2016. Web. 06 Apr. 2016. <<http://www.belta.by/president/view/lukashenko-privetstvetuet-gotovnost-molodezhi-plodotvorno-rabotat-i-projavljat-initsiativu-199439-2016/>>.

⁹ "...we should not thoughtlessly copy the Western system of education. I have warned the vice premier at a recent presidential meeting and the

Education modernization strategy

Moderate reformers try to mitigate consequences of the regressive scenario for Belarusian education by implementing modern international tools for updating it without directly conflicting with the ‘bright past’ myths. On the program level, the discrepancy between the two strategies (modernization and ‘rescue’) of general and vocational education is easy to notice, *firstly*, because moderate reformers localize best education practices not in the Soviet past, but abroad, in OECD member states. *Secondly*, the future of national education is seen not in isolation from the West, but in a global harmonization and internationalization of approaches to its development.

There is a set of globally recognized tools for the effective integration of national education systems in the common education area: university ratings, programs for evaluating educational achievements and supranational protocols like the Bologna Process. All these integration tools can be found in program documents and legislative acts that determine the development of Belarusian education. In 2016, one can trace the chain of program texts from the conceptual article by Minister Zhuravkov titled ‘*The Tasks of National Importance*’ through the Government Program ‘Youth and Education Policy’ to the draft *Code of Education*.¹⁰

new education minister against that.” See «Обращение с ежегодным Посланием к белорусскому народу и Национальному собранию.» *Официальный Интернет-портал Президента Республики Беларусь*. 21 Apr. 2016. Web. 08 Apr. 2017. <http://president.gov.by/ru/news_ru/view/aleksandr-lukashenko-21-aprelja-obratitsja-s-ezhegodnym-poslaniem-k-belorusskomu-narodu-i-natsionalnomu-13517/>.

¹⁰ Журавков, Михаил. «Задачи общенациональной значимости. О развитии системы образования в Республике Беларусь.» *Беларуская думка*, № 2–3, 2016: 3–11, 8–13. Print; «Постановление Совета Министров от 28.03.2016 № 250 Об утверждении Государственной программы “Образование и молодёжная политика” на 2016–2020 годы.» *Совет министров Республики Беларусь*. Web. 08 Apr. 2017. <<http://www.government.by/ru/solutions/2450>>; «Общественное обсуждение проекта новой редакции Кодекса Республики Беларусь об образовании.» *Национальный правовой Интернет-портал Республики Беларусь*. 03 Feb. 2017 Web. 08 Apr. 2017. <<http://pravo.by/novosti/novosti-pravo-by/2017/february/22856/>>.

It is indicative that the conceptual design transits to legislative implementation, the reformatory creative impulse in these documents is going down, and the number of concessions to the pressure of conservative censorship is increasing. Nevertheless, requirements of the roadmap for higher education reform as related to the *three-level* Bologna architecture of higher education, tools for ensuring the transparency of learning outcomes and recognition of diplomas are transferred to the draft *Code of Education*. The government program Education and Youth Policy reflects such internationalization tools and criteria to evaluate successes of secondary and higher educational institutions, as global university ratings and international programs for assessing educational achievements of schoolchildren.

Many requirements of supranational protocols are blocked by regressive educational ideology and political prejudices. Active resistance of the Presidential Administration does not allow implementing European academic values and non-discriminatory instruments of social policy in education (primarily all obligations to reconsider the policy of employment of graduates of universities, colleges and other institutions of professional education) in the legislation.

The development of such an important tool for the harmonization of education and the labor market, as the National Framework for Qualifications encounters inconsistency and lack of cooperation between different ministries and departments. Sometimes, even right decisions are devalued by the contradictory nature of laws, legal nihilism and conservatism within academic circles.

The pace of reforming of the education system is so slow that it can bury hopes for change among the most optimistic of its supporters. In 2016, it became clear that the implementation of the roadmap for higher education reform by the 2018 Paris Summit is unlikely to be over 25% or 30%. Carrying out the World Bank recommendations for enhancing the efficiency of funding secondary education in 2016 has not yet gone beyond an expanded experiment on the prescriptive financing of 183 schools. The equalization of the rights of educational institutions of different forms of ownership resulted in allowing

non-governmental organizations to access local budgets under pre-school education programs.

And yet, despite strong regressive trends and blocking of reforms, the year 2016 did not deprive us of the hope that the reformers will not suffer a complete defeat in the confrontation of educational strategies, and the vector of changes will be preserved.

Conclusion

There were no significant changes in the Belarusian education policy last year. Advocates of reforms in government and academic institutions had to put in overproportionately hard efforts to neutralize the regressive dynamics. The end of 2016 was even marked by an event that the public perceived as a revenge of the conservatives: moderate reformer Minister of Education, Professor Zhuravkov was replaced by Igor Karpenko, a communist and bureaucrat, and a proponent of the president's retro-ideology. However, the logic of the educational sector can make adjustments to the position of the new minister.

At the same time, despite all the differences, the reformist and conservative strategies are united by the common way of dealing with the future, which carries threats, to which neither society, nor the country's leadership is ready to respond. The answers are based on the belief in the wisdom of old and someone else's decisions. There are those who are seeking survival in the restoration of the Soviet past, while others are looking at Russia's president as a model for their own future. There are virtually no attempts to capture the long-term trends in the development of education, and if there are any, they are still weak and local, and remain outside the area of formal education.

STATE PROGRAM OF INNOVATIVE DEVELOPMENT: BACK TO THE OLD TRACK

Andrei Laurukhin

Summary

The first year of the implementation of the State Program of *Innovative Development for 2016–2020* was not very encouraging for Belarusian science. It announces a number of ambitious projects designed to upgrade the Belarusian economy and enhance its competitiveness globally. However, it does not provide for any significant changes in terms of implementation, and just repeats the concept, format and structure of previous programs with all their shortcomings. The results of 2016 show that with respect to most scientific and innovative development indicators, alarming trends persist and negative symptoms continue to aggravate.

Trends:

- The quality of planning of scientific and innovative development of Belarus is getting lower;
- The number of scientists is catastrophically declining, and the mechanism of reproduction of human resources in the scientific sector is under the threat of imbalance;
- The system of funding of innovation gets more centralized and complicated;
- Progress has been achieved in bringing the national system of analysis and monitoring of science and innovation in line with international standards and practices.

State Program of Innovative Development for 2016–2020: Old wine in a new bottle

According to the assessment by experts of the United Nations Economic Commission for Europe presented in the *second Innovation Performance Review of Belarus*, the Innovative Development Program launched in 2016 repeats mistakes of the previous science and innovation development policy that does not give grounds for optimistic forecasts. The program eclectically combines ill-connected measures within the framework of an extremely loose political orientation, and does not specify

particular budgetary allocations for their implementation.¹ The Innovative Development Program 2016–2020 retains the outdated strategic understanding of innovation as a linear process that extends from the research and development stage to commercialization of research results with the shortest possible time cycle.

Experts reckon the groundless distinction between the so-called ‘scientific and technical projects’ (to be executed as part of government scientific and technical programs) and ‘innovative projects’ among no less glaring contradictions in the *Innovative Development Program*. The ‘scientific and technical projects’ – the key components of innovative activities – are actually excluded from the scope of the *Program*. At the same time, it comprises many projects that are on the periphery of innovative activities.

The practical innovation policy baselessly dominates the technological innovation area, while other types of innovations (product, process, organizational and marketing) are completely ignored, and this is a chronic problem.

The legal status of intellectual property rights remains undefined due to the unresolved issue of commercialization of the results of scientific and technological activities. As practice has shown, the legislative norms established by decree No. 59 of February 4, 2013² do not allow identifying legitimate owners of intellectual property rights arising from scientific research funded from the national budget. As a result, scientific institutions cannot sell intellectual property rights or engage in their subsequent commercialization.

The *Strategy for the Development of Innovative Economic Clusters* adopted in 2014 stumbles across the deficit of subjects of the innovation infrastructure, which could take the initia-

¹ «Второй обзор инновационного развития Республики Беларусь.» *Национальный научно-технический портал Республики Беларусь*. Web. 01 Apr. 2017. <<http://www.scienceportal.org.by/reports/>>.

² «Указ Президента РБ “О коммерциализации результатов научной и научно технической деятельности, созданных за счёт государственных средств”.» *Национальный правовой Интернет-портал Республики Беларусь*. 06 Feb. 2013. Web. 01 Apr. 2017. <<http://www.pravo.by/document/?guid=3871&p0=P31300059&p1=1>>.

tive to implement this strategy. In order to solve this task, the Innovative Development Program once again proposes a ‘good old’ approach, which determines the dominant role of large state-owned enterprises in the industrial sector.

Transformation of the composition of innovation funding

Legislative changes in the funding of the Innovative Development Program reflect and consolidate the long-term trend of transferring the costs associated with innovation to bank loans, which constitute around two-thirds of the total funding (most of Belarusian commercial banks are owned by the state). Own funds of the organizations involved thus make up around 18%. State grants are supposed to be the *third source* of funding.

The Belarusian Innovation Fund (BIF) plays a key role among all sources of funding. On the basis of legislative changes of the past few years, it is able to finance the innovation process at the final stages (commercialization and market penetration), and to use new tools to render support at the initial stage (grants and vouchers). From 2010 to 2014, the BIF financed 16 to 24 projects a year for a total of 324.8 billion Belarusian rubles, including 114.6 billion in 2012. In 2016–2020, the Innovative Development Program provides for 65 billion in 2016 and 52.7 billion in 2017 with a focus on the production of pharmaceuticals, mechanical engineering products, medical devices, agriculture and devices for scientific research.

However, in 2016, grant applications were few and voucher applications even fewer among other things because the selection process is too complicated and there are not enough personnel adequately qualified to competently and effectively make this selection. To rectify the situation, the Innovative Development Program envisages the creation of a centralized ‘innovation fund’ in 2016, which will be managed by the State Committee for Science and Technology (SCST). It will integrate 25 sectoral and seven regional innovative funds established in 2012. New financing instruments will be mainly disposed by the Belarusian Innovation Fund and the Belarusian Fund for Financial Support for Entrepreneurs.

A new financial institution – the Development Bank of the Republic of Belarus – was created to develop the infrastructure and provide expert support through financing foreign companies and supporting small and medium enterprises. The Development Bank is seen as the only channel for financing projects under all government programs, including innovative ones. There is one difficulty, though: tools to determine the differences between innovative and non-innovative products (and, accordingly, projects) have not been worked out yet. As a result, financial resources provided to small and medium enterprises are sometimes intended for upgrading the existing facilities, rather than producing new commodities or services.

The new centralized innovation fund, which is supposed to select and finance innovative projects of national priority, is meant exactly to resolve this difficulty. It is assumed that the fund will be established and managed by the State Committee for Science and Technology, have its own budget in accordance with the current Innovative Development Program and dispose of financial resources totaling 743.5 billion rubles³ in 2016–2020. The fund will finance the following four areas:

- innovative projects under government programs;
- scientific and technological research for the creation of new products, services and technologies;
- development of the innovation infrastructure;
- development of applied research laboratories.

It yet remains to be seen how this complex, multi-level and highly centralized system will perform the tasks assigned to it.

The past year did not change the situation for the better in terms of net inflow of foreign direct investment (FDI), which has remained at a very low level since 2011 (within US\$ 2 billion), while the investing countries are very few: Russia, the United Kingdom, the Netherlands, Cyprus, Austria, Germany and China.

On December 23, the BIF (50% of the capital) and the Russian Venture Company (49% of the capital + 1% of the RVC Infrafund) established the Russian-Belarusian Venture Invest-

³ The current assets of both innovation and investment funds stand at 1.5 to 1.6 trillion Belarusian rubles.

ment Fund. First investments are to be made in 2017. According to the plan, they will not be limited to the sectoral affiliation of start-ups, but can be made in IT, biotechnologies and pharmaceuticals. It is worth noting that only the start-ups, which will work not only inside the country, but also in the markets of the Eurasian Economic Union, are being considered.

Year of Science: Celebration leaving a bad taste

The pompous announcement of the coming year as the Year of Science by a presidential decree⁴ contrasts with the actual, truly disastrous situation in this field (which is especially striking when it comes to fundamental science). So, according to the Innovation Union Scoreboard (IUS-2015), from year to year, government spending on R&D (0.2% to 0.3% of GDP annually) is declining, while the internal costs of research and development remain at 0.52% of GDP.⁵ The number of organizations performing research and development (more than 20 units in the past year) continues to decrease in all sectors (public, business and higher education).

The reduction in the number of personnel engaged in scientific research and development set a new historical anti-record in the entire recent history of the country. As of the beginning of 2016, the number of personnel fell to 26,153 persons, and the number of researchers fell to 16,953.⁶ As before, the reduction in the number of personnel equally affected commercial organizations, the public sector and higher education.

With respect to the various sectors of science, this most profoundly affected *engineering sciences* (a reduction by 471 researchers in comparison with 2014), *agricultural sciences* (74)

⁴ «“Об объявлении 2017 года Годом науки”. Указ № 481 от 23 декабря 2016 года.» *Официальный Интернет-портал Президента Республики Беларусь*. Web. 01 Apr. 2017. <http://president.gov.by/ru/official_documents_ru/view/ukaz-481-ot-23-dekabrya-2016-g-15192/>.

⁵ Here and elsewhere: *Наука и инновационная деятельность в Республике Беларусь*. Минск: Белстат, 2016. Print.

⁶ The years 2003 and 2004 are chosen as a benchmark: it was the time of the lowest staffing index over the period from 1990 to 2014 (17,702 and 17,034 researches, respectively).

and *humanities* (5). Against the background of this reduction, the number of researchers in the field of natural sciences (an increase by 109 researchers), medical (74) and socioeconomic sciences (33) inspires certain ‘quantitative optimism.’

The National Academy of Sciences (NAS) of Belarus has completely turned from an organization carrying out fundamental scientific research into a center of applied science and innovation transfer. At the moment, there are 122 various commercial organizations and more than 72 innovation centers (clusters) in the structure of the NAS for building links between scientists and consumers. As much as 70% of the total budget of the NAS is provided by production capacities and only 30% is allocated from the state budget.

Educational institutions are less successful in the transfer of scientific research to technology, although four out of the seven technoparks are located inside universities. In many respects this stems from the fact that intellectual property rights for all values produced by academic and scientific communities belong not to the host universities, but to the Ministry of Education: the actual legal owners of intellectual property rights have been alienated from the results of their activities and do not have a positive motivation for their subsequent commercialization.

The generalized results of 2016 in Belarus are reflected in the *Global Innovation Index* of the World Intellectual Property Organization (WIPO, UN) for 2016. In this index, Belarus is in the lower part of the list between Iran and Kenya having dropped 26 positions against 2015 and now ranking 79th among 128 countries.⁷

All hope pinned on *Belstat*

Amid old and new problems in the development of science and innovation, significant progress reached by the National Statistics Committee (*Belstat*) in 2011–2016 (according to the *Second Innovation Performance Review*) during the bringing of the national system for the analysis and monitoring of science

⁷ “Global Innovation Index. Ratings 2016.” *WIPO*. Web. 01 Apr. 2017. <http://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2016-intro5.pdf>.

and innovation into line with international practices and the recommendations of the *First Review*⁸ is encouraging. In particular, the experts point at the adoption of indicators consistent with the EU Innovation Scoreboard and regular innovation surveys at the firm level, and the adoption of international standards to improve conceptual definitions, methodologies and approaches in the study of innovation.

Belstat took as a source the statistics textbooks of the Organization for Economic Cooperation and Development (OECD), *Eurostat* and the UNESCO Institute for Statistics. As a result of all these changes, it is possible to obtain relevant quantitative and qualitative data on firms' innovative activities, including the classification by type of expenditure, sources of financing and the impact of innovation on productivity.

A no less important step has been made in the international comparative analysis of data: at present, data are collected and published annually with respect to 16 out of the 25 EU Innovation Union Scoreboard indicators that makes it possible to carry out an adequate comparative assessment of Belarus in relation to other countries. Finally, the methodology of the forms used for statistical reporting by organizations performing research and development has been improved and harmonized with international standards: basic concepts, definitions and institutional classification are based on the OECD's Frascati Manual.

The country adopted the system of national accounting *SNA-2008*, UNESCO International Standard Classification for Education 2011, and the OECD Labor Force Statistics of 2007. Since January 1, 2016, national classifications are harmonized with the latest relevant international versions for activities (NACE 2008) and products (CPA-2008).

Conclusion

In 2016, the policy in the field of science and innovation continued to consist of all the old instruments that have proved ineffective in practice in recent years.

⁸ "Innovation Performance Review of Belarus (April 2011)." *UNECE*. Apr. 2011. Web. 01 Apr. 2017. <<http://www.unecce.org/index.php?id=925>>.

The situation with scientific personnel and the future of fundamental science raises particular concern. The new historic anti-record in the reduction in the number of researchers can have irreversible consequences for the entire institution of Belarusian science. Taking into account that fundamental science developed mainly within the walls of the National Academy of Sciences of Belarus, the final transformation of the latter into a center of applied research can ruin fundamental science at large, which will inevitably negatively affect the scientific ethos among scientists, trigger erosion of scientific communities, and considerably narrow the possibility of strategically important research.

At the same time, *Belstat's* success in the harmonization of the national system of analysis and monitoring of science and innovation with international standards and practices is encouraging. New statistical data relevant to international standards will make it possible to understand the factors that restrain and impede the development of science and innovations in the country more clearly, realistically and accurately.

THE RELIGIOUS SPHERE: THE CALM BEFORE THE STORM

Natalia Vasilevich

Summary

In 2016 the policy of state control over the religious sphere continued, the authorities rarely used brutal pressure and repression against religious communities, limiting the activities of religious organizations primarily in bureaucratic ways. In early 2016 there was a traditional conflict of the Commissioner for religious affairs with the leadership of the Roman Catholic Church because the government was not satisfied with the personnel policy of the latter. In the Orthodox Church, especially concerning the Minsk diocese, staff and structural changes continued, and a large organization, the Publishing house of the Belarusian Exarchate, was closed down.

In February there was a meeting of Pope Francis and Patriarch Kirill of Moscow in Havana, and in June there was the Sacred and Great Synod of the Orthodox Church on Crete.

Trends:

- The state is not going to liberalize the legislation on freedom of conscience and activity of religious organizations, preserving authorization and control;
- Management of the religious sphere is carried out mainly through bureaucratic mechanisms without tension and sharp dissatisfaction;
- The Belarusian Orthodox Church witnesses the end of structural and personnel reformatting, and its management comes into the routine phase;
- The Roman Catholic Church builds the boundaries of its own autonomy to protect itself from the state.

Legislation and institutions: do not change norms, allow grace

Human rights defenders consistently criticize the Belarusian legislation in the sphere of freedom of religion and regulation of religious organizations. When in 2015 Belarus was considered within the framework of the second cycle of the Universal Periodic Review (UPR) of the United Nations, human rights organizations made an alternative report¹, where serious

¹ «Альтернативный доклад по 2-му циклу Универсального периодического обзора (Беларусь).» *За свабоднае веравызнанне*. 15 Sep. 2014. Web. 13 Mar. 2017. <<http://forb.by/node/437>>.

problems in the sphere of freedom of religion were mentioned, including the requirement for mandatory registration of religious organizations and the existence of criminal responsibility for activity without registration; restrictions on religious activity of foreign citizens, etc.

Although within the UPR Belarus adopted the recommendation of the Holy See on the necessity “to take measures to prevent restrictions on freedom of religion and belief and to ensure more stringent exercising of the right to free expression and freedom of association”, no changes in the legislation and law enforcement practices in this area were included in the Interdepartmental Plan for the Implementation of the Recommendations adopted by the Republic of Belarus on completion of the second cycle of the UPR in the UN Council on human rights, and recommendations addressed to Belarus by the treaty bodies on human rights for 2016–2019² adopted by the Council of Ministers in October 2016. The only event suggested by the government in connection with the accepted recommendation in the sphere of religion was the development and implementation of educational programs for journalists on promoting interfaith peace and accord and the holding of a thematic art contest (Article 58).

There were isolated cases of brutal repressions for violating the mass events procedure: members of a Christian community in Minsk were brought to administrative responsibility for participation in the night prayer without the permission of the Minsk city administration.³ The tension concerning the authorization of religious activities during 2015 and 2016 partly decreased: the authorities offer to religious organizations to rent large state facilities built for the world hockey championship. Čyžoŭka-arena, for example, hosted wide-ranging Christian social and religious events “Global Leadership Summit” and “Prayer for Belarus”.

² «Постановление Совета министров от 24 октября 2016 года № 860.» *Совет министров Республики Беларусь*. 24 Oct. 2016. Web. 13 Mar. 2016. <<http://www.government.by/ru/solutions/2661>>.

³ «“За что?” Как нарушается свобода религии и что с этим делать.» *За свободное вероисповедание*. 12 Dec. 2016. Web. 13 Mar. 2017. <<http://forb.by/node/679>>.

As for the rights of foreign citizens, the authorities created a conflict situation in relation to the Catholic Church: the Commissioner without reason refused to approve the activities of three Roman Catholic priests who are citizens of Poland. However, after the application of the curia of Minsk-Mahiliou Archdiocese of the Roman Catholic Church the decree on inconsistencies was cancelled.

Protestant religious associations also witness some warming: a Swedish preacher, Carl-Gustaf Severin, who had been denied entry into the country for at least 15 years, could finally visit Belarus and held a big conference in spring 2016. Also there were no problems with two visits of Buddhist Lama Ole Nydahl.

Despite the fact that in certain cases authorities may consider requests of religious communities and allow the holding of mass events or services of foreign religious figures, the very norms that govern such aspects of activities of religious organizations have a sanctionable function of state bodies moving the emphasis from guaranteeing these rights to religious organizations to the function of 'allowing' or 'denying' the rights which primarily belong to the state authorities. It makes religious organizations dependent on the state and strictly controlled by it.

The Orthodox Church: more walls and fewer bridges

In 2016, one of the great events in the life of the Orthodox world happened in June on Crete when the Holy and Great Synod of the Orthodox Church was held which had been prepared for almost a century. Archbishop Guryj of Navahrudak from the Belarusian Exarchate, a former managing Director of the Belarusian Exarchate was included into the Russian Orthodox Church delegation. Two weeks before the opening of the sessions of the Synod, the Synod of the Russian Orthodox Church decided not to participate in it and insisted on the transfer of the event for a later date. Similar decisions were also taken by the Antiochian Synod, by Georgian and Bulgarian Orthodox Churches. But in spite of this, the Synod was held with the participation of delegations of ten local churches and adopted a

number of documents, reception of which goes on now among those churches that sent their delegations to the Synod as well as among those that refused to participate.

If the Ukrainian authorities tried to use the Synod as a means to call for the canonical solution of the problem of the divided Ukrainian Orthodoxy, and it was this aspect that was in the focus of Ukrainian media, for the Belarusian authorities, society and church environment it remained almost invisible. In pre-synodic times in the Orthodox Church (in Russia and in Ukraine) anti-Synod and antiecumenical movements started however they were not recorded in Belarus.

Belarusian Orthodox believers paid much attention to the meeting of Pope Francis and Patriarch Kirill of Moscow in Havana in February. Despite the fact that the meeting was mostly diplomatic there were sporadic protests of anti-Catholic and antiecumenical forces. In February, after the Havana meeting, hegumen Amvrosij (Tarasiuk), a rural dean of one of the monasteries in Navahrudak eparchy stopped commemorating Patriarch Kirill as a sign of non-recognition of his legitimacy. In December, he officially broke the liturgical relationship with the local Bishop Guryj, and also appealed to believers to move away from prayer relationship with the heretics. Rather soft measures were applied to Tarasiuk: on December 23, the ecclesiastical court suspended him from service for a period of one year.

The Synod of the Belarusian Orthodox Church reacted to the draft resolution prepared in December by the Ministry of Health of the Republic of Belarus *On approval of rules of medical ethics and deontology*. The project, among other requirements to the dress code of health and pharmaceutical workers (Article 7) contained a ban on the demonstration of religious affiliation, i.e. the open wearing of religious symbols. In his letter to the Minister of Health Metropolitan Pavel argued his position against such a requirement appealing to the right to free expression of religious beliefs, guaranteed by the Constitution (Article 33) and the Law of the Republic of Belarus *On freedom of conscience* (Article 5). In addition, he referred to the cooperation program between the Ministry of Health and the Belarusian Orthodox Church, signed in 2003, and the threat of religious conflicts in

the society and protests of the believers⁴. In the end, a ban on the display of religious affiliation was removed from the draft decree.

In fact, for the first time, the Church was successful at influencing the legislation, though not in the most fundamental issue. It should be noted that when a similar case was heard in the European court of human rights (Case of Eweida and Others v. the United Kingdom⁵), in the case of nurse Ms Chaplin, where a medical institution did not allow her to wear a religious symbol – a cross. The European court found that there was no violation of freedom of religion in that case because the specifics of medical practice implies the need to adhere to certain sanitary and hygienic rules, so the limit for wearing any additional accessories can be introduced in some institutions.

Another noteworthy event was the arrest of priest Kanstancin Burykin. This priest ‘with swastikas’, who in former times was in charge of Russian nationalist organizations and still kept in touch with them, and in recent years he headed the Federation of powerlifting, was arrested and placed into custody⁶. He was suspected of possession of ammunition. The same day he was banned to hold church service.

Personnel and organizational reformation of the Belarusian Exarchate continued. Those independent projects that had existed in previous years, were more and more minimized. A. Dzikhcijeuski, the creator and longtime leader of the St. Michael brotherhood which acted in Krupieck temple and held a number of independent projects, mostly pro-Russian and in

⁴ «Патриарший Экзарх всея Беларуси направил Министру здравоохранения письмо относительно Проекта постановления Министерства здравоохранения Республики Беларусь “Об утверждении Норм медицинской этики и деонтологии”.» *За свабоднае веравызнанне*. 24 Dec. 2016. Web 13 Mar. 2017. <<http://forb.by/node/680>>.

⁵ “Case of Eweida and Others v. the United Kingdom (Applications numbers. 48420/10, 59842/10, 51671/10 and 36516/10).” *Equal Rights Trust*. 15 Jan. 2013. Web. 13 Mar. 2017. <<http://www.equalrightstrust.org/ertdocumentbank/Case%20Summary%20Eweida%20and%20others%20v%20UK.pdf>>.

⁶ «Священник из Гатово задержан по подозрению в незаконном обороте боеприпасов.» *БелТА*. 23 Nov. 2016. Web 13 Mar. 2017. <<http://www.belta.by/incident/view/svjaschennik-iz-gatovo-zaderzhan-po-podozreniju-v-nezakonnom-oborote-boeprapasov-220614-2016/>>.

a traditional style, was removed from the board. An ecumenical international educational direction, which previously was included in the Christian education center under the direction of R. Daugiala ceased to exist. After his dismissal the center focused on smaller local projects.

The publishing house of the Belarusian Exarchate after the change of leadership (U. Hrozau) for a number of reasons was unable to reach profitable self-employment and actually was attached to the St Elizabeth monastery. However, the publishing house, in contrast to many other projects, even managed to build up power with the arrival of the new leadership, demonstrated a significant viability and sustainability, obviously, because of the large number (several thousand people) of employed people there, who are loyal to the direct management of the monastery.

A key concern of the Church leadership was the construction of a new administrative center of the BOC on Vyzvaliennie street (in fact it is the extension of the building of Minsk diocesan administration, constructed in the 1980s), which would require to demolish houses No. 6, No. 6A and No. 8, which are included in the list of historical and cultural values in spite of their ramshackle state. In April, the Ministry of Culture refused Metropolitan Pavel in his request to exclude these buildings from the list⁷. Nevertheless, it was the construction of this complex that was the main topic of the discussion of the December General meeting of the Minsk diocese, and in the final document it was emphasized that “the state of works on designing and preparation of construction of a new church and a multi-function spiritual-educational complex of buildings of Minsk Exarchy along Rakauskaja and Vyzvaliennie streets is approved”⁸. The construction of this complex promises to be one of the main subjects of the internal life of the BOC for years to come.

⁷ “Мінкульт устаў на абарону гістарычных будынкаў у Мінску, якія хоча знесці БПЦ.” *Наша Ніва*. 18 Apr. 2016. Web. 13. Mar. 2017. <<http://nn.by/?c=ar&i=168741>>.

⁸ «Итоговый документ общего собрания Минской епархии Белорусской Православной Церкви 22 декабря 2016 года.» *Church.by*. 22 Dec. 2016. Web. 13 Mar. 2017. <<http://church.by/docs/itogovyj-dokument-obshhego-sobranija-minskoj-eparhii-beloruskoj-pravoslavnoj-cerkvi-22-dekabrja-2016-goda>>.

The Roman Catholic Church: constructing boundaries

The warming of relations between the Belarusian regime and the Roman Catholic Church, which happened after the visit of cardinal Bertone to Belarus in 2008, did not confirm many of the promises and expectations. Since 2008 three nuncios has changed: Martin Vidović was replaced by initiative of Claudio Gugerotti, and in 2016 new nuncio Gábor Pintér was appointed. The Pope did not visit Belarus (although, according to the statements of the leaders of the Roman Catholic Church, his visit is approaching with every passing day), and the concordat – the agreement with the Vatican was not concluded. The meeting of the Pope and the Patriarch of Moscow (President Lukashenko had repeatedly expressed the wish for such an event to take place in Belarus) finally took place not in Belarus but on Cuba. Now this unthinkable meeting will not be so exclusive as to attract the world's attention to Belarus.

From year to year the story of the ‘attacks’ on Catholics from the side of the Commissioner for Religious and Ethnic Affairs continues. It happens due to the dissatisfaction of the authorities with the personnel policy of the Catholic Church, which causes public criticism and manipulation of the resolution on ministry of priests from abroad. Despite the fact that the number of foreign priests is diminishing annually (their number decreased from 146 to 120 during 2012–2016), personnel policy of the Roman Catholic Church in Belarus remains the subject of criticism: the style and manner of claims to the RCC leadership are unbalanced and rough, often with the use of negative wording (e. g. “destructive work among the population”) when the activity of priests is described.

The leadership of the Roman Catholic Church responded to the ‘attacks’ quietly but firmly. In conflict situations with the statements of the Commissioner, the Conference of Catholic bishops of Belarus made a statement where the autonomy of the Catholic Church regarding its personnel and educational policies was strongly emphasized: it is “an exclusively internal matter of the Catholic Church”⁹. Such measures ensured that scandalous remarks from the Commissioner stopped. As for

⁹ “Заява Канферэнцыі Каталіцкіх Біскупаў у Беларусі.” *Catholic.by*. 4 Feb. 2016. Web. 13 Mar. 2017. <<http://catholic.by/2/home/news/belarus/bishop-conference/128798-bp.html>>.

the situation with the non-renewal of the authorization to the service of three priests, the Curia of Minsk–Mahiliou Archdiocese also issued a statement¹⁰ trying to draw public attention to the unwarranted refusal by the state authorities and the pressure had its fruits: the Commissioner had to agree to the resolution.

Both situations demonstrate that the positioning of the religious organization of its autonomy, in a sense – sovereignty, forces the government to make concessions. Although such autonomy is not supported by the functioning of the legal field: still lots of competences concerning staff policies depend on the will of the state. But in specific cases the Roman Catholic Church learned to preserve the boundaries of its autonomy, each time reacting to their intersection. Thus a religious organization appears in a position of civil community.

The challenge now is to determine the relationship with the civil community: there was a conflict between the two sides concerning the green zone of Kotauka in Minsk, where the Catholic parish received a site for construction. Environmental organizations and local residents organized a protest and as a result the Catholic parish had to change the construction site of the building.

Conclusion

The state will continue to exert control over the activity of religious organizations, especially in conditions of a growing social instability. Nevertheless, the possibility of visa-free entry and a five-day stay in Belarus will help preachers to visit Belarus more intensively, which cannot be controlled by the state.

The BOC will conduct negotiations and confrontation with the government on financial and property issues. At the same time, the Catholic Church will strengthen its position in relation to the authorities and try to use the weakness of the regime, to finally get – now on its own terms – the promised concordat and the visit of the Pope to Belarus.

¹⁰ “Паведамленне курыі Мінска-Магілёўскай архідыяцэзіі аб неўзгадненні душпастырскай дзейнасці трох святароў з Польшчы.” *Catholic.by*. 13 July 2016. Web. 13 Mar. 2017. <<http://catholic.by/2/home/news/belarus/hierarchs/131111-kuryja.html>>.

HEALTH CARE: *STATUS QUO* ABOVE ALL

Andrei Vitushka

Summary

2016 was characterized by a relatively favorable continued demographic situation, but natural population growth is still out of reach. There were no significant changes in the functioning of the health care system, which is preserved the way it is. Proposals were made to improve it by a range of cosmetic measures but without adequate support of the needed resources.

Trends:

- Attempts to preserve the old model of health care are made and any reform of the sector is reduced to cosmetic changes;
- State funding does not increase, the orientation on self-financing is intensified, the problem of shortage of working capital in the system grows and salaries of health care personnel are on the decline.
- There are cases when dissatisfied groups of patients and physicians start to articulate their interests.

Demographic indicators and health of the population of Belarus

The demographic situation in 2016 in Belarus developed in a similar way as in 2014–2015, when the birth rate was almost equal to mortality. First Deputy Prime Minister, former Minister of Health Care Vasily Zharko at the final board of the Ministry of Health Care said that “in 2017, we need to preserve the natural population growth”¹. In fact, in 2015 the overall mortality rate did not change (12.6 per 1000 people), with some reduction in birth rate (from 12.5 to 12.4 per 1000 people). A positive balance cannot yet be achieved, although the population increased a little (from 9480.9 thousand in 2015 to 9498.4 thousand at the beginning of 2017), as earlier, due to migration. The mortality rate slightly decreased (0.1 per 1000 people – 0.1%) in Brest region,

¹ «Коллегия Минздрава. Итоги года 2016. Василий Жарко: не останавливаться ни на миг» *МедВестник.by*. 02 Feb. 2016. Web. 05 Apr. 2017. <<http://www.medvestnik.by/ru/officially/view/vasilij-zharko-nestostanavlivatsja-ni-na-mig-16124-2017/>>.

Viciebsk region, Homiel region and Minsk, by 0.2% – in Minsk region, it did not change in Mahiliou region and increased by 0.2% in Hrodna region. The difference in mortality between Minsk (8.7%) and other regions (from 12.6 in Brest region to 14.6% in Viciebsk region)² remains impressive. This situation is explained both by the younger age of Minsk residents and by regional differences in the development of medical care. The leading causes of death are still cardiovascular and oncological diseases, as well injuries and poisoning, but some reduction in these positions is achieved in all regions of Belarus.

The main paradox of the national medical statistics in 2016 is *zero* maternal mortality. For comparison: in Scandinavian countries which occupy 5 top positions in the ranking of the best places for giving birth to children, which is made up by the competent international organization *Save the Children*, somewhere from 3 to 6 women die during childbirth per 100 000 live births.³ However, last year, the media presented the facts of the deaths of 2 women after childbirth in 2015–2016 in one hospital in Maladziečna. It is also known about two more cases of women's death in the postpartum period last year, but this fact did not become known to the public.

The reason for this discrepancy is simple: the indicator is included in different international rankings, and as such cases are really rare (5 per year across the country), the temptation of manipulation is very high. This situation does not add professionals' trust to the national medical statistics, and the concealment of such facts interferes with sincere and thorough professional analysis of these situations.

It is expected that the average life expectancy of Belarusians in 2017 (the integral indicator of the effectiveness of the health

² "Demography." *National Statistical Committee of the Republic of Belarus*. Web. 05 Apr. 2017 <http://www.belstat.gov.by/en/ofitsialnaya-statistika/social-sector/demografiya_2/>.

³ See: "Save the Children. State of the World's Mothers." *Save the Children*. Web. 05 Apr. 2017 http://www.savethechildren.org/atf/cf/%7B9def2ebe-10ae-432c-9bd0-df91d2eba74a%7D/SOWM_EXECUTIVE_SUMMARY.PDF>; "Maternal mortality ratio (modeled estimate, per 100,000 live births)." *The World Bank*. Web. 05 Apr. 2017. <<http://data.worldbank.org/indicator/SH.STA.MMRT>>.

care systems) will be more than 74 years (when this article was written there was no official data available). At the 5th all-Belarusian People Assembly A. Lukashenka said that by 2020 this figure will have been at least 75 years.⁴ The Council of Ministers clarified this position in the state program *People's Health and Demographic Security for 2016–2020*, having focused on 75.3 years.⁵ Given the recent trends (an increase by 4–6 months in 2014–2015), it is easy to imagine that the task will be fulfilled, but even then the lifetime will be significantly lower than in the EU countries. Aging of population will not only reduce revenues from income tax (to partially offset this factor the decision to raise the retirement age was adopted in 2016), but it will create an additional burden for the health care system due to the accumulation of chronic diseases.

A big difference in life expectancy of men and women remains (women live for almost 10 years longer), as well as between urban and rural population (rural inhabitants live 5 years less). It should be noted that in 2015 and 2014, this difference decreased till 4.8 and 4.6 years, respectively, but remained significantly greater than, for example, in ‘the turbulent 90s’ (2.7 years in 1995) or at the beginning of the 2000s (3.9 years). For comparison, in neighboring Poland the difference is about 1 year, in the USA it is about 2 years, and in the UK, villagers live 2 years longer than urban dwellers. The persistent difference in life expectancy in the city and in rural areas eloquently describes the ‘successes’ of the Belarusian state medicine which for 15 years has given priority to the development of medicine in the regions.

In addition to life expectancy, essential meaning in the assessment of the health care system in the country is given to

⁴ «Вступительное слово и доклад Президента на пятом Всебелорусском народном собрании.» *БелТА*. 22 June 2016. Web. 05 Apr. 2017. <<http://www.belta.by/president/view/vstupitelnoe-slovo-i-doklad-prezidenta-vmeste-za-silnuju-i-protsvetajuschuju-belarus-na-pjatom-198664-2016/>>.

⁵ «Правительство “обязало” белорусов жить почти на год дольше.» *Sputnik Belarus*. 23 Feb. 2017. Web. 05 Apr. 2017. <<https://sputnik.by/society/20170223/1027579311/pravitelstvo-obyazalo-belorusov-zhit-pochti-na-god-dolshe.html>>.

healthy life expectancy, i.e. the number of years which a citizen can live in a good health without disabilities. In Belarus the figure is 65.2, which is 5 years less than in the EU (70.3 years).⁶

Funding health care and priorities of medical care

In early 2016, it was stated that despite economic difficulties, expenses on health care would be increased by 5 trillion BYN before the denomination. But in dollar terms the funding did not increase and as in 2015 it was about 200 dollars per citizen annually. Methods of maintaining and increasing the amount of money in the system remained the same: saving the budget and resources, extra-budgetary activities (mainly paid services in public health institutions for Belarusian citizens) and exports of services (rendering them to non-citizens of Belarus).

Contrary to the statements of the officials concerning the fact that “the whole world comes to us for treatment”, paid services to foreigners are still not a mass phenomenon and, accordingly, a minor source of budget funding. Viciebsk doctors, who work with Russians who come for examination, treatment and birth giving, earned only 2 million dollars in 2016, and their Minsk colleagues (together with oncologists and transplantologists, whose treatment in the whole world is expensive) earned 10.5 million dollars.

However, the financing of the sector from non-budgetary sources is constantly growing (in Viciebsk region it increased from 6.3% in 2010 to 15.2% in 2016)⁷, all regions reported about the overfulfillment of the plans. This trend shows a continued departure from free medicine. In conditions of deep-rooted deficit of personnel in state medicine, it is inevitable that paid services will substitute free ones.

⁶ «Беларусь отстаёт от Европы на 5 лет здоровой жизни.» *Naviny.by*. 16 Nov. 2016. Web. 05 Apr. 2017. <<http://naviny.by/article/20161116/1479317176-belarus-otstaet-ot-evropy-na-pyat-let-zdorovoy-zhizni>>.

⁷ «Витебская область в 2016 году. Итоговая коллегия.» *МедВестник.by*. 28 Mar. 2016. Web. 05 Apr. 2017. <<http://www.medvestnik.by/ru/officially/view/vitebskaja-oblast-v-2016-godu-itogovaja-kollegija-16326-2017/>>.

Unlike in previous years, in 2016 there were no openings and launching of significant hospitals and centers covered by state media with the participation of the county's highest leadership. Worth mentioning might be the appearance of two new outpatient clinics in Minsk residential areas and the opening of a new building of the capital's pathoanatomical bureau (which is not the best occasion to invite the Prime Minister).

Last year for the first time the President of Belarus said that state medicine is the most productive system that serves the population in the best way.⁸ Thus, it can be assumed that the state decided on the model for further development of the health care system and that the discussions about the introduction of universal health insurance in Belarus have a purely academic value.

In previous years, much had been said about the need to reduce hospital beds (Belarus is one of the leaders in the world in the number of beds per capita). It was said that up to 80% of health problems should be solved during the prehospital stage, such arguments were mentioned as the international experience (in developed countries, 80% of the funds are spent on the development of primary care medicine) and economic calculations (in Minsk a visit to hospital costs BYN 13.26 on average, and a day of hospitalization — BYN 103.7). But since 2013, the reduction process has gone very slowly, and, as the new Minister of Health Care Mr. Malashka said, “in the development of hospital-replacing technologies in outpatient organizations the number of patients does not increase due to the lack of availability of outpatient services”. As a result, according to the Minister, “the follow-up care mortality is growing; weekends and holidays drop out of rehabilitation activities.”⁹

Also a symptom of imperfect work of primary care in Minsk is the late detection of malignant tumors (so-called ‘oncological neglect’). In 2016, 19.2% of patients were diagnosed with late

⁸ «Итоговая коллегия 2016. Под особым контролем.» *МедВестник.by*. 02 Feb. 2016. Web. 05 Apr. 2017. <<http://www.medvestnik.by/ru/news/view/pod-osobym-kontrolem-16125-2017/>>.

⁹ «Больные в коридорах, и один туалет на отделение. Что не так с минскими больницами.» *Naviny.by*. 21 Feb. 2016. Web. 05 Apr. 2017. <<http://naviny.by/article/20170221/1487655189-bolnye-v-koridorah-i-odin-tualet-na-otdelenie-chto-ne-tak-s-minskimi>>.

i.e. stage 3 and 4 of cancer, and in 2015 this number had been 15.3%. Patient survival for 3 years with stage 4 of cancer is 5.0%, with stage 3 – 50.0%, while from 80.0% to 100.0% percent of patients with stage 1 and 2 survive.¹⁰

2016 saw a slight decrease (2%) in the number of written requests to the Ministry of Health Care, according to the survey of patients of Minsk hospitals only 70% of the respondents estimated their work as positive.

It is significant that at the final board of the Ministry of Health Care among the topical challenges which the industry faced was “the relevance of optimization of the route of a patient, taking into account the features of the national model, where along the low funding the development of primary care with focused specialists, day hospitals, emergency medical service and the high level of hospital care with elements of medical-social care are developed in parallel”. Simply put it means that so far no magic bullet has been found to make “the unique Belarusian model of health care” work effectively without any changes.

Optimization of the functioning of the health care, personnel problem

A reduction in visits to outpatient clinics, better use of IT and the development of the institution of the general practitioner were announced as means to improve the functioning of the system.

According to Deputy Prime Minister Mr. Zharko, in 2016 the number of visits to clinics decreased by 25% due to improvements in administrative procedures. The better use of IT in the industry is a correct technical measure, which, however, requires significant investments, advanced training and can bear fruit only in the presence of trained and motivated staff. An eloquent example of the implementation of informational technologies in medicine is the *Electronic Prescription* system, which was planned to be implemented throughout the country in 2016, but in reality it functioned only in Minsk at the end of the year.

¹⁰ «В Минске растёт онкологическая запущенность.» *Naviny.by*. 18 Feb. 2016. Web. 05 Apr. 2017. <<http://naviny.by/article/20170218/1487413740-v-minske-rastet-onkologicheskaya-zapushchennost>>.

Last year the requirement was made to transfer primary care physicians of outpatient clinics to the work according to the principle of the general practitioner till 2020. In fact, the idea is good (at least because the effectiveness of the work of such broad specialists is 1.3 times higher than that of a primary care physician), but it has no chance to be successful in Belarus. Such ‘universal’ doctors of primary care medicine require specialized and extensive training, as well as adequate compensation for their work (their salary is 2–2.5 times more than the average in the country). Meanwhile, the salary of general practitioners is not more than BYN 600, which is comparable with the wage of a nurse in Minsk.

According to first Deputy Minister of Health Care D. Pinievich, the coefficient of compatibility of domestic physicians is 1.3, and that of advanced practice workers is 1.4. Thus, one can say that the situation with the personnel of the industry does not change (quotient reduction by 0.1 during five years). Once again the promises to solve the personnel problem were given (this time in 2017), now it is planned to do it by means of increasing target enrollment in medical schools (40% of the total number of budget positions). It should be noted that such a solution to the staff problem has been promised for at least three times over the last 5 years.

Meanwhile, the salary in the medical sector in 2016 returned to the level of the salary a decade ago with no prospects of significant growth due to a deep-rooted lack of funds. Newly appointed leadership in the sector recognizes that salaries in the system are 18% less than in sectors in the economy, but they do not articulate any plans to increase employee motivation.

Public pressure on the health care system

Due to the growing influence of social media last year, there were some significant cases of actualization of socially important problems in the field of health care.

In October 2016 the online magazine *Names* published an article about the absence of special nutrition and rehabilitation in a specialized boarding school for children, which re-

sulted in a clear underweight of patients with hypotrophy on the background of neurological disease.¹¹ The reason for the publication was the post of a pediatrician from that special boarding school on a social network about a charity football match, with the help of which it was planned to raise money to buy special enteral nutrition. As a result, the publication received a great response, the first half of the required sum was collected during one day, similar institutions across the country were inspected and the special nutrition started to be bought from state funds. The achieved changes as well as the fact that doctors who showed their civic stand and went against the authorities, could keep their jobs (due to public pressure) create a precedent for the successful struggle of doctors for patients' rights.

Also last year there was a headline-making round table on the problems of diabetes in Belarus, where patients shared the difficulties they face in everyday life.¹² According to the results of the round table discussion, which was covered by all key independent electronic media, it became clear that there is a violation of the principle of fairness in the provision of medical care to these patients (which leads to many violations of their rights), also a substantial lagging behind of the domestic endocrinology in the treatment of this internationally significant pathology was identified.

A less resonant, but not less important event was a series of articles in the media about the problems of children with phenylketonuria, where the violation of the principle of equity in providing medical care and implementation of social policy for this category of patients was also found.

Thus precedents for the articulation of interests of dissatisfied patients were created, which promotes the restoration of a disturbed feedback in the health care system.

¹¹ «В 27 лет Артём весит как трёхлетний ребёнок. Почему полсотни сирот в минском интернате не могут набрать вес?» *Имена*. Web. 05 Apr. 2017. <<http://imenamag.by/ne-mogut-nabrat-ves/>>.

¹² «Недоступные помпы и белорусско-китайский инсулин. Больные диабетом рассказали о своих проблемах.» *TUT.by*. 19 Nov. 2016. Web. 05 Apr. 2017. <<https://news.tut.by/society/520169.html>>.

Conclusion

In 2016, the leadership of the industry was concerned about performing the most important task which the entire governmental system of Belarus faced, i.e. how to develop without changing anything. However, it is clear that this paradigm is not compatible with the construction of health care according to modern standards adopted in our part of the world. But if there is relative macroeconomic stability, this tendency will continue in 2017.

SOCIAL PARASITES AND DOWNSHIFTERS: COUNTERINTUITIVE CULTURE

Maxim Zhbankov

Summary

In 2016, Belarusian culture confirmed its secondary status (0.52% of the annual state budget¹) for the authorities, and fell hostage to economic circumstance. The two prevailing trends in society – growing alienation from the neighbour to the East and a continued drop in the standard of living – have knocked the cultural process off the agenda. Apolitical, prestigious leisure culture and the decorative, militant underground both proved to be equally insignificant and scarcely capable of influencing the situation. The fact that 2016 was officially named a “Year of Culture” changed nothing in that respect, and simply confirmed the total paralysis of state cultural policy.

Owing to the lack of any real prospects for altering the cultural matrix, tactics for “mild collaboration” with the regime, cautious legalisation and meaningful artistic activity within legal limits are now being applied. This widens the range of potential consumers and is paving the way for the formation of a national mainstream. However, due to the political stagnation and reduced support from abroad, such new “middlebrow” culture has a strong chance of lapsing into mediocrity and conformity.

Trends:

- A new phase of “soft Belarusification”: from active, mass-produced, peasant bumpkinism to room-temperature-nationalist products;
- Field “partisanning” as an accepted form of artistic presence: operating according to other people’s rules and clichés;
- Decentralisation of the cultural process; a deliberate cleansing from the aura of the capital.

Dropping standards: parti-zans and social parasites

Although 2015 saw a range of clashes between state bodies and non-format cultural activists (from the banning of concerts to the court case against *Logvinov* publishers), 2016 went by in relative peace and serenity. For some reason, it suddenly

¹ «Закон “О республиканском бюджете на 2016 год”.» *Национальный правовой Интернет-портал Республики Беларусь*. 01 Jan. 2016. Web. 04 Apr. 2017. <http://www.minfin.gov.by/upload/bp/act/zakon_301215_341z.pdf>.

became possible to talk to the authorities about a concert tour by militant brigade *Brutto*. Following the murals painted on factory walls in Minsk's Oktyabrskaya Street, foreign artists produced several large-scale pieces of street art in various districts of the capital.

McDonalds hopped onto the Belarusification bandwagon with Belarusian-language advertising. “Blacklisted” Lavon Volski and Zmicier Vajciuškevič played everywhere from Minsk underpasses to private venues. The Belarusian National Youth Union organised “Embroidery Day” and presented its new range of embroidery-print T-shirts. Even the commander-in-chief himself made a public appearance in an exclusive cornflower-patterned, embroidery-print T-shirt, while the national football team re-branded itself as “The Team Under White Wings”. However, two things prevent us from perceiving this as a sign of the long-overdue “liberalisation”: 1) the state power pyramid continues to have the last word on the fate of any cultural initiatives, and 2) the cultural products it does permit tend to be devoid of meaning.

Signed by the president on July 25, 2016, the “Belarusian Cultural Code”² was declared “unique” and “the first in the world”. Nevertheless, it was still a compilation of older state solutions which treat culture as a branch of the national economy, subject to stringent registration and supervision. Consequently, special expert commissions were set up at the ministry of culture to assess whether a given cultural activist could be deemed an “artistic worker”. Over the year, certificates were issued to 26 artists (out of 47 applications), thus exempting them from the “social parasitism” tax (as per Decree No. 3 of April 2, 2015 “on the prevention of social parasitism”). Nevertheless, Roman Zhigaryov, leader of the popular band *Akute*, was unable to convince the experts of his cultural worth.³

Having proclaimed 2016 the “Year of Culture”, state cultural managers only managed to offer the nation another bunch of

² “Кодэкс Рэспублікі Беларусь аб культуры.” *Etalonline.by*. Web. 04 Apr. 2017. <http://etalonline.by/?type=text®num=Hk1600413#load_text_none_1_>.

³ “Раман Жыгараў з *Akute* не стаў творчым работнікам.” *Euroradio.fm*. 24 Jun. 2016. Web. 04 Apr. 2017. <<http://euroradio.fm/raman-zhygarau-z-akute-ne-stau-tvorchym-rabotnikam>>.

over-hyped “events” – concerts, competitions and ceremonial meetings. According to *BelTA*,⁴ the year’s most noteworthy national cultural achievements included an animated film scripted by *BelTeleRadiokompaniya* head Gennadiy Davydko, discussions on producing a series about the [Belarusian] Soviet diplomat Andrey Gromyko, and ... organising concert tours to Moscow.

The crisis of protest culture cleared some room at the top of the mass-appeal charts for a new standard of works that are critical, but not harshly so. Soft Belarusification has shifted into a new phase: from active, mass-produced peasant bumpkinism to room-temperature-nationalist products. The toytown folk music of *Naviband*, cardboard indie-cinema of Andrey Kureychik’s *Parti-Zan Film*, pulp fiction verging on Japanese manga and *Gone With The Wind* of Viktor Martinovich’s *Vozera radasci* (“*Lake of Dreams*”), and collective seances of *Mova Nanova* all fit organically into the general matrix of a quiet life within permitted limits.

The clear opponent here was the wrong kind of television: the head of *Mova Nanova*, Hleb Labadzienka, raised a major scandal when he discovered a local petrol station showing a Russian TV channel, for which he officially reported them to the authorities. The bravest on-screen exposé was the story of the mercenary small-factory boss in Sergey Krasovskiy’s film *Dushi myortvyje* (“*Souls are Dead*”), winner of the Bulbamovie 2016 festival. *Naviband*’s gentle acoustic ditties provided the best soundscape. Andrey Kureychik had us believe that all Belarusian filmmakers share the same dream – to get rich quick. The best literary heroine was Viktor Martinovich’s melancholic *little girl blue*, forever a hostage of other people’s plans. Essentially, with their cautious flight under the radar, these “new quiet ones” were merely aping and multiplying the stagnant parochialism.

There is a new generation of trendsetters, which includes a variety of personae such as *Naviband*, Viktor Martinovich, Andrey Kureychik, Hleb Labadzienka, Pavel Belous (head of *Art-Siadziba*), Mila Kotka (curator of the Belarusian/Brazilian festival *Vulica Brasil*) and a new cultural hero, the pensive downshifter Andrus’

⁴ «Топ-10 инициатив Года культуры.» *БелТА*. 25 Dec. 2016. Web. 04 Apr. 2017. <<http://www.belta.by/culture/view/top-10-initsiativ-goda-kultury-225414-2016/>>.

Horvat. They are united in their common status as independent, post-protest activists attempting to transform the system virally by slightly redesigning the parochial mental landscape.

To expand on Andrey Kureychik's term *Parti-Zan Film*, such practices could be described as "partisanning" – tactical alliances aimed at unclogging the cultural process from inside the stagnating system. A forced rapprochement which will bring no decisive advantage to either side.

Partisanning's real resource is its new heroes: weak authorities and weak alternatives. The former would like to change themselves, without changing much. The latter are ready to induce change, yet change little. The new cultural situation has basically devaluated the political confrontation and removed changing the matrix from the agenda, along with any notion of winning the ideological conflict.

The lives of others: mixes and deviations

The situation of prolonged cultural stagnation is turning both sides of the former ideological confrontation into one single crowd of extras in a global show. Periodically, this has led to strange alliances that combine the uncombinable. Furious pop-partisan and regime-critic Sergey Mikhalok officially applied to the local authorities for permission to perform in Belarus. Alternative musician and radio presenter Aleksandr Pomidorov began working for the Belarusian branch of the pro-Putin Russian radio station Sputnik Belarus. Sasha Romanova's (auto)biographical non-fiction *Martsev* depicted a hero of 1990s' independent culture – the late businessman and publisher Pyotr Martsev – as a naive political strategist trying to collaborate either with the authoritarian regime or the neighbour to the East.

A show to mark the 20th anniversary of *Narodny Albom* ("The National Album") at the Podlasie Opera in Białystok transformed this collection of lyrical, dramatic songs into a rollicking costumed cabaret, which was how the Polish hosts interpreted the material.⁵ The ostensibly independent cinema project *Parti-Zan*

⁵ Жбанков, Максим. «Юзик-опера. "Народны альбом" в Беластоке.» *Наше мнение*. 09 Sep. 2016. Web. 04 Apr. 2017. <<http://nmbny.eu/news/analytics/6148.html>>.

Film demonstrated the entire spectrum of banal official “national” culture: an ecstasy of decorative peasanthood, BNYU fervour, dances in embroidered clothing, aggressive product placement of *Siabry* vodka, and a military obsession with showy battle reconstructions at the “Stalin Line”.

Throughout the year, soft Belarusification morphed into permanent stagnation, leading to a revival of older formats of cultural dissidence – from last year’s emerging trend for “partisan rock” (*Brutto*, Lavon Volski, *Dzieciuki*) to intelligent conversational gatherings (Svetlana Alexievich’s intellectual club) and direct incursions into other people’s works (modifying pro-state street art). When a cheeky anonymous artist added barbed wire to an officially approved street-art mural about Russian-Belarusian friendship, it was a definite sign of the times: if you can’t get rid of it – alter the message; get your opponent to work for you; hijack their work.⁶

The language of metaphor and allusion was on show once again. Sergey Prilutskiy, a Belarusian expat in Kyiv, published the book *Patryjatyzm dla chajnikau* (“*Patriotism for Dummies*”), (supposed) translations of a (supposed) North Korean author, Kim Joon-ho. The best song on Lavon Volski’s new album *Psykhasamatyka* (“*Psychosomatics*”) was the dismal *Zhorny* (“*Millstones*”): “*The millstones turn; peace and tranquillity. Grinding grain into flour*”. *Zui*, a family indie-pop project by Minsk theatre actors, recorded a track with the ironic chorus: “*We’re dancing for the KayGeeBee*”.

The lack of any real stimuli to upgrade the cultural hierarchy has encouraged an expansion of grass-roots creativity. Continuing to play with street post-chanson, Sergey Pukst recorded an album *Nenuzhnaya pravda o belarusakh* (“*The Useless Truth About Belarusians*”) under the new name *True Litwin Beat* – a salvo of plastic songs with wickedly relevant lyrics. Radical artist Ruslan Vashkevich provided a showy end to the “Year of Culture” saga by inviting Minsk audiences to an outdoor art banquet at a Minsk city rubbish dump.⁷

⁶ “На графіці з “маскоўскай дзяўчынкай” дамалявалі калючы дрот.” *Радыё Свабода*. 24 Sep. 2016. Web. 04 Apr. 2017. <<http://www.svaboda.org/a/damalavali-grafici/28071486.html>>.

⁷ Бубич, Ольга. «Выживут только шуты. Куда уходит наш “год культуры”.» *Белорусский журнал*. 30 Dec. 2016. Web. 04 Apr. 2017. <<http://www.beljournal.com/ru/2016/12/30/101111>>.

Writer and blogger Uladzimir Sadouski published the first Belarusian-language zombie horror novel *1813*, which tells of Michał Kleofas Ogiński doing battle with undead Napoleonic soldiers. His book was published thanks to crowdfunding, which gained ground in 2016 – internal funding also resulted in cultural projects such as Volski’s latest album, Horvat’s debut book, a compilation of rock covers by *Stary Olsa*, and the aforementioned *Martsev*.

A combination of industrial wastelands and cutting-edge activists led to a real boom in creative spaces: in Minsk alone, the now-familiar *Tsekh* and *Imaguru* were joined by *Korpus*, *Verkh*, *XYZ Canteen* and other, smaller projects. Natural outcomes of this newly created environment were infighting, conflicting interests and struggles for influence which, perhaps for the first time since independence, could be seen as nascent competition in the cultural environment (unprecedented in the official or alternative cultural fields).

Alongside the state film festival *Listapad*, the Belarusian-Polish *Bulbamovie*, and the radical *Cinema Perpetuum Mobile*, 2016 also saw the debuts of *KinoSmena* and the *Totoshka* Film Festival, a personal project of filmmaker Ivan Maslyukov, based in Minsk with a series of festival screenings in the regions.

Another element of this new topography was a range of distinct cultural “escapes”: an art zone in Kaptaruny on the Belarusian–Lithuanian border; Alhierd Bakharevich’s literary notes *Bezavy i chorny. Paryzh praz akulary belaruskaj litaratury* (“*Lilac and black. Paris through the lens of Belarusian literature*”); Andrey Kudinenko’s outdoor collective film project *Khronotop* (“*Chronotope*”); a series of regional art projects by Ruslan Vashkevich; and Andrus’ Horvat’s online postings. Effectively, the cultural process is being decentralised and deliberately cleansed from the aura of Minsk. The spontaneous experiments of Kudinenko’s team, Bakharevich’s poetic analyses, Vashkevich’s art events and Horvat’s subtle, self-absorbed lyricism have one main feature in common – they offer a chance to get off the beaten track for a taste of non-ceremonial, non-textbook national identity.

Conclusion

The dynamics of the cultural situation in 2016 were entirely in line with trends we have indicated in previous reviews.

The state continues to view culture as subject to control and management, preferring to invest not in creative innovation, but in yet more piles of instructions and circulars. An acute drop in the nation's standard of living and income, together with overall ideological and stylistic confusion, plus an outflow of the most prolific figures from the state sector all indicate a clash between subsidised cultural output and what hypothetical consumers actually require, proving that the current cultural policy is not up to the job. The servile cultural order is increasingly irrelevant, but the same thing is also happening to alternative culture as it adopts increasingly lowbrow mass-entertainment tactics.

Collages and remixes are becoming a natural form of artistic expression in the vacant, stagnating environment – attempts at partisan incursions into the state-endorsed cultural field. They are transforming the previous “war of cultures” into a global show with a diluted ideological message that relies on one-off emotional effects.

Freedom and language are no longer the top new themes. The true confrontation is emerging not between state-subsidised and protest cultures, but between two versions of national identity – the cartoonish, embroidered one (which tacitly legitimises the socio-political status quo) and the problematic, nonconformist one (which is breaking new ground).

The cautious beginnings of competition and self-funding are making non-state creative culture brighter and more dynamic. The former underground is gradually becoming a marketable product; a fact which, in the Belarusian situation, is depriving it of integrity and intelligence.

An accumulation of symbolic post-political cultural capital is underway, which inevitably implies a focus on lowbrow dialects and strategies, as well as an active cluttering of the cultural environment, where global mythologies are being exchanged for localised effects and the chaotic rise of new creative communities.

SPORTS: THE WORST OLYMPIC YEAR EVER

Borys Tasman

Summary

The performance of the Belarusian national team at the 2016 Olympics in Rio de Janeiro was the litmus test to determine the efficiency of the entire sports industry in Belarus: negative trends that had accumulated for years turned into the worst performance of the national team in the history of the sovereign country. Doping problems reduced the size of the Belarusian Olympic delegation to a record low and weakened it. In addition, seven awards of the 2008 and the 2012 Olympics were annulled.

Sloppy work with the reserve led to the fact that the national Olympic team was a record 'old' one. Criminalization hidden in the depths of the industry manifested in litigations on a national scale.

Trends:

- Reduction in competencies of sports senior and middle managers and as a result, multiple management failures;
- 'Aging' of the national team, very feeble work with the reserve;
- Degradation of all kinds of sports that used to be leading;
- Corruption at all levels.

Olympic retreat

At the main sports event held every four years – the Olympics in Rio de Janeiro – the Belarusian team won 9 medals: 1 gold, 4 silver and 4 bronze. In the medal count Belarus took the 40th position (Table 1). It was the lowest result of the Belarusian Olympic team at the summer Games. The number of medals is the worst in the history of sovereign Belarus (see Table 2).

Almost three months later, the President of Belarus and of the National Olympic Committee, Alexander Lukashenko, gave quite a harsh assessment of the performance of the Belarusian team: "We all saw how our athletes performed during the Olympic Games in Rio. I see that our sport functionaries keep talking happily about it. They are satisfied... Well, they may be satisfied but you and I are not and neither is the nation?"¹

¹ "Belarus president urges to improve personnel situation in social services." *BelTA*. 11 Oct. 2016. Web. 28 Feb. 2017. <<http://eng.belta.by/president/>>

Table 1. Medal count of the 31st Olympic Games

Place*	Country	Gold medal	Silver medal	Bronze medal	Total
1 (1)	USA	46	37	38	121
2 (4)	UK	27	23	17	67
3 (2)	China	26	18	26	70
4 (3)	Russia	19	18	19	56
5 (5)	Germany	17	10	15	42
...					
21 (47)	Uzbekistan	4	2	7	13
22 (18)	Kazakhstan	3	5	9	17
...					
31 (12)	Ukraine	2	5	4	11
...					
38 (32)	Georgia	2	1	4	7
39 (25)	Azerbaijan	1	7	10	18
40 (22)	Belarus	1	4	4	9

* Medal count is ranked by the priority of gold medals. In brackets the places of the Olympic teams at the 2012 Olympics are indicated.

Table 2. Medals of Belarus at the Summer Olympics

Year	Gold medal	Silver medal	Bronze medal	Total
1996	1	6	8	15
2000	3	3	11	17
2004	2	5	6	13
2008	3	4	7	14
2012	2	5	3	10
2016	1	4	4	9

From the point of view of the Belarusian leadership, to lose to the representatives of the United States, China and Europe is not so shameful as to be behind some of the countries of the former USSR. Previously only the Russians and the Ukrainians were ahead of the Belarusians. In London in 2012, Kazakhstan joined them. Now the picture is quite different: the Belarusian national team was bypassed by Uzbekistan, Georgia and Azerbaijan. In this conventional competition Belarus took the distant seventh place.

It is known that its 18 awards Azerbaijan won largely due to the active naturalization of athletes from other countries. How-

ever, one cannot ignore a serious progress of Uzbeks (13 medals) and Kazakhs (17 medals), who don't try to be masters of all Olympic trades but focus on martial arts: boxing, freestyle wrestling and Greco-Roman wrestling, judo. The results are amazing. In the ring, for example, boxers from Uzbekistan surpassed Cubans and became world leaders.

Factors of decline

In Brazil, the Belarusian Olympic team was the smallest in the entire sovereign history of the country: 124 athletes. Even if to add seven kayakers and canoeists, who were arbitrarily removed from the Olympics by the decision of the ICF, there would remain 131 people whereas in London in 2012 there were 168 athletes and in Beijing in 2008 – 181 representative of Belarus. Before Rio, Belarus had the smallest teams in 1996 (144 people) and in 2000 (134 people). Thus, during eight years the country lost fifty Olympians, which cannot be accidental. Let us highlight the main reasons for this decline.

1. Stricter doping controls. As a result, the following athletes were disqualified or removed: the hammer throwers Oksana Menkova and Pavel Kryvicki, runners Natalia Koreivo and Anis Ananenko, long jumper Nastassia Mironchyk-Ivanova, shot-putters Nadzeya Ostapchuk, Pavel Lyzhyn, Andrei Mikhnevich and Natalia Mikhnevich, walker Anna Drabenia, weight-lifter Maryna Shkermankova, etc. All of them are participants of Olympic Games and world championships, top-ranking athletes. In total around two dozen Olympians were out. But the doping control stopped also less famous athletes who failed to adjust to new methods of preparation.

Since 2004, the IOC has stored doping samples of medalists of the Olympics for eight years so that at the end of this period to recheck them with new anti-doping technologies. More than a thousand samples of the 2008 Beijing Olympics and the 2012 London Olympics were re-analyzed on sixteen kinds of sports taken from the representatives of 89 countries. More than a hundred tests proved to be positive for doping. According to the results of rechecking Belarus lost 5 medals of the 2008 Beijing

Olympics (1 gold, 2 silver, 2 bronze), and 2 bronze medals of the 2012 London Olympics².

2. Weak reserves. A classic example is gymnastics: Belarusians made it to the Olympic podiums from 1960 to 1996. In Rio, Belarus was represented by American Kylie Dixon and former Russian Andrei Likhovitsky. A similar pattern is observed in fencing: Belarusian ‘Musketeers’ dominated the Games from 1960 to 1988. In Brazil only Alexander Bujkevich fenced. Free-style wrestling is completely dominated by wrestlers from the North Caucasus now: in Rio there were Asadulla Lachinov, Omargadzhi Magomedov and Ibragim Saidov who, by the way, won the bronze medal.

In many types of sports due to the lack of decent reservists and true competition the gaps were filled by veterans. In the end, in Rio the Olympic team of Belarus was the oldest, where 41 athletes out of 124 (one third of the whole) were 30 years old and even older, 13 people were over 35 years old. New names were also pronounced: the only Olympic champion trampolinist Ulad Hancharou (20 years), silver medalist wrestler Maryia Mamashuk (23) and the lifter Darya Naumova (21). But these names are very few.

The negative trend, according to which there is a decrease in the number of Olympians and Olympic prizes (124 participants and 9 awards is an anti-record in the history of independent Belarus) will persist unless the reserve training is improved.

3. Management failures became evident in personnel policy, in the use of financial flows and organization of pre-Olympic training. In particular, nine months prior to the Games the management of athletics formed an “A” group (20 athletes) which received priority funding, and a “B” group (31 people), consisting mainly of athletes of promise in sports. 13 people were selected for Rio from the “A” group and only 11 athletes from the “B” group. A dozen athletes, who had complied with the Olympic standards, were not included either in A or B groups. The only gold medal was won by 40-year-old Ivan Tsikhan, who

² «Пробы – плюс, медали – минус. Беларусь лишают наград ОИ за допинг» *Naviny.by*. 27 Oct. 2016. Web. 28 Feb. 2017. <<http://naviny.by/article/20161027/1477576909-proby-plyus-medali-minus-belarus-lishayut-nagrad-oi-za-doping>>.

had trained outside the national team. A similar situation is in the swimming team, where a bright exception is a 30-year-old Aliaksandra Herasimenia (a bronze medal).

4. Force majeure. On 16 July, the NOC of Belarus received from the International Federation of Rowing and Canoeing of the ICF a notice of disqualification of the Belarusian men's team for a period of one year for multiple violations of the anti-doping code.³ Two days later, the court of arbitration for sport (CAS) received the claim of the Belarusian National Olympic Committee, which appealed the decision of the ICF. But the arbitration court was overwhelmed by the cases of the Russians, and the quartet of Olympic champions Raman Petrushenka and Vadim Makhnev (winners of three Olympic Games), Alexander Bogdanovich and Andrei Bogdanovich (winners of two Olympics) – plus the world champions and European champions Arciom Kozyr, Aleh Urenia and Vitaly Belko were suspended from the participation in the Olympics. The NOC claim was considered only on 7 November 2016, and athletes were acquitted 77 days later – on 23 January 2017.

This story is evidence of the corruption processes in the ICF. Belarusian licenses in five programs were distributed in favor of athletes from Germany, Spain, Italy and Brazil. More than ten years the Belarusian rowing squadron was among the best in the world and none of the rowers was caught using illegal drugs. The decision on disqualification of the men's star team was baseless, and probably fabricated by competitors.

Metastases of criminality

In 2016, the center of the criminalization of the Belarusian sports moved to football. The director of the Department of Refereeing and Inspection of the Belarusian Football Federation (BFF), 52-year old Andrey Zhukov was accused of taking bribes six times over the appointment of referees to officiate the matches of the national championship. The total amount

³ For details see: «*Le Monde*: В 17 пробах белорусских гребцов обнаружен мельдоний. Минспорта опровергает.» *TUT.by*. 26 May 2016. Web. 28 Feb. 2017. <<https://sport.tut.by/news/canoeing/498055.html>>.

of bribes is small, USD 650. It could be assumed that this is just the tip of the iceberg. The court of the central district of Minsk sentenced Alexander Zhukov to 5 years of imprisonment in a colony with a reinforced regimen and confiscation of property. BFF declared Zhukov *persona non grata* for life.

The corrupt referees Andrei Saroka, Andrei Divakov, Oleg Murashkevich and Vadim Panchenko were exonerated because they voluntarily admitted the offence. The head coach of *Smarhon* club playing in Belarus' A-league, ex-forward of the Belarusian football team Nikolay Ryndziuk was on trial. Security forces detained him immediately after the bribery of Zhukov in the amount of EUR 100.

The Head Department for Fighting against Organized Crime and Corruption revealed the facts of contractual matches of the football championship of Belarus with the participation of clubs of the Premier and A leagues. There were 20 defendants in the case. The organizers of these games are former athletes, Belarusian criminal authorities who had ties with Ukrainian customers. They received money from customers, made bets at bookmakers and bribed players and coaches. Rates on matches of the Premier league are USD 10–18 thousand, those of the A-league are USD 1–4 thousand. The Disciplinary Committee of the BFF imposed disciplinary sanctions on the clubs involved in contractual matches: *Islach* team (the Premier league) will begin the championship of Belarus–2017 with a result of minus 7 points, the Minsk team *Luch* (A-league) has minus 10 points, *Ašmiany* team (B-league) – minus 5 points.

The ex-director general of the basketball club *Cmoki-Minsk* Konstantin Sherewerja was sentenced to 5.5 years of imprisonment with confiscation of property for stealing money. He must pay back about USD 180 thousand in favor of the club.

The ex-director general of the hockey club *Dynamo-Minsk* Maxim Subbotkin was sentenced to 5 years of imprisonment in a colony with a reinforced regimen with confiscation of property, although he had reimbursed the material damage to the club. A former general manager of the club, and formerly well-known journalist and editor, Vladimir Berezhev was released after paying damages and an eight-month stay in prison.

Conclusion

The negative trends in the sports sector have accumulated over many years, but earlier it was possible to hide them due to professionals, raised by the Soviet sports school, and due to importing foreign players from Russia and Ukraine. Currently those who were born in the USSR are 40-year old athletes, and the ‘neighbors’ began to treat their human resources more assiduously. And yet, out of nine Olympic medals two belong to wrestlers, who arrived in Belarus from the North Caucasus.

The reserve group in most kinds of sports is aimed at getting immediate results instead of achieving results in the elite sports. The local successes of juniors are presented as national triumphs; they are honored at the highest level. Typically such athletes get lost on the way to the top-class sports.

Funding of the national teams is redundant, and their number is excessive — more than forty-five. As a result the received budgetary funds, including foreign currency, get scattered over all the different teams.

Criminalization of team sports indirectly affects the performance of the national teams. The national Belarusian soccer team failed to qualify for the 2018 World Cup and its coach Aleksander Khatskevich was dismissed. The hockey team barely kept its place in the elite division of the world championship and lost the pre-Olympic qualifying tournament in Minsk to the team of Slovenia.

Any change in the situation described would require redefining the concept of how to develop the sports sector, shifting investment and personnel flows to the reserve, upgrading the material base and ensuring effective doping-control, not only for athletes but also for the staff.

PUBLIC OPINION: A GROWING FEELING OF INSTABILITY

Oleg Manaev

Summary

The feeling of instability in Belarus grew stronger in 2016. This concerns millions of people and almost all areas of public life: the economy, social structure, domestic and foreign policy. In public opinion, the most important political actions of both the government and the opposition, including the All-Belarusian People's Assembly and the National Congress, as well as the parliamentary elections, still have not become a mechanism capable of alleviating the feeling of instability. Perhaps, that is why the main strategy of the government was not so much to adjust its policy, as to manipulate public opinion. It was mainly done by fighting those who express public opinion. This fight involved not only the usual actors – the government and the opposition – but also civil society, which also turned out to be split.

Trends:

- The economic well-being remains unstable;
- The attitude to the government becomes more critical;
- The hunger for change is growing;
- The geopolitical orientation is still labile; signs of isolationism are becoming more evident;
- The struggle for public opinion is getting fierce.

Instability as the main characteristic of economic well-being

As we have written in *Belarusian Yearbook 2016*¹, after the crisis of 2011, the real disposable household incomes in Belarus grew quite rapidly: a 17.2% increase was reported in 2013 alone. However, the year 2014 was the beginning of the 'lean years' characterized by a virtually zero increase in incomes. In 2015, real incomes shrank by 5.4% and real wages by 3.8% (7.3% and 4.0%, respectively, in 2016). The zero growth of incomes in 2014 did not strongly influence the Belarusians' opinion on their fi-

¹ Drakohrust, Yuri. "Public Opinion: Back to Reality." *Belarusian Yearbook 2016*. Vilnius: Lohvinaū: 204. Print.

nancial standing and their expectations. The fall in 2015–2016 had a much bigger impact.²

According to an opinion survey conducted by the Independent Institute of Socio-Economic and Political Studies (IISEPS), in June 2016, only 7.6% of respondents said their well-being improved, 44.2% said it did not change, and 46.1% said it got worse (10.1%, 63.3% and 25.2%, respectively, in March 2014). The average income (including wages, pensions, allowances and other earnings) per family member in the month previous to the survey stood at USD 170 in equivalent (USD 240 in June 2015).

Over 80.0% of respondents believed that the Belarusian economy was in a state of crisis (54.6% in March 2014). Only 27.8% said the crisis was caused by external factors, and 45.7% said domestic causes should have been looked at. Among the most acute problems that the country and its citizens were facing, 73.2% pointed at price hikes, almost 55.0% said it was unemployment, over 52% spoke about impoverishment and 47.6% blamed a production decline. According to the majority of respondents, the standards of living in all neighboring countries except warring Ukraine were higher than in Belarus.

When asked about the presidential decree on the rise in the pension age, only 19.0% of respondents agreed that it should have been done “to increase pensions”; 70.5% believed that that it should not have been done “because many will simply not reach the age.” 15.1% agreed with Alexander Lukashenko, when he said that “the firm majority of our population approves the increase in the pension age” and almost 59.0% did not. Only one third of respondents agreed with the president when he said that “in the present disturbing situation Belarus is rightfully considered a place of stability”, while 53.4% said that “our stability is more like stagnation, and the country is no longer developing.”

It is not surprising that the opinion of the Belarusians about the recent developments in the country is rapidly turning negative: in March 2014, 40.2% of respondents said the country was

² Here and elsewhere according to quarterly surveys by the Independent Institute of Socio-Economic and Political Studies; see <www.iiseps.org>.

going “in the right direction” and 46.2% said the direction was wrong. In June 2016, these figures were at 29.1% and 57.0%, respectively. Belarusians also displayed less optimism: around 20.0% expected that the socioeconomic situation in Belarus would improve in the coming years, and 36.3% said it would not (24.0% and 26.1% in March 2014).

Attitude to the government becomes more critical

In 2016, the number of those who did not trust the main state institutions exceeded the number of those who did. As in 2011, most Belarusians blamed the president for the current economic recession: in June, 42.3% blamed Lukashenko, 35.6% blamed the government, and 12.8% rebuked the parliament. Only a *quarter* of respondents believed that “Lukashenko will succeed in combating corruption by means of a thorough purge among top-ranking officials and harsher penalties for such crimes.” The same number of respondents said “it is unlikely that he will be able to achieve significant success, because corruption in Belarus is ineradicable”, and over 45% said “he depends on corrupt officials himself” or even “he is interested in corruption one way or another.”

Dissatisfaction with actions of the Belarusian authorities concerns not only the social and economic sector. On the eve of the 30th anniversary of the Chernobyl accident, only 18.9% of respondents were completely satisfied with how the Belarusian government was handling problems associated with the mitigation of consequences of the accident, and over 70% were partially or not satisfied. Quite often, dissatisfaction and the feeling of social injustice turn into resentment: almost a quarter of those questioned said that over the past three years, government officials offended them at least once. Only 22.5% said that “the police fulfilled their duties well to protect public order, rights and legitimate interests of citizens”; 47.7% said they did it “satisfactory”, and 24.1% said they coped “badly.”

In particular, answering the question “Have you (or your acquaintances) ever suffered from unlawful actions of the police?” 16.4% of respondents said the police acted unprofessionally; 12.2% complained about ungrounded detentions, 10.6% about unwillingness to respond to complaints and/or refusal to

accept statements, and 5.9% about uncalled for or excessive use of force. In the opinion of 34.0% of respondents, “it is almost impossible to achieve just court rulings in the current Belarusian judicial system.”

The Belarusians are increasingly critical of the changes in the social structure of society that occur under the influence of state policy, when the role of government officials is constantly increasing, and the role of the cultural and academic elite and common people is declining. Ten years ago, 37.0% believed that Alexander Lukashenko primarily relies on the presidential vertical, while in June 2016, there were 54.4%. 20.5% said the president listens to government officials (32.1% a decade back), 8.3% said he hears the cultural and academic elite (4.4%), 41.4% pointed at pensioners (21.8%), 30.2% at rural communities (11.5%), and 34.2% at ordinary people (8.2%).

As concerns the state, 29.5% of respondents said, “This is my country, and it protects my interests”; 47.1% said, “This is my country only in part, and it does not sufficiently protect interests of people like me”; 15.2% said, “This is not my country, it does not protect my interests, and I do not trust its leadership.” Since September 2009, the number of those who agree with the statement “Belarus benefits from Alexander Lukashenko having virtually all the powers in the country” fell from 44.4% to 31.3%, and the number of those who believe that “the country does not benefit from that whatsoever” increased from 36.0% to 55.5%.

In 2006, President Lukashenko’s electoral rating stood at 55.6%. It dropped almost by half to 28.4% in the first six months of 2016. The ‘Father of the Nation’ (‘Batska’ in Belarusian), as ordinary people used to call him, the ‘Belarusian Robin Hood’ as many experts called him in the 1990s, ‘the people’s president’ as he still loves to call himself has turned into the leader of the state bureaucracy in the eyes of millions of Belarusians. As a result, according to an opinion poll taken at the same time by SATIO, almost *two-thirds* of respondents believe that their personal choice or behavior do not mean anything in Belarus, because “everything is decided by the country’s leadership” here.³

³ «“Всё решает государство”. Белорусы проявляют фатализм и апатию.» *Naviny.by*. 26 Feb. 2017. Web. 06 Mar. 2017. <<http://naviny>>

The hunger for change is growing

Ten years ago, 53.4% of respondents did not want the situation to change in any way, and 37.8% considered it important to change it. In June 2016, 25.2% wanted it all unchanged and 65.5% disagreed with that. A majority of Belarusians considered elections and referenda as the most realistic and desirable variant of changing the situation, although their attractiveness is gradually decreasing (50.1% and 29.4%, respectively in 2014, and 44.1% and 26.2%, respectively, in 2016). More and more people would choose street protest actions again (8.0% and 14.7%, respectively).

The growing disappointment at the actions of both the government and the opposition is manifested in the assessment of the most important political events of the first half of 2016: the All-Belarusian People's Assembly in June and the Congress of the Democratic Forces (National Congress) in May. Only 28.0% of the respondents believed that the All-Belarusian People's Assembly "is the highest form of grass-roots democracy", and almost a half said that "it is just a show that the government stages for the public." Only 28.2% agreed that the Congresses of the Democratic Forces "is the highest form of expression of disagreement with the government policy", and almost 45.0% said "it is a flaunty performance."

In general, the protest sentiment remains weak. In 2016, the average rating of opposition political parties was at 15.3%, and the ratings of the most prominent opposition leaders remained incommensurable with that of the president. If a presidential election was called in June 2016, Tatiana Karatkevich would poll 5.1%, Mikalai Statkevich 4.5%, Uladzimir Niakliaeu and Alexander Milinkevich 3.1% each, and the others would have a number of votes below the sampling error.

Unfortunately, opinion survey data on the parliamentary elections of September 11, 2016 from independent sources are unavailable. Considering the previous pre- and post-election surveys by the IISEPS, we can assume that public opinion on the elections was pretty much the same as before.

The expected turnout was likely to be at least 60.0% (two thirds of voters cast their votes in the 2008 and 2012 elections). An independent candidate would probably poll fewer votes than Lukashenko's supporter, but more than his opponent.

A majority of voters considered the elections free and fair, but at least two million disagreed with that. Although two representatives of democratic forces have seats in the new parliament (most experts say they were admitted by the authorities, not through the vote), this does not suggest that political changes are coming soon, not only because the role of the parliament in the Belarusian political system is minimized, but also because Belarusians are largely paternalistically minded: almost two-thirds of respondents say "the government is responsible for people's welfare and must help people when they are in trouble", and only 29.5% said that "people are responsible for their own well-being and they must address their problems on their own."

On the 'swing' of geopolitical orientations

When speaking about Belarus, most Belarusian and foreign experts use not so much the once popular image of a 'bridge' between Russia and the European Union, as the more appropriate term 'geopolitical swing' (and some even talk about 'flying on one wing'). According to IISEPS surveys, at a hypothetical referendum on joining the European Union, in 2016, 25.4% would vote for the Union and 52.1% against membership in the EU (there were 26.7% and 51.9%, respectively, in September 2008, and 48.6% and 30.5% in March 2011). 27.0% would support Belarus-Russia amalgamation, and 52.2% do not want that (35.7% and 38.8%, respectively, in December 2008, and 23.9% and 58.4% in December 2012).

The choice in favor of isolationism changes if only two options—Russia or the EU—are offered: 45.0% would vote for joining the Russian Federation, and 32.6% would prefer the European Union (46.0% and 30.1%, respectively, in December 2008, and 37.7% and 43.3% in December 2012). It is also obvious that Belarusians change their views on the geopolitical affiliation depending on the domestic and foreign political situation.

At the same time, these changes should not be overestimated: a majority of Belarusians still have stronger cultural and psychological ties with Russia, than with Europe. In March 2016, 73.9% of respondents considered themselves closer to Russians and 25.8% to Europeans; 65.8% agreed that “Belarusians, Russians and Ukrainians are three peoples of one family”, and 28.6% said that “they are different peoples” (this ratio was almost the same ten years ago). A survey conducted by the Belarusian Analytical Workshop in December 2016 gives a similar picture: 64.9% of respondents would like to see their country in a union with Russia and 19.1% wanted Belarus to be a European Union member.⁴

The Ukrainian–Russian conflict remains in the focus of attention of Belarusian society, although it gradually becomes less relevant. On the one hand, most Belarusians share the Russian interpretation of this conflict. In March 2016, 57.4% welcomed the Crimea under Russia’s jurisdiction, taking it as “a return of Russian lands and restoration of historical justice”; 27.1% saw it as “imperialist takeover and occupation.” 43.7% agreed that Russia and Ukraine were in a state of war; 75.0% agreed that Ukraine was in a state of civil war.

Over 51.0% said that the Minsk agreements on the settlement of the conflict in the Donbas region of Ukraine were breached through the fault of the Ukrainian government, 23.6% blamed the West, 20.8% blamed Russia, and 17.9% thought it was the fault of the leadership of the self-proclaimed Donetsk and Lugansk People’s Republics. After Russian Prime Minister Dmitry Medvedev said that Russia and the West “were rapidly rolling into a new cold war”, 44.6% of respondents said it was the fault of the West, 12.8% blamed Russia, and 30.4% blamed both the West and Russia.

On the other hand, Belarusians are increasingly concerned about the growing tensions between Russia and the West, and, therefore, many would like to distance themselves from them: 45.4% fear that “since Belarus is Russia’s closest ally, the confrontation between Russia and the West will inevitably affect Belarus”, 30.4% were not afraid of that, and 17.5% said they did

⁴ «Опрос: 65% белорусов за союз с Россией, 19% — за вступление в Евросоюз.» *TUT.by*. 21 Feb. 2017. Web. 05 Mar. 2017. <<https://news.tut.by/economics/532361.html>>.

not care. Only 22.0% of respondents would approve the possible placement of a Russian air force base in Belarus, 28.8% were indifferent, and 42.9% oppose the idea.

Belarusians display a much more definite geopolitical orientation when it comes to a real or hypothetical armed conflict. “The military presence around Belarus has been building up. Russia is forming new divisions in its western regions, and NATO is deploying its battalions in Poland and the Baltic States. Some people in Belarus support the actions of Russia, while the others speak in favor of the West/NATO. What do you think about that?” was the question asked in June 2016. 26.1% supported Russia’s actions believing that it can protect Belarus from a possible aggression of NATO; 10.6% supported the West/NATO hoping for protection from a possible aggression of Russia, and almost 58.0% did not support either side, not wanting Belarus to be dragged into a military conflict.”

“If such conflict happened anyway, whose side will you choose?” was the next question. *One third* of respondents would choose Russia, 13.4% would take the side of the West, and 43.5% would try not to support either one. As the analysis shows, young people are most inclined to stay away from the conflict not supporting either side in the geopolitical confrontation.

The dominant leave-me-out attitude was manifested in relation to the armed conflict in Ukraine. “According to official data, hundreds of Belarusian nationals are participating in military operations in the east of Ukraine, some on the side of the Ukrainian army, and the others on the side of the opposing militants. The Belarusian government feels strongly negative about that. Not long ago, a Belarusian, who was fighting in the ranks of the Right Sector, was sentenced to five years in prison. What is your attitude to the participation of Belarusian nationals in military operations in Ukraine?” was the next question. 10.8% supported those fighting on the side of the Ukrainian army, 10.6% supported their opponents, and 71.0% disapproved their involvement.

The struggle for public opinion is getting fierce

In 2016, the struggle among various political forces for public opinion in Belarus has intensified considerably. The IISEPS was

the main target of this struggle, and the Belarusian government was the main attacker. This is most likely due to the internal and external instability of the situation in the country, as identified and demonstrated by *Urbi et Orbi* surveys conducted by the Institute.

For example, in March, *BelTA* state news agency and the major state newspaper *Sovetskaya Belorussia* published an article, in which heads of state research agencies called the IISEPS a “phantom”, and the results of its opinion polls “untrue.” They accused the Institute of a “gross violation of the law”, because it conducts surveys without specific official permission. The article was posted on official websites of many district administrations on the next day.⁵

In August, Belarusian TV channels showed a ‘special report’ titled ‘Primacy of the IISEPS.’ The authors accused the Institute of falsifying public opinion polls and appealed to law enforcers to take it to account.⁶ This time, the Belarusian authorities attacked the most important component of the Institute: the national network of interviewers. The head of the network was detained and forced to make a ‘confession’, ‘exposing’ sociological surveys by IISEPS. Dozens of people were threatened with criminal prosecution. As a result, the network of interviewers was destroyed, and the Institute had to stop public opinion polls.

A specific feature of this aggressive campaign, which distinguishes it from many previous ones, is that it involved not only the Belarusian authorities, but also various nongovernmental institutions, i.e. civil society (to be more exact, not the civil society, which respects democratic values, the rule of law and the European choice). It turned out that civil society experienced a split.

Secretary of the Belarusian Union of Journalists, political observer for the Belarusian Television Andrei Krivosheyev

⁵ «Белорусские социологи называют НИСЭПИ фантомом, сотрудников которого на практике никто не видел.» *БелТА*. 30 Mar. 2016. Web. 06 Mar. 2017. <<http://www.belta.by/society/view/beloruskie-sotsiologi-nazyvajut-nisepi-fantomom-sotrudnikov-kotorogo-na-praktike-nikto-ne-videl-187588-2016/>>.

⁶ «Эксперты о НИСЭПИ: фабрика подлога.» *БелТА*. 01 Aug. 2016. Web. 06 Mar. 2017. <<http://www.belta.by/society/view/eksperty-o-nisepi-fabrika-podloga-203967-2016/>>.

initiated a boycott of the IISEPS in the journalistic community. He called on to abide by the following rules when dealing with information received from the IISEPS:

- do not publish, voice or refer to data obtained from the Institute;
- do not invite analysts or political scientists who use IISEPS data in their analysis;
- facts of fraud, if any, should be subject to inspection by the tax authorities of Belarus and Lithuania, and the findings must be made public and subject to the public gaze;
- prevent the publication and serious discussion of sociological research and analysis by the IISEPS.⁷

Fierce-sarcastic philippics addressed to the IISEPS were heard from such nongovernmental tribunes as *IMHO Club*⁸, *Dal.by – Active People’s Movement*⁹, and *Stop opp* (the site about the Belarusian opposition and Belarusian politics)¹⁰. The involvement of pro-Russian civil society institutions in Belarus and various Russian agencies in this campaign is especially indicative.¹¹ Perhaps, this activeness is caused by the IISEPS’ findings regarding the potential of the Russian World in Belarus. Yuri Drakokhrust wrote in his article on IISEPS polls titled ‘The Russian Bomb in Belarus’, “If the people lose faith in the legitimacy of the authorities, the Donbas scenario can theoretically become a reality in Belarus. There is a certain mass base for that.”¹²

⁷ «Страх и ненависть в белорусской социологии: СМИ бойкотируют прозападную НКО.» *Ридус*. 04 Aug. 2016. Web. 06 Mar. 2017. <<https://www.ridus.ru/news/228298.html>>.

⁸ «Когда лгут всем. Даже своим хозяевам.» *IMHO club.by*. 03 Aug. 2016. Web. 06 Mar. 2017. <http://imhoclub.by/ru/material/kogda_lgut_vsem/ctime/24?act=collapse>.

⁹ «НИСЭПИ – ложью за западные гранты.» *Dal.by*. 09 Aug. 2016. Web. 06 Mar. 2017. <<http://www.dal.by/news/178/09-08-16-6/>>.

¹⁰ «Манипуляторы общественным мнением из НИСЭПИ.» *Stop opp*. 04 Aug. 2016. Web. 06 Mar. 2017. <<http://stopopp.com/?p=1880>>.

¹¹ See, for instance, «Страх и ненависть в белорусской социологии: СМИ бойкотируют прозападную НКО.» *Земляки*. 04 Aug. 2016. Web. 06 Mar. 2017. <<http://zemlyaki.name/rossiya/86042-Strakh-i-nenavist-v.html>>.

¹² Дракахруст, Юры. «“Русская бомба» ў Беларусі.» *Радыё Свабода*. 03 Aug 2014. Web. 05 Mar. 2017. <<http://www.svaboda.org/a/25406644.html>>.

Even a political antagonist to the regime – *Rasurs prazmaganne i peramogu Narodau (Recourse About the Struggle and Victory of the Peoples)* of the Conservative Christian Party Belarusian Popular Front – also contributed to this campaign. It seconded the report ‘Primacy of the IISEPS’ saying that for the first time, the Belarusian TV told the truth about the most flamboyant Mickey Mouse gang headed by sociologist-collaborationist Mr. Manaev.”¹³ No wonder they say “extremes meet.”

The World Association of Public Opinion Research (WAPOR), which has been operating for 65 years now uniting hundreds of professionals from more than 50 countries, chaired by a newly elected president formed an ad hoc committee to consider the IISEPS case. In an official statement released in December, WAPOR said it did not find falsification of data in Institute’s surveys.¹⁴ Neither the above-mentioned institutions, nor civil society (not to mention the Belarusian authorities) responded to this statement.

As seen from the statement by WAPOR, not the NISEPI, but the Belarusian state-controlled TV and security services use falsifications, plain lies and threats of criminal prosecution to discredit independent sociology and public opinion that disagrees with the official policy. Although the WAPOR’s statement did not help to resume IISEPS surveys, it defended its reputation and, ultimately, the very opinion of the Belarusians, which the polls reflected.

Conclusion

The feeling of instability, which increased in 2016, affected millions of people and almost all areas of public life in Belarus, but it still remains unsystematic. This means that, for example, dissatisfaction with the socio-economic situation is not directly related to the attitude to the governmental

¹³ “БТ упершыню сказала праўду.” *Народная перамога*. 03 Aug. 2016. Web. 06 Mar. 2017. <<https://pieramoha.org/artykuly/bt-upierszyniuskazala-praudu>>.

¹⁴ “Press Release: WAPOR finds no orchestration of data fabrication by IISEPS.” *WAPOR.org*. 20 Dec. 2016. Web. 06 Mar. 2017. <<http://wapor.org/wp-content/uploads/2010/10/WAPOR-Dec-20-Press-Release.pdf>>.

authorities and still does not take the form of conscious and structured protest.

In public opinion, both the authorities and the opposition are getting too far from ordinary people. However, the ordinary people themselves and even civil society multidirectional interests and values not only do not solidify, but diverge or even come into conflict. In conditions of geopolitical instability this internal instability can strengthen negative processes in the country and the whole region in the long term.

RESEARCH AND ANALYTICAL CENTERS

Natalia Ryabova

Summary

In 2016, the activities of research centers compared to the previous eight-year period became more professional and noticeable. One can even speak of a partial solution to the problem of the customer: political parties and movements, the media, and the state showed their interest in the expertise in a varying degree. However, the demand for expertise remains sporadic: sustainable relationships between customers and research centers do not evolve. Since the main condition of demand is the presentation of the results of expert work in the form of public goods, this demand cannot be called an 'order' yet: consumers do not see the need to pay for expert products.

Trends:

In early 2017, the 2016 Global Go-To Think Tank Index Report of the University of Pennsylvania¹ was released. Global trends described there can be applied to Belarus as well:

- General increased uncertainty affects the sustainability of research centers, and (mis)trust of the results of their predictions;
- A small number of new organizations and existing centers aim to combine resources and infrastructure; network organizations that use the infrastructure of the working centers start to appear;
- Research centers can no longer work according to the principle of '*make – upload – and they will find*', it is necessary to push the results actively to get noticed.

The development of expert networks in 2008–2015

Since the previous review of analytical centers was published as far back as in 2008, I will briefly describe the changes over the period from 2009 to 2015. The main trends were:

¹ McGann, James G. "2016 Global Go-To Think Tank Index Report." *University of Pennsylvania*. 26 Jan. 2017. Web. 11 Mar. 2017. <http://repository.upenn.edu/cgi/viewcontent.cgi?article=1011&context=think_tanks>. Belarusian *think tanks* heavily depend on donors and thus are connected with the outside world and global trends. The authors point out that the rating took into account 21 research centers of Belarus (from 2008 (the first report) and up to 2015 there had been 12 Belarusian centers). Unfortunately, the report does not specify what centers were included.

- The formation of new centers (Center for European Studies, BEROС, the Ostrogorski Centre, Strategic Thought, BIPART, IDSM, Belarus Security Blog, Center for European Transformation, Center for Strategic and Foreign Policy Studies, Bologna Committee, etc.);
- Specialization and ‘division of labor’ between centers (focus on efforts: economy, international relations, public administration, etc.; focus on ‘genres’: analytics for common readers, academic research, etc.);
- Professionalization and institutionalization: many centers found ways how to legalize their activities in Belarus;
- Coverage of new topics/areas that were previously touched upon sporadically or were not developed at all;
- Demand from oppositional political parties and movements: advice and assistance in the drafting of legislation, programs promoting interests of social groups, etc.;
- The demand for analytics by mass media, especially by the independent media: unlike in 2008–2009, now almost every newsworthy event is commented by independent analysts. The website of *thinktanks.by* has worked for several years now: it tries to aggregate information about documents, events, and the life of the research and analytical centers sector. There is also a website-aggregator of Belarusian studies *Belarus Policy* (this is a project of the Ostrogorski Centre and the Belarusian Research Council), but its work cannot be described as active in 2016: there are only 33 studies available, while there are much more of them.

Key players and research studies in 2016

In October 2016, the world saw the second ranking² of research centers of Belarus, issued by the Belarus Research Council (BRC) initiated by the international non-profit organization PACT. It analyzed the performance of fourteen Belarusian research and analytical organizations in 2015. In contrast to the

² «BRC представил рейтинг исследовательских центров Беларуси.» *Thinktanks.by*. 07 Oct. 2016. Web. 11 Mar. 2017. <<https://thinktanks.by/publication/2016/10/07/brc-predstavil-reyting-issledovatel'skih-tsentrov-belarusi.html>>.

Global Go-To Think Tank Index, where organizations are nominated by experts – the media and politicians – this ranking includes only those centers that express their desire to participate, and is based on their provided data. On generalized parameters that include the characteristics of organizational capacity, the capacity and coverage of analytical and research activities, the top ten looks as follows:

1. Belarusian economic research and education center BEROС
2. Belarusian Institute for Strategic Studies BISS
3. Expert community *Our Opinion*
4. Research Center of the Institute of Privatization and Management (IPM)
5. The Ostrogorski centre
6. Research center CASE Belarus
7. Educational-research project SYMPA/BIPART
8. The Center for European Studies
9. Belarus Security Blog
10. Discussion and analytical community *Liberal Club*

BEROC, the leader of the rating, traditionally prepares economic analytics (main topics are macroeconomics, labor market, public enterprises, public debt, tax system, foreign investment, privatization, trade, social policy), it issues quarterly economic reviews (some materials are available in English only). The center conducts educational activity: PhD school, student school, other programs and public lectures. Together with the Vienna Institute for International Economic Studies (WIIW), BEROС published the book *Belarusian Economy: The challenges of stalled reforms*.

The main direction of BISS activity is the project *Reform*, dedicated to elaboration of proposals to improve the ‘rules of the game’ in various spheres of public life. Within its framework there appeared works on the increase of efficiency of state property management, on improvement of antimonopoly legislation and legislation on competition, on legislation and practices in the field of the protection of private property, on legal regulation of non-profit organizations, etc. A significant amount of BISS research is dedicated to foreign policy issues – relations with Russia, Ukraine, the EU. Among the

periodicals of the institution are *BISS Foreign Policy Index* and *Eurasian Review*.

The expert community and the web-site *Our Opinion* published about 250 analytical materials on various topics (political processes, public administration, economics, social, cultural, gender and other policies). The website released another *Belarusian Yearbook* with the analysis of the dynamics in key sectors of the socio-political life of the country in 2015.

The Research Center of the Institute of Privatization and Management (IPM) publishes research notes on various topics in economics (sometimes in collaboration with the German economic team): international relations and trade, WTO, government programs, foreign exchange risks, SEZ reform, support of small businesses, corruption, etc. The centre also conducted (to be more precise: it ordered in NOVAK axiometrical laboratory) a survey of small and medium businesses.

The Ostrogorski centre conducted the research on informal education, Belarusian-Russian relations, etc., and published a number of reviews on key events in the country on its website *Belarus Digest* in English and Russian. Also it published another issue of the *Journal of Belarusian Studies*, and held several international conferences.

CASE Belarus (a member of the CASE research network) focused on the economy, labor and capital markets, vulnerable sectors of the economy, the participation of Belarus in the Global Competitiveness Index; it produced quarterly macroeconomic reports, industry reports, and overviews of economic trends in Belarus. All materials on the center's website are in English. *BIPART* research center continued research in the field of public administration: on the motivation of officials, on various aspects of electronic government (the presentation of the study '*Blockchain*' Technology for Electronic Government was held in the National Bank), it released a collection of articles *On the Interaction of Citizens and the State*, held public lectures and educational programs, started its participation in international research project EU-STRAT in the framework of EU HORIZON 2020 project. In December, the center held a conference *In Search of a New Balance: How to correlate the public administration reform with challenges that Belarus faces*.

The Centre for European Studies published a magazine called *New Europe*, it launched the first program of the Liberal Arts College *ECLAB* in Belarus where one can get informal education in five concentrations (directions): “Internet and Society”, “Modern Society, Ethics and Politics”, “Mass Culture and Media”, “Public History”, “Contemporary Art and Theatre”. In the framework of the *European café* a series of public lectures and discussions were held.

Belarus Security Blog focused on the study of security: military, humanitarian, public safety and civil defense. A study on the situation in the South-East of Mahiliou region about the history of the border guard, reviewing of the military-industrial complex, etc. were published; the first issue of the magazine *VARTA* was released.

The Liberal Club released the compilation of works *Future of Belarus. The opinion of Young Experts* and a textbook on civics for educational institutions, it also held round tables and discussions. The international relations and security issues were discussed at three conferences held by the expert initiative *Minsk Dialogue*. The sociological center SATIO (11th place), being a commercial company, in a situation of the disappearance of the independent sociology becomes almost the only contractor to conduct sociological research. In this regard, the most negative event of the year should be mentioned that is one more attempt to stop the activity of the sociological network of the Independent Institute for Social, Economic and Political Studies headed by Oleg Manaev.³ The head of the sociological laboratory NOVAK is also abroad now. Social centers that want to study socio-political and electoral topics are in a more disadvantaged position, because for this they must obtain a license from the National Academy of Sciences of Belarus.

Various activities and research were also conducted by the Center for European Transformation, the Center for Strategic and Foreign Policy Studies, by the Institute of Political Studies *Political Sphere*, Research Center *Strategy* and the Mises Center.

³ See the article by Oleg Manaev *Public opinion: A growing feeling of instability* in this Yearbook.

State research sector, in addition to academic institutions, is represented first of all by the Information-analytical center (IAC) affiliated with the Presidential Administration of the Republic of Belarus. Analytics made by IAC (and by other state expert centers) is ordered by state bodies and shall be sent back to them. On the IAC website there are a few media publications, mainly devoted to the results of sociological surveys (on citizens' attitude to online trade, religion, the all-Belarusian Assembly, denomination of the Belarusian ruble, etc.).

Research 'supporting' decision-making was carried out as well by state centers affiliated with various ministries. In 2016 the news section of the website of the Research Institute of Labor affiliated with the Ministry of Labor and Social Protection contained mainly information on past scientific and practical seminars, visits, and events in the framework of international projects. In the section *Scientific Activity* a list of study areas is presented but documents themselves and research results are not available.

A similar situation is observed at the website of the Scientific Research Economic Institute of the Ministry of Economy: for 2016 only the materials of the 17th International scientific conference *Problems of Forecasting and State Regulation of Socio-Economic Development* are available. Other state research institutes and research organizations affiliated with universities scarcely publish their materials. The strengthening of the voice of independent research centers with a Pro-governmental position (platform *Imhoclub*, project *Citadel*) should also be mentioned. The difference between them and other independent research organizations lies not only in the support of the current government, but also in the issue of Eurasian integration: if the latter in their majority share European values, Pro-governmental centers see Belarus only as a part of the Eurasian space (concerning values, mentality and history). Also noteworthy is the emergence of projects and resources which are not full-fledged research centers but which actively present a 'light analytics' with a focus on media policy, infographics, interactivity: *ideaby.org*. *Reformation*.

The influence on policy making and relations with stakeholders

The state

In 2016, a number of events took place, organized by independent research activity centers and attended by high-ranking officials. Some of these activities were organized in cooperation with state structures. The *Kastryčnicki Economic Forum* (KEF)⁴ has been held annually since 2013 by the IPM research center in cooperation with BEROC and CASE Belarus research network. It is funded by the European Union. The last conference was opened by Deputy Head of the Presidential Administration Nikolai Snopkov, Head of the EU Delegation in Belarus Andrea Victorine and Dr. Bas Bakker from the IMF European Department. KEF can be said to pave the way for public participation of senior state civil servants in independent forums of this kind, having made it not only safe but also ‘fashionable’, so to say.

The Belarusian Forum *Broadening the Horizons. Investment. Finance. Development*⁵ for the first time was organized by BISS, the National Agency of Investment and Privatization and the UNITER investment company. The Forum was opened by Prime Minister Andrei Kobyakov, more than 600 people from 30 countries participated in it. The Forum resulted in a road map containing recommendations on reforming various areas of the economy and government regulation. KEF ‘star’ of 2015 and 2016 Kiryl Rudy was the compiler, co-author and science editor of the book *Financial Diet: the Reform of State Finance of Belarus*, where along authors from the state agencies (the Belarusian State Economic University, Institute of Economics of National Academy of Sciences) there are authors from independent centers (the IPM research center, BEROC), as well as from foreign institutions and centers.

Yes it is impossible to talk about a full cooperation between the state and the independent expertise, but it is possible to fix the migration of ideas, originating mainly from the desire of

⁴ *Kastryčnicki Ekanamičny Forum*. Web. 15 Mar. 2017. <<http://eng.kef.research.by/>>.

⁵ *Belarus Forum “Broadening the Horizons”*. Web. 15 Mar. 2017. <<http://belarusforum.by/>>.

individuals and institutions to cooperate. A certain ‘unfreezing’ began with the fact that the analytical documents produced by independent research centers were delivered by few ‘contactees’ to various government departments for review on the initiative of those independent centers or at the request of officials. Open feedback was rare. However, in recent years, the level of confidence has increased, which is reflected in the participation of officials in KEF and similar events. However, the examples of sequential implementation of the recommendations proposed by research centers have not been recorded.

Civil society organizations

The research⁶ of the area of advocacy showed that the main factor in the success or failure of an advocacy campaign is seen in the degree of politicization of the problem: if it is perceived by officials at various levels as a political one, the chances of success are small. At the same time, campaigns that address issues that are not perceived as political can be very successful if their initiators have sufficient competence and vigor. Thus, there is a limited cooperation in the spheres of economy, finance and individual policies, and there is a lack of it the sphere of electoral law reform or public service.

A number of civil society organizations that are not ‘purely’ researchers from time to time carry out research and produce analytics or coordinate their activities and order analytics (International Educational Association “АКТ”, Office for Democratic Belarus, Office for European Expertise and Communications). There are examples of more widespread use of analytics and data to justify one’s own positions in advocacy: Human Rights House, Belarusian Helsinki Committee, “Green Network”, etc.

Media

The confidence of the Belarusian independent media to research centers and experts was evaluated for the first time in the already

⁶ Чулицкая, Татьяна; Рябова, Наталья; Виданова, Ирина и др. «Адвokатирование в Республике Беларусь: опыт организаций гражданского общества. Отчёт об исследовании.» *ОЕЭК*. 21 Mar. 2016. Web. 11 Mar. 2017. < <https://goo.gl/PDmXNu>>.

mentioned BRC. According to the results of the anonymous survey of journalists three institutions that are considered leaders of trust were named: the Belarusian Institute for Strategic Studies (BISS), IPM research center, SYMPA/BIPART educational research institution.

The top three experts who are the most trusted among journalists are: Dzianis Melyantsou (BISS), Dzmitry Kruk (BEROC), Alexander Chubryk (IPM research center).

Political parties and movements

To some extent the work of the research centers is in demand of opposition political parties and movements when drawing up policy documents. Typically, this interaction occurs on a free basis, it is not systemic (starts ahead of elections or other important events of the political cycle) and is based on friendly relations rather than on institutional basis. Analytical activities on the research of parties are in demand for political actors. In particular, we are talking about the interest in the continuation of the release of *BISS Political Media Barometer* which did not come out in 2016. Thus by now a known problem of the customer has been partly solved: in one form or another everyone needs expertise – be it the government, politicians or the media. However, ‘consumers’ are interested in free provision of expertise and need it sporadically without establishing sustainable partnerships.

Conclusion

In the nearest future the deterioration in the financial condition of the majority of independent research centers is possible due to the reduction of donor funding on which research centers still heavily depend on. Due to the same reason the level of cooperation within the sector may increase (joint project funding, shared administrative resources, etc.). The emergence of new research centers is unlikely (with the exception of structures with a Pro-Eurasian and/or Pro-Russian position).

Further development will be gained by mediatized initiatives and stable large research centers able to conduct effective work

on attraction of resources (human, financial). Communicative content will increase: articles, blogs, opinions, including social networks. The press will pay much attention to the independent expertise: the non-state press will pay the same amount of attention while the pro-governmental press will do it more often than it used to.

If the trend to partial liberalization remains it is possible to see a selective increase in the impact on decision-making processes and the deepening of trust and cooperation with those governmental agencies that are open to contact.

ECONOMY

MACROECONOMIC SITUATION: LOCKED IN RECESSION

Dmitry Kruk

Summary

The year 2016 was the *second* consecutive year of economic recession. Non-competitiveness of Belarusian producers was the main reason for the decline. The economic authorities refrained from any extensive institutional changes and, by doing so, did not in any way curb negative trends. They still prioritized the prevention of financial destabilization and pursued stringent monetary and fiscal policy. This helped to neutralize the threat of a new inflation and depreciation upsurge.

At the same time, the structural recession in combination with tough economic policy contributed to the actualization of debt problems. New threats to the country are seen in bad private debts, which deteriorate the quality of bank assets and increase public debt.

Also, 2016 saw a decline in social standards and household incomes leading to growing social tension.

Trends:

- Stable (structural) nature of the economic downturn;
- Neutralization of traditional threats of high inflation and depreciation through the adherence to the stringent monetary and fiscal policies;
- Critical problem of bad debts and public debt as a result of unresolved structural problems and the long-lasting recession;
- Considerable decline in social standards; deteriorated financial standing of households and increasing social tension.

Introduction

In 2015, Belarus plunged into a recession for the first time in 20 years. Many expected profound institutional reforms, as there are no other ways to revitalize the economy. These expectations peaked in 2015. Government officials and the expert community had been talking about prompt changes since early 2016, although President Alexander Lukashenko made it clear that drastic changes in the economy were inadmissible. However, the country's political leadership's unwillingness to initiate reforms and the hope for an improvement or stabilization of the external

environment changed the attitude to the recession: it was more often interpreted as a ‘forced yet controlled phenomenon’, rather than a ‘cure for imbalances.’

The opinion that a considerable part of disproportions was ‘cured’ and, therefore, it was already possible (and necessary) to gradually discontinue emergency belt-tightening measures in 2016, became more and more popular. As a consequence, according to the official forecast for 2016, the economy is expected to overcome the recession and show a tiny, but still an improvement by the end of the year with a GDP growth rate of 0.3%.

New old format of economic policy

The peak of uncertainty about how and where the country was going in its development and which direction will be chosen in the institutional and economic policy was observed in the first quarter of 2016. Prices of oil¹ and other commodities dropped to the minimum in January 2016, weakening the Russian ruble and affecting the price competitiveness of Belarusian exporters. Besides, in January-February, developing countries experienced capital outflows caused by an increase in the US Federal Reserve System’s interest rate in December 2015.

Sources of money for paying off the public debt remained undetermined in the first quarter. In 2016, the government was to pay around USD 3 billion in domestic and foreign debts, while the international reserves only totaled around USD 4 billion as of the beginning of the year. Therefore, the government got busy seeking new loans to refinance current liabilities. The IMF and the Eurasian Fund for Stabilization and Development (EFSD) were considered as potential donors.

In *late Q1* and *early Q2*, the economic authorities finally decided to reject profound reforms hoping that the recession will end routinely by itself given that the external environment was improving: prices of oil and other commodities began to go up into a relatively comfortable range.

In March 2016, Belarus reached an agreement on a USD 2 billion stabilization loan (0.5 billion in the first tranche) from the

¹ The price of Brent oil dropped to USD 27 per barrel, which was the minimum value since 2003.

EFSD on quite favorable terms that signaled that the economy will continue to develop sluggishly without reforms. At the same time, the monetary and fiscal policies remained stringent in 2015.

Situational decline turns structural

If a recession is caused by cyclical fluctuations, it is unpleasant, but not fatal. *Firstly*, in this case, the recession cannot last forever, because the phase of cyclical decline must certainly exhaust itself. *Secondly*, the economic authorities can influence its depth and duration. Rarely, a recession is driven by a structural decline. This implies that a contraction in output is not temporary, but persistent.

A number of studies of the Belarusian economic growth point at a steady drift towards decreasing trend (potential) growth in Belarus. As a rule, this is explained by the fact that the previously used growth mechanism based on accumulation of capital has exhausted itself, and the Belarusian economy is unable to ensure growth based on productivity gain. It is, however, often assumed by default that this trend has a ‘natural’ limitation and the trend growth rate cannot go to a negative area.

At the turn of 2014–2015, the rate of the trend (potential) output growth entered the negative area. It is hard to explain this phenomenon. At first, this seemed to be a temporary problem connected with the adaptation of the national economy to new realities in the global economy. In 2015, the negative impact of structural factors on the actual increase in output was insignificant, and the recession was primarily due to cyclical (conjuncture) factors.

However, the structural contraction in output intensified in 2016. As a result, by the end of the year, a 2.6% decline in output was determined by structural factors, while the contribution of cyclical factors was close to zero. In Belarus, the decline turned from situational (as it was predominantly in 2015) into structural.

This process can be characterized as disorganization of economic system elements. At the micro level, such diagnostics mean that many firms face not temporary shocks, but a complete failure of their business models. Therefore, they reacted not by a temporary reduction in output hoping for recovery in

the near future, but cessation of operations or their large-scale reformatting. Compared to a cyclical recession, a structural recession generates more challenges and uncertainties.

Firstly, in this case there are no ‘automatic stabilizers’, which would limit the duration of the recession. A structural recession lasts as long as it takes until the economy has adapted to the new natural level of output. *Secondly*, the possibilities of counteracting such a shock are limited. Even if the economic authorities are capable of working out countermeasures, a long period of time is required to obtain a tangible effect from such measures.

The structural nature of the recession was a key trend in 2016. The government ignored the structural challenges that led to the fact that the concept of a ‘prompt controlled, purifying recession’ (controlled disposition of imbalances) ended in a fiasco, and the national economy continued shrinking. Structurally staying in a state of decline may turn on additional mechanisms of continuous decline.

While adapting to the negative environment and not seeing prerequisites for growth in the future, producers continued to reduce their investment demand. This directly influenced the decrease in output in 2016, simultaneously generating and postponing the effect of limited output in the future.

In turn, in order to adapt to a prolonged decline, consumers began to lower their savings rate in an attempt to reduce consumption. This also limits opportunities for investment and ultimately sets the trend towards limited production capacity and output in the future. It is very likely that such consequences of investment depression and a drop in the savings rate will be felt as early as 2017.

Finally, the prolonged stay in a state of decline was a catalyst for new threats in the financial sector. The contraction in output caused an increase in the debt burden (in relative terms), whereas the ability of economic agents to service these debts declined.

Old threats to financial stability are over... New ones have emerged

In 2016, the country’s economic policy – both monetary and fiscal – remained quite stringent. In the monetary policy, the

‘hardening capacity’ (the situation when the volume of the National Bank’s money supply is smaller and interest rates are higher than necessary to stabilize the output) was conditioned by the remaining ‘canopy of inflation expectations’ (the situation when inflation expectations are significantly higher than the actual inflation rate). Therefore, in order to prevent inflated expectations, the economic authorities were forced to bear some losses in output.

However, during the year, inflation expectations were decreasing and approached the actual level of inflation. As a consequence, tensions in the monetary environment and the foreign exchange market reduced despite the fact that the main reason for the decrease in inflation expectations was probably the depressed state of domestic demand, rather than growth of confidence in the national currency. The National Bank gradually reduced the refinancing rate (it fell from 24% to 18% per annum over the year).

The national currency stabilized (in nominal and real terms), in mid-2016 and even somewhat strengthened at the end of the year. By the *fourth* quarter of 2016, for the first time in 5 years after the currency crisis, there were signals of stabilization of the monetary environment. Inflation expectations came close to the level of actual inflation for the first time since 2012.

The rigidity of the fiscal policy stemmed from the need to pay and service the public debt. The government has to maintain a surplus of the consolidated budget to accumulate amounts needed to pay off the principal debt, i.e. spending is limited to correspond to available revenues and, if necessary, capital expenditures of the budget are cut. This situation, however, generates fiscal discouragement: despite the stability of revenues and budget expenditure in % of GDP, they shrank significantly in real terms (against the backdrop of the recession).

The forced tightening of economic policy contributed to financial stability. Approximately from the *second* quarter of 2016, it was already possible to say that the threat of a new inflation and depreciation cycle or a full-fledged financial crisis was mostly neutralized.

On the other hand, the old threats did not disappear, but were replaced by new ones. Staying in a prolonged structural

decline and ‘sacrificing’ of a part of output for the sake of financial stability caused new challenges related to the quantity and quality of debts in the national economy.

Poorer quality of debts and heavier debt burden

Over the past year, the country experienced a rapid increase in distressed assets. In absolute terms, in one year, they increased from BYN 2.8 billion to 5.1 billion, which is a serious challenge to the banking system and the entire national economy. It is likely that the problem of bad debts is not fully reflected in statistical reports and is much broader than it seems. Some distressed assets, for example, can be transferred to off-balance sheet accounts of banks; assets of doubtful quality are simply not classified as problematic, for example, thanks to the availability of state guarantees, etc.

Unlike many other problems in the national economy, the authorities have openly acknowledged the problem with assets. The *Asset Management Agency* was set up in line with decree No. 268 signed in July. As a result of a segmentation of unprofitable agricultural enterprises, some of them were identified as subject to bankruptcy, and others subject to reorganization. It was intended to put Belagroprombank’s loans to agriculture on the Agency’s books, confer more powers on the Agency and thus resolve the bad debt crisis in the agricultural sector.

However, one of the key questions for resolving the bad debt crisis – who and how should accept the accumulated losses – remains unanswered. Decree No. 268 apparently tends to ‘dilute, conceal and hide’ the real losses to ‘clear’ the books of Belagroprombank. Therefore, the mechanism involves an exchange of assets between Belagroprombank and the Asset Management Agency at nominal, rather than market value. For the bank and debtors, such scheme is fraught with excessive acceptance of risks. That is, in this case, instead of fining ineffective borrowers, the state panders to their inefficiency.

From the perspective of the economy as a whole, this practice leads to excessive growth of public debt (debts of local authorities), because through this scheme the state buys out debts of inefficient borrowers at nominal value, which is substantially

higher than the fair market value of the debts. At the same time, serious problems also arose with public debt management even without the influence of private debts.

The national debt burden grew significantly. In 2016, the ratio of state debt (including state guarantees) to GDP fluctuated around 47.0% of GDP, while in 2015 it varied from 34% to 40%. This was primarily due to the reduction in GDP in dollar terms as a result of a real reduction and depreciation of the exchange rate.

From the point of view of economic sense, the coming of relative public debt indicators to new highs may call into question its medium-term stability. The dominance of foreign currency liabilities, reduction of budget revenues from foreign trade, limited possibilities for refinancing debts, as well as the dubious prospects for growth of output undermine the stability of the national debt even more. International organizations (the IMF among them) began to voice doubts about this stability for the first time.

All these threats, challenges and issues related to the quantity and quality of debts were identified, but not resolved in 2016. Probably, debt problems will become one of the main ‘pain points’ for the national economy in the near future.

Macroeconomic indicators ‘in red’ and social tension

The cumulative losses from the recession over the past *two* years have reached alarming values. In 2016, GDP dropped 2.6% (6.4% in *two* years).² The decrease in output was predetermined by a decline in investment and consumer demand. The gross fixed capital formation in 2016 decreased by 16.7%. Investments decreased 29.6% in two years.

Household spending for final consumption in 2016 (−3.9%) decreased even faster than in 2015 (−2.4%). This trend can be explained by households’ awareness of a sustained decline in real incomes and the need to curb intensive consumption of reserves.

Net exports remained the only component of aggregate demand, which provided a positive contribution to GDP growth, as

² Here and elsewhere according to *the National Statistics Committee of the Republic of Belarus*. 2017 Web. 28 Apr. 2017. <<http://www.belstat.gov.by/>>.

it was in 2015. In 2016, it brought in 3 percentage points (7.1 in 2015). On the one hand, this can be attributed to the elimination of disproportions and restoration of external equilibrium. On the other hand, in such a dramatic change in net exports (mainly because of a decrease in imports) one can see force majeure cuts in imports, which can be considered a shock for output.

In the sectoral context, agriculture was the only source of growth in 2016: added value increased 3.4%, providing 0.2 percentage points of output growth. Domestically-oriented industries continued to show a significant decline in 2016: construction (−15.9%) and trade (−7.4%) being in the lead in this respect. Output losses in construction over the two years totaled nearly 27.0%, which mirrors the depression of investment and cuts in directive financial injections into the industry.

The protracted decline had a negative impact on households. In 2016, real wages fell 4.0% (7.2% in *two* years). Indirect data suggest that the median wage and median income (which better characterize the welfare of an ‘average’ household) fell to a greater extent. After *three* years of decline, in late 2016, real wages modestly increased, which may indicate that they finally hit the bottom. A large-scale decline in employment and unit labor costs could be the decisive factor. However, the remaining potential for a structural downturn raises doubts that the period of drop in real incomes has ended.

Despite a considerable adjustment of the level of wages, tensions in the labor market persist. Most indicators, which characterize the state of the labor market (employment, new jobs, etc.), showed negative dynamics throughout the year. This situation can be described as continuing movement towards a new natural equilibrium, which is less favorable both in terms of volume (number of the employed) and price parameters (wages, real unit labor costs).

Summing up the results of 2016, *Belstat* for the first time published the unemployment rate in ILO terms: 5.8%. This rate cannot be regarded excessively high, yet it demonstrates the tension in the labor market.

It can be stated that the *two* years of the recession have led to a further decline in social standards and weaker financial stan-

ding of households that, probably, contributed to the growth of social tensions in society.

Conclusion

In 2016, the economic recession extended itself with predominantly structural factors as the driving force. There will not be an automatic recovery, which means that it could endure. Moreover, as long as the negative growth trend persists, it is unlikely and practically unattainable to ensure sustainable output growth.

Growth can only occur in case of tangible improvements in the external situation. But even in this case, the growth rates will be close to zero and unstable, i.e. a possibility of a return to recession will hang over the economy like a sword of Damocles.

In the current situation, the rate of long-term growth not only predetermines the medium- and long-term development outlook, but is also a key to short-term output and welfare dynamics. From the point of view of economic policy, this means that the task of increasing the rate of long-term growth is an absolute priority today.

CURRENCY MARKET: STABILITY GAINED AT THE COST OF PRIVATE INCOMES

Alexander Mukha

Summary

In 2016, the stability of the Belarusian domestic money market was achieved through massive net sales of foreign exchange by households amid the marked decrease in personal assets and incomes in real terms. The growth of foreign exchange supply by households helped the state to make up for most of the lost currency revenues caused by the drop in export supplies of Belarusian-made oil products.

In 2017, supply of foreign exchange by Belarusian households will further decline, which will aggravate risks associated with the unsettled oil and gas dispute between Belarus and Russia (including social and political risks). The additional downward pressure on the exchange rate of the Belarusian ruble and gold and foreign exchange reserves of the state will become a result of significant payments by Belarusian residents under their foreign debt obligations amid delays in the receipt of external financing.

Trends:

- Increase in foreign exchange supply by households, which produced a beneficial effect on changes in the key indicators of the domestic money market;
- Drop in the export of oil products and potash fertilizers, and resulting reduction in currency proceeds (a new record low since 2009);
- Economic safety limit in terms of the relative ratio of residents' external debt was significantly exceeded;
- Current level of gold and foreign exchange reserves fails to meet international reserve adequacy standards.

Money market records

In 2016, massive net sales of foreign exchange by households became the main factor ensuring the stability of the domestic money market. During the period under review, households sold USD 1.894 billion on a net basis (including cashless transactions)¹ – a record high since Belarus gained indepen-

¹ Hereinafter: “Statistics.” *National Bank of the Republic of Belarus*. Web. 21 March 2017. <<http://www.nbrb.by/engl/>>.

dence. During the same period, non-residents sold a net USD 452.5 million, whereas companies bought USD 206.1 million on a net basis.

The structure of net foreign exchange supply by households looked at follows: net sales of foreign exchange – USD 2.441 billion (another all-time high) and conversion of ruble-denominated deposits to foreign exchange deposits on a net basis – minus USD 547.1 million. As a result, the net supply of foreign exchange by individuals and non-residents (USD 2.347 billion), alongside other factors, enabled Belarus to increase its gold and foreign exchange reserves by USD 751.3 million (or by 18%) to USD 4.927 billion as of 1 January 2017 (despite significant payments under external and internal debt obligations of the state denominated in foreign exchange).

Therefore, last year, households not only contributed quite generously to the stability of the domestic money market, but also helped the government and the National Bank to comply with the schedule of payments under external and internal obligations denominated in foreign exchange. At the same time, individual foreign exchange deposits dropped by USD 782.1 million (or by 9.5%) to USD 7.431 billion as of 1 January 2017.

Individual savings with banks denominated in foreign exchange (foreign exchange deposits, precious metals, and currency-denominated bonds) narrowed by USD 509 million (by 5.8%) to USD 8.275 billion as of 1 January 2017. Therefore, the amount of foreign exchange that individuals sold on a net basis (originally stored at home, rather than with banks) can be estimated at USD 1.932 billion – Belarusians had never before sold so much cash to domestic banks.

According to our calculations, in 2016, households were forced to sell a third of their unorganized savings in foreign exchange. If this pace persists, Belarusians would have sold all of their unorganized savings within *two years* (other things being equal).

What are the reasons for this massive net supply of foreign exchange by households? Unfortunately, the main reason is the marked decrease in personal incomes in real terms. Be-

larusians began to withdraw their foreign exchange deposits and sell foreign currency in order to be able to maintain an acceptable level of consumption of commodities and services.

According to our calculations, in 2016, the average wage paid to Belarusian workers (excluding micro- and small organizations without departmental affiliation) went down by 12.7% year-on-year from USD 413.6 to USD 361.1². The combined wage bill of Belarusian workers (excluding micro- and small organizations without departmental affiliation) decreased even more, by USD 2.297 billion (by 15.5%) to USD 12.506 billion. The decrease was due to not only the reduction in the amount of the average wage, but also the drop in the average number of workers during the period under review by 95,801 people³ (from 2.982 million in 2015 to 2.886 million in 2016). It appears that Belarus owes the stability of its internal money market to the impoverishment of its citizens.

Risks of the oil and gas spat

According to the National Bank, last year's currency proceeds generated by commodity and service exports, incomes and transfers of nonfinancial companies and households fell by 10.3% from 2015, or by USD 3.401 billion to USD 29.623 billion, a new record low since 2009 (USD 25.255 billion). The drop was mostly due to the reduced export of Belarusian-made oil products, crude oil, and potash fertilizers. We can illustrate the curtailment of Belarusian export supplies using the following statistics:

- export of Belarusian goods – minus USD 3.245 billion from 2015;
- export of oil products – minus USD 2.74 billion;

² Based on the average weighted U.S. purchase price in the market for cash currencies: in 2015 – BYN 1.626853 per USD 1 (redenominated), in 2016 – BYN 1.9995 per USD 1.

³ Hereinafter: "Official statistics." *National Statistical Committee of the Republic of Belarus*. Web. 21 March 2017. <<http://www.belstat.gov.by/en/ofitsialnaya-statistika/>>.

- export of potash fertilizers – minus USD 651.112 million;
- export of crude oil, including gas condensate – minus USD 107.701 million;
- export of other goods – plus USD 253.866 million.

Therefore, the reduction in supplies of Belarusian oil products resulting from shorter deliveries of Russian crude amid the unsettled gas row between Belarus and Russia accounted for 84.4% of the overall decrease of Belarusian commodity export during the period under review.

Under the circumstances, the delay in the receipt of the *third* and *fourth* installments of the loan from the Eurasian Fund for Stabilization and Development (EFSD) totaling USD 600 million is also noteworthy. Apparently, the reasons for the delay are purely political and are associated with the gas spat. In late February 2017, Deputy Prime Minister of Russia Arkady Dvorkovich said that Belarus's debt to Russia for natural gas had exceeded USD 600 million.

Further delays in the settlement of the oil and gas dispute may have some serious negative consequences for the Belarusian economy, including:

- reduction in gold and foreign exchange reserves;
- depreciation of the Belarusian ruble *vis-à-vis* the main foreign currencies;
- lower foreign exchange proceeds and export of Belarusian oil products;
- aggravation of the financial situation at Belarusian oil-processing plants;
- lower amount of export duties transferred to the state budget;
- reduction in state expenditures (including spending on social needs);
- poorer external stability, creditworthiness, and economic security parameters.

Furthermore, against this backdrop, the Belarusian government may be faced with the need to resort to the “belt-tightening” practice with respect to Belarusians who have already grown poorer, which may aggravate certain social and political risks, given the country's significant social stratification.

Foreign debt: beyond economic security

In 2017, the increase in payments under foreign obligations of Belarusian residents (companies, banks, government, the National Bank) will cause additional pressure in the domestic money market causing the Belarusian ruble to depreciate against foreign currencies.

According to the NBB, in 2016, the combined debt of Belarusian residents went down by only USD 691.1 million (or by 1.8%) to USD 37.567 billion as of 1 January 2017, a new record high of 79.7% of GDP. Therefore, the relative external debt ratio exceeded the economic security threshold of not more than 60% of GDP. Belarusian residents had never experienced such a debt pressure.

It should be noted that the deterioration of the relative foreign debt ratio was caused exclusively by the drop in the U.S. dollar equivalent of Belarus's GDP amid the depreciation of the domestic currency and economic slump. According to our calculations, in 2016, Belarus's GDP in the U.S. dollar equivalent went down by USD 8.104 billion (by 14.7%) to USD 47.165 billion, a record low since 2007, when it was reported at USD 45.276 billion). As of 1 January 2017, the structure of Belarus's gross foreign debt broken down by economic sectors looks as follows (in descending order):

- government (USD 14.151 billion);
- non-financial organizations, households, and non-commercial organizations servicing households (USD 13.566 billion);
- banks (USD 5.915 billion);
- direct investments within the framework of intercompany lending (USD 1.889 billion);
- central bank (USD 1.475 billion);
- other financial organizations (USD 571.3 million).

On a per capita basis, the country's foreign debt decreased to USD 3,952.4 as of 1 January 2017. In the BYN equivalent, it amounted to BYN 7,740.8 per person, or BYN 16,792.7 per employed person, which is equivalent to 20.9 wages (based on the average wage of BYN 801.6 in December 2016). In other words, in order for Belarus to pay its foreign debt in full (includ-

ing interests), Belarusians will have to work for more than 21 months.

In 2016, Belarus spent USD 6.31 billion to repay its foreign debt, which is equivalent to 13.2% of GDP, or 21.2% of the export of commodities and services. To repay the principal debt Belarus spent USD 4.901 billion, and USD 1.409 billion was spent on interests and other payments. The government paid USD 1.46 billion to meet its debt obligations, or 16.5% of the republican budget revenues. The schedule of upcoming foreign debt payments as of 1 January 2017 includes USD 45.651 billion worth of payments of the principal debt and interests. The combined debt burden of the state is associated with the servicing and repayment of debts of the government, monetary authorities, as well as state banks and companies with a stake belonging to the state in excess of 50%. Therefore, in 2016, the foreign debt of the public sector according to the broad definition, along with the foreign debt of the private sector secured by the state dropped by USD 173.5 million (or by 0.8%) to USD 22.382 billion as of 1 January 2017 (Table 1), equivalent to 59.6% of the combined foreign debt of Belarusian residents.

Table 1. Foreign debt of the public sector according to the broad definition, along with the foreign debt of the private sector secured by the state in 2016, USD mln

Indicators	1 January 2016	1 January 2017	Change	
			USD mln	%
Foreign debt of the public sector according to the broad definition, along with the foreign debt of the private sector secured by the state, <i>including</i>	22,555.7	22382.3	-173.5	-0.8
1) foreign debt of the public sector according to the broad definition	22,517.6	22,382.3	-135.4	-0.6
– state administration	12,972.5	14,151.1	1,178.6	9.1
– central bank	1,744.6	1,475.4	-269.2	-15.4
– banks	2,819.1	2,632.6	-186.5	-6.6
– other sectors	4,981.4	4,123.1	-858.3	-17.2
2) foreign debt of the private sector secured by the state	38.1	0.0	-38.1	x

Source: National Bank of Belarus.

Short-term foreign debt obligations of Belarusian residents (based upon remaining maturity) dropped by USD 1.499 billion (or by 8.5%) to USD 16.118 billion as of 1 January 2017. The debt is measured by adding the amount of unpaid short-term foreign debt to the amount of unpaid long-term foreign debt due to be repaid within *one* year (based on the original maturity).

Overdue foreign debt of Belarusian residents decreased by USD 65.7 million (or by 6.5% to USD 938.5 million as of 1 January 2017. Overdue foreign debt of the public sector according to the broad definition went down by USD 70.8 million (or by 24.7%) to USD 215.8 million at the start of the year.

In 2017, Belarusian residents will have to pay USD 17.168 billion to repay their foreign debts (including debt refinancing). As of 1 January 2017, Belarusian gold and foreign exchange reserves amounted to USD 4.927 billion, which was enough to cover 28.7% of upcoming debt payments, whereas to meet the Guidotti standard reserves should be enough to pay 100% of the debt incurred by residents (government, central bank, companies and banks).

Therefore, the current level of gold and foreign exchange reserves of Belarus fails to meet international reserve adequacy and economic security standards, which, in case of a negative scenario, may jeopardize the domestic money market.

Conclusion

In 2017, households will remain net sellers of foreign exchange; however, net sales might at least halve from the year 2016, with all the negative consequences that come with it. In other words, the state will hardly be able to rely on households' fall money in the near term. The drop in foreign exchange supply by the population will bring about faster depreciation of the Belarusian ruble *vis-à-vis* the main foreign currencies.

Against this backdrop, the government and the National Bank will increasingly require new external financing. However, if the oil and gas dispute between Belarus and Russia persists, new installments of the EFSD loan will be delayed as well. At the same time, prospects of taking a new IMF loan as part of

the extended facility remains vague (mostly due to political obstacles). Without a new IMF loan Belarus will find it harder to place a *third* issue of sovereign Eurobonds.

A positive outcome of the oil and gas spat will improve the situation in the Belarusian economy to some extent. Otherwise, some economic, social, and political risks in the country may aggravate, which, amid the belt-tightening policy might pose an additional threat to the stability of the domestic money market of Belarus.

LABOR MARKET: TRAPPED IN LOW-PAID EMPLOYMENT, UNEMPLOYMENT AND POVERTY

Vladimir Akulich

Summary

Belarus is in a state of demographic transition. The number of the employed is decreasing. This mitigates the problem of unemployment, but increases the demographic burden on the employed and makes it harder for the government to fulfill social obligations. So far, this issue has been tackled through an increase in the degree of centralization of finance.

The labor market has adjusted to the recession largely through lowering wages and, to a lesser extent, higher unemployment. Low-paid employment and the lack of jobs have resulted in the growth of poverty.

Trends:

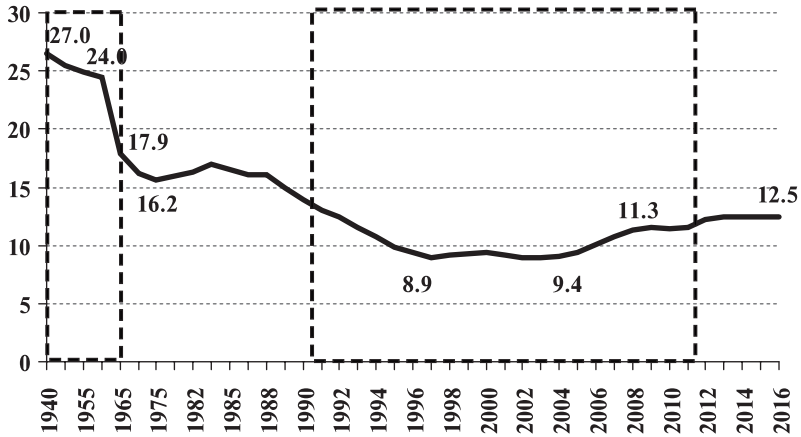
- The number of working age population and the number of the employed are falling despite an increase in the number of working pensioners;
- The demographic burden on the employed is increasing, and so is the birth rate; the government encourages families to have many children;
- Real household incomes are shrinking, and the actual unemployment rate is going up due to the economic recession;
- The demand for labor is increasing that may indicate a gradual economic recovery.

Demographics

Belarus is in the middle of a *20-year* demographic transition. In 2006–2023, workers born between 1945 and 1965 are not of employable age any more, and workers born between 1990 and 2010 are entering it. In 1945–1965, the crude birth rate averaged 25 per thousand. In 1990–2010, it was 10 per thousand, which is 150% lower (Figure 1).

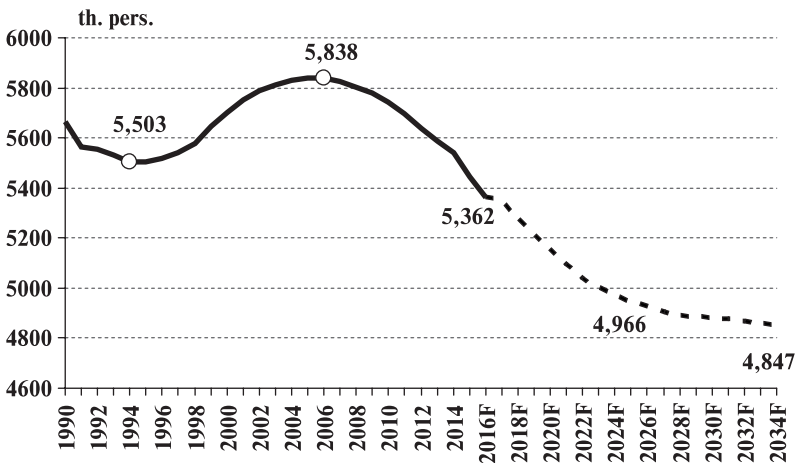
As a result of the demographic transition, the working age population has decreased by 475,000 or 7.0% over the past decade. In the next seven years, the decline will continue at about the same pace, and then the rate of decline will slow down (Figure 2).

Figure 1. Total fertility rate (per 1,000 population)



From 2023, the women born after 1965, when the crude birth rate dropped to 18 per 1,000, will be beyond employable age. The increase in the retirement age, which started in 2017 and will end in 2022, will have its effect.

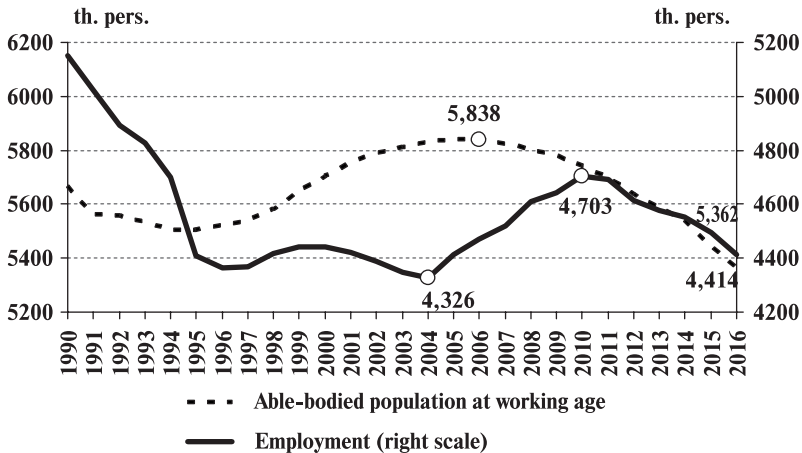
Figure 2. Number of able-bodied population of working age



Employment

Although the demographic transition and decline in the working age population have been observed since 2006, the number of employed persons increased in 2006–2010 and only began to decrease in 2011 (Figure 3).

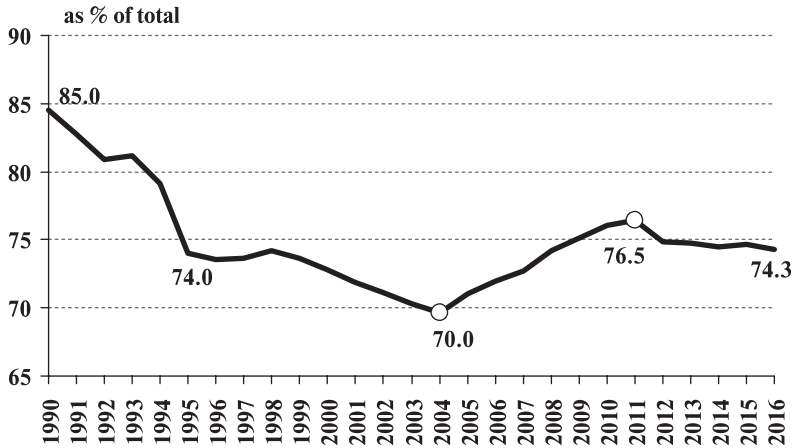
Figure 3. Number of employed population



The increase resulted from the growth in the proportion of the employed at active working age from 70.0% in 2004 to 72.0% in 2006 and 76.5% in 2011 (Figure 4). That is why the employed population continued to increase from 4,470,000 in 2006 to 4,703,000 even though the working age population was in decline in 2010 (see Figure 3).

In 2011–2016, the proportion of the employed in the working age population remained approximately the same, constituting around 75.0% (Figure 4). Accordingly, the proportion of the unemployed made up 25.0%. Therefore, the employment decline was mainly due to a decrease in the working age population (by 380,000, or 7.0%). At the same time, the number of the employed decreased by 289,000. Employment would fall even more, if not for working pensioners, whose number increased from 270,000 in 2006 to 340,000 in 2011 and 430,000 in 2015.

Figure 4. Proportion of the employed at active working age, % of the total



In the composition of the unemployed working age population in 2011–2015, only two segments underwent significant changes. The number of students decreased by 112,000 (8.0%) and the number of parents on parental leave increased by 87,000 (6.0%) (Figure 5).

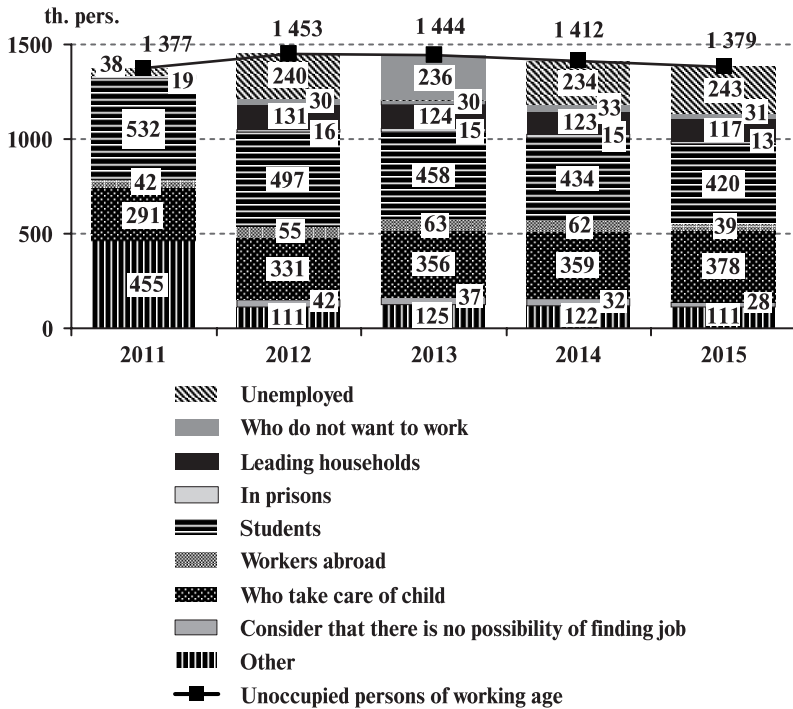
In 2012, the National Statistics Committee of Belarus (*Belstat*) started a household survey to conduct employment research. This made it possible to find out what 455,000 persons were engaged in, not being listed among workers or students in 2011, and whom the prime minister proposed to involve in financing of social spending for the first time in August 2012. After the survey, the number of the unaccounted unemployed decreased four-fold to 111,000 in 2012.¹ The same number was reported in 2015 (see Figure 5).

It was found out that in 2012–2016, on average, 211,000 persons did not have a job, were not registered by employment agencies, but were actively looking for a job and were ready to start working anytime. As defined by the International Labor Organization, such persons are classified as unemployed.

¹ *Трудовые ресурсы и занятость населения Республики Беларусь. Статистический сборник.* Минск: Белстат, 2004–2016. Print.

There is also a category of people who have been looking for a job for a long time, but in vain, lost hope and stopped looking. In 2012–2015, there were 35,000 such persons on average. As defined by the ILO, they are not considered unemployed, but they do not have jobs either.

Figure 5. Composition of the unemployed of working age



According to the household survey, in 2012–2015, an average of 55,000 Belarusians legally worked outside the country (93% of them in Russia) and paid taxes there, and this correlates with the balance of payments. In 2016, Belarus received USD 417 million under the article “remuneration of labor from abroad”, which equals to 58,000 average annual wages in Russia.

In 2012–2015, an average of 125,000 people managed private households. According to *Belstat*'s new surveys, an ave-

rage of 30,000 persons did not need or did not want to work in 2012–2015.

The unaccounted balance of 111,000 persons classified as “other unemployed persons of working age” in disaggregation by region suggests that the vast majority of them (90%) are individuals who work unofficially outside Belarus. In 2015, 84% of the “persons working abroad” accrued to four regions – Mogilev, Gomel, Vitebsk and Brest. In the category “other unemployed persons”, 90% accounted for the same four border regions. In other years, the coincidence in the breakdown in disaggregation by region for the *two* specified categories is even more pronounced: for example, 83% and 85% in 2012, respectively. It can be concluded that approximately 100,000 people worked outside Belarus unofficially.

The statement that a large proportion of the employed is engaged in off-the-books economic activity is a myth, which cannot be substantiated with documentary evidence. For example, in the central regions of Belarus (Minsk city and Minsk region), which are the place of residents of 38% of the working age population, only 5,800 persons, or 0.25% of the working age population, including those unofficially working abroad, are categorized as “other unemployed.”

It is not uncommon when a part of revenues goes off the books and officially registered employees are partly paid envelope wages. Such employees evade a part of taxes, but are considered employed and do not fall within the scope of decree No. 3 ‘On the Prevention of Social Parasitism.’ The number of persons working without official registration is around 10,000 or 20,000, or 0.25% of the working age population.

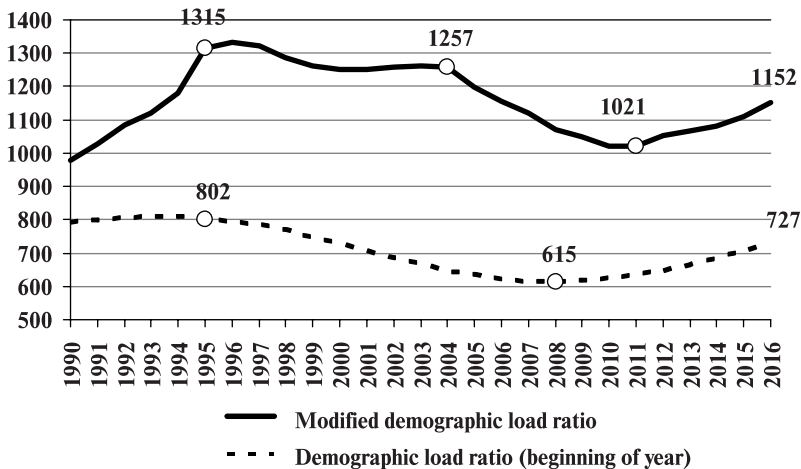
Belstat’s household surveys showed who those 455,000 unaccounted unemployed persons were in 2011. As it later turned out, half of them were unregistered unemployed (210,000), one-fourth were household managing individuals (130,000), another one-fourth were supposedly unofficially employed outside Belarus (100,000), and only one-fifteenth were persons, who did not need or did not want to work (30,000).

In Belarus, the proportion of individuals employed in production industries is decreasing (by 240,000 in 2011–2015), and the proportion of those employed in the service sector is going

up (by 80,000). The total number of the employed decreased by 160,000. As many as 250,000 persons were already beyond employable age, and 90,000 persons of retirement age continued working. In 2011–2015, the number of labor migrants did not change considerably.

On the one hand, the demographic transition alleviates the problem of unemployment. On the other hand, the demographic burden on the employed working age population is growing. According to *Belstat*, in early 2016, there were 727 persons beyond the employable age per 1,000 persons of the working age population. Given that 25% of the working age population is unemployed and 16% of the population over working age is still employed, the real load on the employed is demonstrated by the modified demographic load factor. In 2016, there were 1,152 unemployed persons at employable and unemployable age per 1,000 employed (those of working age and working pensioners) (Figure 6).

Figure 6. Demographic load factors



The demographic burden also increases as a result of an increase in life expectancy and the number of persons beyond employable age. According to *Belstat*, in 2015, the life expectancy of men and women aged 65 was at 78 and 83, respectively.

This refutes the argument of the opponents of the retirement age rise, who say that most men will not have time to enjoy retirement benefits even if they live to that age.

Instead of stimulating business activity amid the recession, the government chose to increase the tax burden in 2015–2016. In 2016, a reduction in GDP did not lead to a decrease in enlarged government budget revenues. The degree of centralization of finance (GDP quota) has been growing for the second year in a row and reached the record-breaking 42.7% of GDP in 2016. For comparison: it was at 41.3% in 2015, 40.3% in 2014, 40.8% in 2010–2013 on average, and dropped to a minimum of 39.2% in the crisis year of 2011.

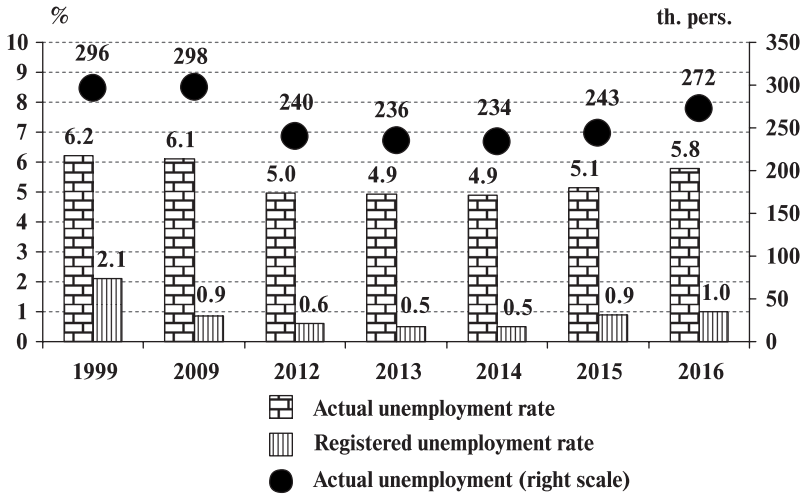
The labor demand began to increase in 2016, which may indicate a gradual recovery of the labor market. The number of vacant positions offered by employment offices increased from 31,000 in 2015 to 32,000 in 2016 (4.0%). 239,000 persons (5.4% of the economically active population) were looking for jobs resorting to the services of employment offices last year (250,000 or 5.7% in 2015). *RABOTA.TUT.BY* research center analyzed its own database of vacancies and CVs and reported that in 2016, the number of job openings increased by 33%, while the number of job applications reduced by 4%.²

Unemployment

In 2016, the Belarusian economy continued to be in recession. There was a 2.6% GDP decline last year (3.8% in 2015). The unemployment rate went up from 4.9% in 2014 to 5.1% in 2015 and 5.8% in 2016. The registered unemployment rate also increased from 0.5% in 2014 to 1.0% in 2016. The number of the unemployed increased from 243,000 in 2015 to 272,000 in 2016, or by 12.0% (Figure 7). At the same time, the number of the registered unemployed reduced from 41,000 in 2015 to 39,000 in 2016 (a 5.0% decrease).

² «Рынок труда Беларуси. Итоги 2016.» *JOBS.TUT.by*. 09 Jan. 2017. Web. 21 Apr. 2017. <<https://jobs.tut.by/article/19797>>.

Figure 7. Unemployment rate in Belarus



Belarus lacks a full-scale social protection system for the unemployed. Unemployment benefits in 2014–2016 made up 3% of the average wage, or 13% of the subsistence wage. For comparison, unemployment benefits in the European Union range between 50% and 70% of the average wage. The proportion of the unemployed in Belarus who received unemployment benefits in 2016 made up 14% (17% in 2015). The rest do not apply for official registration because the miserly unemployment benefits are not worth bothering with.

In 2016, the Social Protection Fund allocated BYN 26.8 million, or 0.03% of GDP to support the unemployed and promote employment. The amount planned for 2017 stands at 38 million, or 0.04% of GDP. In the OECD member states, average unemployment benefits constituted 0.9% of GDP in 2013.

The average period of unemployment increased from 4.1 months in 2015 to 4.2 months in 2016. The average period of finding a job also increased from 1.9 months in 2015 to 2.3 months in 2016. Decree No. 3 unreasonably understates the period of *six months* of unemployment, during which jobless persons must pay the tax on ‘social parasitism.’ According to *Belstat*, every fourth (24%) unemployed registered by an em-

ployment office in 2015 was not employed in *six* months. It takes *seven* months on average to find a job independently. Those looking for jobs with the help of employment offices spent *five* months on average to find one in January-September 2016. For comparison, it took 6.4 months in 2000 and 5.8 months in 2005. The average unemployment period in the CIS was 10 months in 2013, eight months in the OECD in 2015, 18 months in the EU in 2015, and 6.5 months in the G7 countries in 2015.

Real household incomes

The labor market adapted to the recession, mainly not through an increase in unemployment, but through a decrease in wages. In 2016, real household incomes dropped 7.3% (5.6% in 2015). The median level of average real disposable incomes per capita decreased by 4.4% (it was at 4.5% in 2015). According to *Belstat*, 38.0% of households reported a deterioration of their financial situation last year, and only 9.0% said it was improving (33.0% and 11.0% in 2015, respectively). At the same time, 31.0% of households estimate their financial situation below the average and only 3.0% said it was above the average (30.0% and 4.0% in 2015, respectively).

Low wages and their reduction push workers to look for new higher-paid jobs. According to *Belstat*, in 2012, job change was a way to increase incomes in 28.0% of households (second most popular option after off-hours jobs). In low-income households, job change as a means to increase incomes is the main option, making up 39.0%.

These figures correlate with the results of other studies. According to *RABOTA.TUT.BY* research conducted in 2016, 48% of respondents quit jobs due to low wages.³ When asked “What do you expect from the management in 2016?” a majority of employees (73%) said they were waiting for a wage raise.⁴ The

³ «Опрос: чаще всего белорусы ищут новую работу из-за низкой зарплаты.» *TUT.by*. 20 Mar. 2017. Web. 21 Apr. 2017. <<https://finance.tut.by/news535989.html>>.

⁴ «В новом году работники ничего хорошего не ждут. И правильно делают.» *Naviny.by*. 29 Dec. 2015 Web. 21 Apr. 2017. <http://naviny.by/rubrics/society/2015/12/29/ic_articles_116_190584>.

implementation of decree No. 3 and the presidential directive to achieve USD 500 in the average wage by the end of 2017 can reduce the motivation of employees to look for new higher-paying jobs and lead to the lower mobility of the labor market.

The possibility to cut wages enables state-owned enterprises to maintain overemployment. If the government decided to raise wages using administrative methods, enterprises can start getting rid of excessive workforce that will lead to a jump in unemployment. According to IPM Research Center's estimates, a 12.9% reduction in employment will be required to achieve an average wage increase from USD 400 in December 2016 to USD 500 in December 2017 provided that the exchange rate of the ruble will remain the same and the rates of inflation and GDP will remain as planned.⁵

Conclusion

In the near future, Belarus may face a number of challenges, especially a shortage of workforce needed to resume strong economic growth. As the ageing of the population continues, the demographic burden on the employed and businesses may be overwhelmingly heavy. The increasing birth rate and the national demographic policy that encourages having many children only increases this burden.

High taxes demotivate workers and have a negative effect on investment activity and competitiveness of commodities. Already now, there is a need to moderate regulations on labor migrants and build a system of selective involvement in the economy.

The increase in retirement age will slow down, but it will not stop the employed population decline. The situation will not be remedied by attempts to force certain categories of unemployed persons of working age to work or pay the tax on 'parasites' to finance government spending. There are dozens of truly unemployed persons, not hundreds of thousands. Therefore, after

⁵ «Суровая арифметика президентских “попищот”: 13% безработицы или 23% инфляции.» *TUT.by*. 22 Jan. 2016. Web. 21 Apr. 2017. <<https://news.tut.by/economics/524760.html>>.

2022, it would make sense to continue raising the retirement age to 65 years for men and women as the IMF suggests.

In order to prevent the growth of poverty, Belarus should follow the recommendations given by the World Bank and increase unemployment benefits to the level of the subsistence wage.

As concerns the income policy, it is advisable to abandon the voluntaristic idea to raise wages all at once. This will either lead to a deterioration of employment and rise in unemployment, or undermine the competitive capacity of producers.

ENERGY SECTOR: END OF THE OIL AND GAS RENT ERA

Alexander Autushka-Sikorski

Summary

In 2016, the situation in the Belarusian oil-processing sector proved to be more difficult than in 2015, mostly due to the conflict over the price of Russian natural gas, which caused Russia to reduce its crude oil supplies to Belarus. In value terms, too, the year was one of the hardest ever for the Belarusian oil sector. On top of that, the drop in natural gas prices for Europe affected the amount of the gas subsidy enjoyed by Belarus, and at the end of the year, Russia increased its natural gas fees for Belarus.

The oil and gas conflict was not resolved in the first quarter of 2017. The very fact that the conflict has remained for so long is a factor that impacts the prospects of cooperation between Belarus and Russia in the oil and gas sector.

Trends:

- Significant deterioration of the terms of oil processing resulting from a drop in global prices of oil products and reduction in the volume of crude oil supplies from Russia;
- Reduced comparative advantages of Belarusian companies based upon energy costs;
- Increase in natural gas prices;
- Inconsistent energy tariff policy;
- Liquidation of cross subsidies by the original deadline of 2020 is even less likely¹.

Oil and gas

Gas and oil talks with Russia were traditionally conducted separately. Furthermore, in the Russian administration, supplies of crude oil and gas are in fact supervised by various “Kremlin towers”: energy supplies are run by various groups and economic entities. However, the year 2016 put Belarus in a unique situation, when oil and gas delivery terms appeared to be interconnected. In 2016, Belarus imported 18.1 million tons

¹ In 2016, the trends observed in 2015 essentially prevailed in the energy sector.

of crude oil, down by 20.8% from 2015, when 22.8 million tons were imported. The average import price of crude oil amounted to USD 218.7 per ton, down by 13% from 2015 (USD 247.3 per ton). Natural gas import edged down by 0.8% to 18.6 billion cubic meters from 18.95 billion cubic meters. The average natural gas price went down by 5.4% year-on-year to USD 137 per 1,000 cubic meters from USD 145 in 2015.

The significant reduction in Russian crude deliveries was due to the new energy conflict between Russia and Belarus. The reason behind the conflict was the decline in global oil prices and resulting decrease in natural gas rates for European consumers of Russian gas, which is pegged to the oil price. For Belarus, the Russian natural gas price is calculated based upon a separate formula: the fee for the Yamalo–Nenets Autonomous District of Russia plus transportation costs. As a result, the gas price for Belarus did not decrease. At the same time, the natural gas price for European consumers markedly dropped, almost to the level of fees paid by Belarus. The Belarusian economy thus de facto lost the “gas subsidy”, which had been formed for years by the considerable difference between the prices paid by European buyers and Belarusian consumers (although Belarus still enjoys prices that are lower than the average for the CIS and the Baltic States).

The *difference in gas fees* is crucial for Belarus to preserve the competitive advantages of its economy, whereas any *reduction in the price* was considered by the Belarusian authorities as a painless means to do away with cross subsidies, the instrument that would make it possible to cut cross subsidies while keeping energy rates for the population low. Furthermore, in the long term, further reduction in natural gas fees was required by Belarus in the context of the looming common energy market of the Eurasian Economic Union (EEU), which would allow importing electricity from Belarus at attractive rates.

In early 2016, the attempts to agree lower Russian gas prices for Belarus, including at the level of vice-premiers of both *countries*, were unsuccessful. The Belarusian side insisted on reducing the natural gas price to at least USD 117 per 1,000 cubic meters. Since the start of 2016, Belarus had paid USD 73 per 1,000 cubic meters, citing the equal-profit prices pattern. As a

result, the country began to accumulate significant debts, which by October 2016 had exceeded USD 300 million (and amounted to USD 500 million at the end of the year). In response Russia cut crude oil deliveries to Belarus in the third and fourth quarters of the year by a total of 5 million tons.

In October 2016, the Belarusian authorities announced an unscheduled increase in rates (by 50%) on oil transit by the oil mains OAO *Gomeltransneft Druzhba* and *Polotsktransneft Druzhba* from Russia to other European countries. The increase was a unilateral move that was made without any consultations and in violation of existing intergovernmental agreements. Later, the decision to raise tariffs was canceled, and instead the Russian side undertook to restore the volume of crude oil supplies to Belarus on condition the country repaid its natural gas debt. The debt was not repaid, though, and crude deliveries were reduced in the third and fourth quarters of the year. As a result of negotiations, the price of natural gas supplies to Belarus in 2017 increased by a bit more than 1% to USD 141.1 per 1,000 cubic meters.

The reduction in Russian crude oil supplies affected the Belarusian export of refined oil, which went down by 22.7% to 13 million tons, at an average price of USD 311 per ton. Therefore, 2016 became the least profitable year in the history of Belarus's oil processing (Table 1). The main contributors to the situation were the decline in the volume of processing and drop in global oil prices, as well as decreasing world oil prices and cheapening oil products in international markets.

Export of oil products to countries beyond the CIS suffered the most: the decline was reported at 33.5%, whereas export to the CIS increased by 8.4% year-on-year. At the same time, supplies to the CIS turned out to be more profitable on a per ton basis: USD 402 vs. 260.

According to Prime Minister of Belarus Andrej Kabiakoŭ, in 2016, the country's direct and indirect losses caused by the drop in crude supplies amounted to 0.3% of GDP.

Therefore, by the end of 2016, Belarus had found itself in a tough situation in the wake of the reduced Russian oil and gas subsidy. Amid the continuing crisis and deteriorating terms of trade with foreign partners, Belarus needed the subsidy to ex-

pand, in order to be able to enjoy the same amount of budget revenues as it had in previous years. Furthermore, the country requires the oil and gas subsidy to grow in the medium term to have a competitive edge in the prospective single energy market of the EEU, as well as to keep low electricity rates for households.

Table 1. Change in volumes of exported oil products, revenues, and export costs, per ton of oil products processed by Belarusian oil refineries, 2010–2016²

	2010	2011	2012	2013	2014	2015	2016
Volume of export, mln t	11.20	15.70	17.49	13.56	13.76	16.58	13.00
Revenues, USD bln	6.69	12.73	14.50	10.15	9.85	6.83	4.04
Cost of oil products, USD/t	595.00	811.00	829.17	748.76	715.98	403.50	311.00

However, Russia is unable to keep the same amount of subsidy, mostly because of the ongoing crisis in its own economy. The typical “bargaining” methods to have Russia keep its subsidy for Belarus, such as new trade and economic barriers and use of foreign policy mechanisms appear to be fruitless, the more so because the oil and gas conflict of 2016 has already caused serious losses for the country’s economy.

In this situation, benefits will be limited for Belarus, if there are any benefits in store for Minsk at all. There will only be positive results for Belarus if *both* countries seriously reformat their relationship within the EEU, or, possibly, if Belarus becomes more dependent on Russia, both politically and economically.

Electricity and tariff policy

Although Belarus had planned to cut electricity import by 10.7% in 2016, its purchases of electricity (traditionally from Russia) increased by 13%, to 3.2 billion kWh from the expected

² “Exports of major commodities».” *National Statistical Committee of the Republic of Belarus*. Web. 17 Mar. 2017. <http://www.belstat.gov.by/en/ofitsialnaya-statistika/macroecconomy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__-po-____gody_10/exports-of-major-products/>.

2.5 billion kWh. State policy on energy rates remains highly uncertain, and there is no clear and understandable vision of further activities.

To comply with the IMF requirements, the authorities markedly increased utility fees in 2016. Starting 1 January 2016, many rates were increased by 20%, according to a resolution by the Council of Ministers, including electricity and natural gas rates. The sharp increase in tariffs, as well as difficulties in calculating the amounts of payments dissatisfied the population, which caused the president to sign decree No. 107 “Concerning payments for utility services provided to households, ” which reduced certain tariffs.

Nevertheless, electricity fees for households increased by 20% due to the inclusion of VAT in electricity costs (previously the VAT component was subsidized from the state budget). The base rate increased to BYR 1,188 from BYR 990.

According to officials, even though the rates were increased, Belarusians were paying only about 70% of electricity costs. Therefore, the elimination of cross subsidies, which had been scheduled to take place in 2017, did not become a reality. In March 2016, it was de jure postponed until 2020 by resolution No. 169 of the Council of Ministers. Previously, the period of 2017–2018 was repeatedly mentioned as the deadline for doing away with cross subsidies; however, this time, according to the state plan for the development of the electrical energy complex (which forms the basis of resolution No. 169), cross subsidies will be eliminated as soon as Belarus launches its nuclear power plant.

There are doubts that Belarus will be able to deal with cross subsidies by 2020, because the development plan for the sector mentions the “supposed increase in personal incomes” as a reason to remove cross subsidies. However, according to preliminary data by BelStat³, in 2016, personal incomes went down by 7.3% in real terms year-on-year. Overall, real incomes have

³ “Real disposable money incomes.” *National Statistical Committee of the Republic of Belarus*. Web. 17 Mar. 2017. <http://www.belstat.gov.by/en/ofitsialnaya-statistika/social-sector/uroven-zhizni-naseleniya/graficheskii-material-grafiki-diagrammy-_5/real-disposable-money-incomes/>.

been falling since 2014; however, in order to do away with cross subsidies, the state will have to almost *double* electricity fees.

Compare, for example: in the first half of 2016, private households in Lithuania paid EUR 0.094 per kWh (industrial consumers paid EUR 0.123); Estonian households and industrial companies paid EUR 0.088 and EUR 0.123, respectively; Latvian consumers paid EUR 0.117 and EUR 0.163, respectively; and Polish buyers paid EUR 0.081 and EUR 0.133⁴. For its part, the basic rate for Belarus was at EUR 0.0507 per kWh, and industrial consumers paid EUR 0.123. The gap between the rates applicable to private and industrial consumers in Belarus is more significant than that in Europe.

Given the ongoing decline in personal incomes, the Belarussian authorities see the room for maneuver in reforming their energy policy, especially on energy tariffs, narrow. Households will obviously oppose the liquidation of cross subsidies, which is needed to bring down the financial burden of the state. Nevertheless, in years to come, even more resolute and better weighted decisions will be required to put in place reforms in energy tariffs.

Conclusion

The year 2016 saw profits of the Belarusian oil-processing sector plummet. However, whereas previously profits were only affected by global oil prices, last year, Minsk was involved in a new energy conflict with Russia, which resulted in a decrease in the volume of oil deliveries to Belarus. The conflict became the most protracted one in the history of the bilateral relationship and continued in 2017.

A peculiarity of the current situation is the fact that the terms of trade that Belarus insists on are required to not only receive profits “here and now,” but also have preventive measures in place to change rules of the game in the common market for electricity of the Eurasian Economic Union. Furthermore, changes in the terms of supply of energy from Russia are

⁴ “Electricity price statistics.” *Eurostat*. Web. 13 Mar. 2017. <http://ec.europa.eu/eurostat/statistics-explained/index.php/Electricity_price_statistics>.

extremely important for preserving “social” electricity rates for households amid the crisis, and – potentially – maintaining the internal sociopolitical stability.

Another major issue is that Russia, affected by its own economic crisis, has developed resistibility to the “typical” leverage normally employed by Belarus in trade wars, and is not ready to make concessions. In 2017, Belarus found itself in a highly uncertain situation concerning the work of the energy sector. One way or another, for Belarus, the era of the oil and gas rent seems to be coming to an end, which opens the “escape exit” for the Belarusian authorities, envisaging reforms in the energy sector.

FOREIGN INVESTMENT: MEASURES TO IMPROVE THE INVESTMENT CLIMATE

Maria Akulova

Summary

In 2016, potential investors' interest in Belarus continued to decline. The problem of access to financing in the form of loans was growing, affecting the possibility of floating sovereign Eurobonds internationally. There were signs that the government finally realized that the country needed a better image to foster investment and issued a number of bills to facilitate raising funds.

Trends:

- Low activity in the M&A market, cessation of privatization;
- Difficulties in accessing foreign loans;
- Lack of dynamics in the portfolio investment market;
- Intensive adoption of legislative acts aimed at increasing the country's investment potential.

General results

In 2016, the government planned to obtain around USD 4.3 billion in foreign investments, including 3.2 billion in loans from foreign banks. Actual data on the financial account of the balance of payments in 2016 showed unsatisfactory results in attracting foreign capital.

Over the past year, foreign direct investment amounted to USD 1.234 billion¹, being down 25% year-on-year (1.652 billion were raised in 2015). The main proportion was made up by reinvested earnings (706 million), rather than new technologies or production (377 million).

FDI and privatization

Last year, Belarus did not rely on raising significant amounts, especially through FDI and privatization. In early 2016, the

¹ «Платёжный баланс Республики Беларусь за 2016.» *Национальный банк Республики Беларусь*. Web. 27 Mar. 2017. <<http://www.nbrb.by/publications/BalPay/BalPay2016.pdf>>.

State Property Committee published one more list of enterprises put up for sale, which included virtually all assets planned for sale as far back as 2015. The outcome of the sale was unsatisfactory as before.

The lack of privatization deals and low investment activity were caused by a number of factors, particularly the difficult economic situation, disputable protection of property rights, and a vague strategy of selling state property. The government cannot choose what can be sold, and what assets should be classified as strategic. Intricate methods of determining the price of assets impeded the process (a resolution that regulates the market-value appraisal of state-owned assets was only adopted in mid-August), as well as demotivation of the management and additional requirements for privatization transactions. The financial standing of assets is also important, because nonviable enterprises are often put up for sale.

A number of M&A transactions involving foreign capital were completed despite the above difficulties. The private sector thus proved more successful, and the IT sector remained one of the key currency generators in the country. According to estimates of the High-Tech Park (HTP), its residents raised around USD170 million in 2016. *EPAM Systems* acquired the Chinese software developer *Dextrys*. *Wargaming* bought the Finnish mobile studio *Boomlagoon*. The Belarusian developer of football applications *90live.org* was acquired by the Russian sports channel *SPORTS.ru*. Neither acquisition value has been disclosed.

The joint decision of *VP Capital* and *Larnabel Enterprises* to invest in the American innovative IT company *Astro Digital*² was a landmark event in the IT sector.

Among other high-profile events are the acquisition of a controlling stake in the Belarusian-Dutch company *Farmland* (blood plasma preparations producer) by Russian *Rostec* for 1.7 billion Russian rubles. Russian A1 bought 48.3% of *Polyplastic* (polymer pipes), and the building of *Kempinski Hotel* was sold to *Sberbank* of Russia for symbolic BYN 1.99 on condition that

² The company develops space imagery satellites with a focus on AI application.

that the hotel will be commissioned by the end of 2018. It will require USD 100 million to complete the construction.

Lithuanian capital played an important role in the *Greenfield* segment. *Modus Group*, which already financed the construction of a solar power plant in 2014–2016, decided to expand its presence in Belarus. The new project involves the construction of a network of biogas plants, the total amount of investment standing at EUR 100 million. Another Lithuanian company, *Enerstena*, plans to spend EUR 6 million to build a biofuel boiler facility.

Turkish *TEYO* is going to invest around USD 950 million in the construction of a calcified salt plant. The Belarusian government and the Northern Environmental Finance Corporation (NEFCO) agreed on the construction of *two* pig complexes. Investments to the project amount to EUR 50 million. German *SMS Group* plans to invest around EUR 200 million in the construction of a metal rolling plant, and Finnish *Fortum Plc* will invest EUR 100 million in the construction of an energy generator, which will use solid municipal waste.

Also, Belarus and Russia created a joint venture investment fund of USD 23 million, which will finance first projects as soon as 2017.

Portfolio investment

The year 2016 did not see any significant events related to the portfolio investment market. Belarus intended, but failed to float sovereign Eurobonds to raise USD 1 to 1.5 billion.

The lifting of EU sanctions against a number of Belarusian companies and individuals in February triggered a certain increase in Eurobond quotations. The minimum values of the price and profitability reported in January were at USD 102.3 and 7.68%, and the maximum was reached in August: USD 105.7 and 4.85%, respectively. In January and July 2016, timely payments were made on coupons of seven-year Eurobonds floated in 2011 for a total of USD 71.6 million. This also positively affected the quotation of securities.

Difficulties in access to foreign capital stimulated commercial banks to actively issue corporate bonds to raise extra funds.

The annual bond offering totaled USD 1.53 billion. The proportion of *Belarusbank* constituted 61.7%, *Belagroprombank* 17.5% and the Development Bank of the Republic of Belarus 8.6%.

The Eurobond offering plans for 2017 were adjusted downwards. Budget revenues from Eurobonds are expected at around USD 800 million. Domestic placement of debt securities will continue as an alternative to external borrowing.

Other foreign liabilities

In 2016, net foreign liabilities decreased by USD 539.3 million. The public administration sector thus acted as the main borrower. The net foreign public debt liabilities increased by USD 1 billion, while other items (central bank liabilities, liabilities to non-residents on loans and credit lines) reduced.

A new loan program with the Eurasian Fund for Stabilization and Development (EFSD) for *two* years with 10-year maturity at 4.06% per annum was signed in early 2016. The total amount of USD 2 billion will be provided in *seven* tranches as soon as certain conditions are met. In 2016, 1.1 billion dollars were expected in three tranches.

The first tranche of USD 500 million was received in March and the second tranche of USD 300 million was transferred in July 2016. Another 300 million dollars were expected by the end of the year, but the third tranche has not been transferred so far³ due to Belarus' failure to comply with some requirements stipulated by the agreement. This particularly concerns a number of macroeconomic indicators and economic reform.

Structural reforms include an improvement of the efficiency of public administration, increase in unemployment benefits and transfer of loss-making companies into trust management. Progress in resolving these issues will be a determining factor for further tranches.

Belarus is still in talks with the IMF on a new credit program. The IMF wants tariffs on housing and communal services changed and the public sector reformed. The parties have not reached a consensus so far.

³ As of late March 2017.

Arrangements to raise foreign financing and improve the investment climate

Since foreign investors do not manifest much interest in projects in Belarus, the government has to redouble its efforts to improve the investment climate. The past year was record-breaking in terms of the number of regulatory documents aimed at fostering investment.

1. Resolution No. 1008 of December 8, 2016⁴ issued by the Council of Ministers outlines a number of measures to enhance the efficiency of the economy, with a special emphasis on improving corporate governance in JSCs having state-owned shares.

2. Resolution No. 639 of August 16, 2016⁵ issued by the Council of Ministers describes a market mechanism for determining the price of assets for sale on condition that the market price is determined by a state appraiser.

3. Resolution No. 657/20 of August 19, 2016⁶ issued by the National Bank jointly with the Council of Ministers of Belarus requires the adoption of International Financial Reporting Standards (IFRS) from January 1, 2017.

4. The bill ‘On Investment Funds’⁷ passed by the House of Representatives of the National Assembly in the first reading on December 13, 2016 and sent for further consideration

⁴ «Постановление Совета министров № 1008 “О реализации задач социально-экономического развития Республики Беларусь на 2017 год.» *Совет министров Республики Беларусь*. 08 Dec. 2016. Web. 27 Mar. 2017. <<http://www.government.by/upload/docs/file6721f8c96fe9e329.PDF>>.

⁵ «Постановление Совета министров № 639 “О внесении изменений и дополнений в постановление Совета министров Республики Беларусь от 31 декабря 2010 года № 1929”.» *Национальный правовой Интернет-портал Республики Беларусь*. 20 Aug. 2016. Web. 27 Mar. 2017. <http://www.pravo.by/upload/docs/op/C21600639_1471640400.pdf>.

⁶ «Постановление Нацбанка № 657/20 “О введении в действие на территории Республики Беларусь Международных стандартов финансовой отчётности и их разъяснений, принимаемых Фондом Международных стандартов финансовой отчётности”.» *Совет министров Республики Беларусь*. 19 Aug. 2016. Web. 27 Mar. 2017. <<http://www.government.by/upload/docs/file1b5e73099461da10.PDF>>.

⁷ «Проект Закона “Об инвестиционных фондах”.» *Национальный правовой Интернет-портал Республики Беларусь*. 15 Dec. 2016. Web. 27 Mar. 2017. <http://www.pravo.by/upload/docs/op/H21600052_1481749200.pdf>.

to the president and the Council of Ministers will have a positive impact on the development of the Belarusian stock market, and enable fostering domestic investment.

5. **Decree No. 84⁸** is supposed to facilitate foreign investment by allowing investors making acquisitions in line with their legislation.

6. **Decree No. 8 ‘On the Establishment of the Visa-Free Entry and Exit Procedure for Foreign Nationals’⁹** of January 9, 2016 establishes a visa-free regime for a period of up to five days for citizens of 80 countries. This measure can serve as an additional signal for potential investors that the country opens its borders and seeks cooperation.

7. **Law No. 345-3 ‘On Public-Private Partnership’¹⁰** of March 3, 2016 came into force in July. One of its main goals is to raise capital for the economy. It defines all legal aspects of public-private partnership in the country.

In addition to the above, it is planned to make a number of amendments to the laws ‘On Privatization of State-Owned Companies’ and ‘On Investments’ in 2017. Presumably, the time limit for filing a claim for recognizing a privatization transaction void will be reduced from 10 to 3 years that will enhance the protection of investors’ rights. It is planned to work out a mechanism for protecting investors and paying compensation in case an acquired asset is nationalized.

There is a possibility that the state will not have judicial immunity in the event of failure to fulfill its obligations to an

⁸ «Указ Президента № 84 “О вопросах эмиссии и обращения акций с использованием иностранных депозитарных расписок”.» *Национальный правовой Интернет-портал Республики Беларусь*. 10 Mar. 2016. Web. 27 Mar. 2017. <http://www.pravo.by/upload/docs/op/P31600084_1457557200.pdf>.

⁹ «Указ Президента № 8 “Об установлении безвизового порядка въезда и выезда иностранных граждан”.» *Национальный правовой Интернет-портал Республики Беларусь*. 11 Jan. 2017. Web. 27 Mar. 2017. <http://www.pravo.by/upload/docs/op/P31700008_1484082000.pdf>.

¹⁰ «Закон № 345-3 “О государственно-частном партнёрстве”.» *Национальный правовой Интернет-портал Республики Беларусь*. 01 Jan. 2016. Web. 27 Mar. 2017. <<http://www.pravo.by/document/?guid=12551&p0=H11500345&p1=1>>.

investor. Also, in all likelihood, the issue of the adoption of the trust management practice will be resolved.

Conclusion

Plans for 2017 involve raising at least USD 1.4 million in FDI. Various documents signed in 2016 testify to the authorities' interest in foreign investments and demonstrate qualitative changes in comparison with previous years. Measures to strengthen the protection of investors' rights, the introduction of IFRS standards, changes in the assessment mechanism, and adoption of corporate governance procedures have already been repeatedly mentioned by various international organizations among the key requirements.

On the other hand, privatization continues to be perceived as a secondary fundraising option. Moreover, the decision of the Ministry of Finance to stop publishing financial statements of joint-stock companies and bond issuers¹¹ will complicate the sale of state assets.

Attempts to float sovereign Eurobonds will resume in 2017. The authorities expect to obtain around USD 800 million this way. However, the success of this endeavor directly depends on the results of extended facility negotiations with the IMF. A positive decision will not only lower the floating rate, but will also have a positive impact on the country's investment image.

Structural reform of the economy remains a stumbling block, on the way of investment, technologies and innovations coming to Belarus. Positive developments in this area will not only make it possible to rely on financing from the IMF and EFSD, but will also serve as a basis for increasing competitiveness and strengthening the position of Belarus in the world.

¹¹ «Закон Республики Беларусь № 231-3 “О рынке ценных бумаг”.» *Министерство финансов Республики Беларусь*. 06 Jan. 2015. Web. 27 Mar. 2017. <http://www.minfin.gov.by/upload/depcen/acts/zakon_050115_231z.pdf>.

REAL ECONOMY: NO PROGRESS

Vadim Sekhovich

Summary

The negative trends that affected the Belarusian economy throughout 2014 and 2015 grew even stronger last year. The recession and deteriorating financial health of Belarusian companies were further aggravated by the reduction in supplies of Russian crude oil by more than 20% in the wake of political and economic differences between Minsk and Moscow, which caused the country's GDP to shrink.

In the *public sector*, debts continued to accumulate, along with non-liquid assets and deferred bankruptcies. Crisis developments rapidly overcame the private sector as well, in which bankruptcies became a mass phenomenon.

In the *real sector*, mechanical engineering, construction, and real estate, the light industry, woodworking, and retail were the most affected sectors. Food producers had to face prohibitive measures imposed by Russian regulators led by Rosselkhoznadzor. Drops in food prices in the global market produced a negative impact on the financials of Belarusian food-making companies.

In *agriculture*, overall growth was reported; however, the debts accumulated over previous years resulting from supplies of cheap raw materials – which were in fact subsidies – to processing companies caused the authorities to initiate official bankruptcy and turnaround procedures.

The *service sector* and its main driver, the IT industry, traditionally reported growth; however, the contribution of IT to GDP remained insignificant.

Trends:

- Deterioration of the financial health of public and private companies, reduction in domestic and foreign investments;
- Decrease in resource supplies from Russia, problems of non-tariff regulation of food export to Russia;
- Increased pressure on private business, capital flight, business recession, and mass bankruptcies;
- Lack of proposals and actions to effectively address the crisis and reform the economy, weaker influence of the liberal wing in the government.

Growing gross output and cheaper export

The decline in industrial output slowed in 2016 compared with the 2015 rate: back in 2015, the drop was reported at 6.6%, whereas in 2016, industrial output edged down by 0.4%, according to the National Statistic Committee of

the Republic of Belarus (*Belstat*). In 2015, only *two* out of *seventeen* economic activities that make up the industrial production index (IPI) showed an increase compared with the previous year (production of coke, oil products, nuclear materials, and chemical production), whereas in 2016, there were *nine* such activities.¹

Because of the decrease in deliveries of raw materials from Russia, *oil processing* became the sector that accounted for the most significant drop in IPI. The “production of coke and oil products” activity reported a fall of 16.8% year-on-year. Amid growing global prices for fuel, export of oil products in value terms decreased by 40.4% to approximately USD 4 billion. Shipments to the UK, which used to be the largest buyer of Belarusian light oil products in previous years, went down by 66.5% to USD 950 million. In 2016, the UK became the second-largest importer of Belarusian-made oil products after Ukraine, which bought USD 1.7 billion worth of Belarusian oil products, up by 2.7% year-on-year.²

The *chemical production* segment also made a negative contribution to IPI, with a 3.8% decrease in output compared with the year 2015. Despite local achievements of Belarusian Potash Company, export of potash fertilizers dropped by 24.3% to USD 2 billion.

Manufacturers of *vehicles and equipment*, as well as *wood-working* companies were last year’s outperformers with growth rates reported at 12.6% and 11.3%, respectively. In vehicle engineering, production and sales of *Geely*, *BeAZ*, and *MAZ* buses were growing. In woodworking, progress was achieved through success of private companies with foreign capital (*VMG*

¹ «Индексы промышленного производства по видам экономической деятельности.» *Национальный статистический комитет Республики Беларусь*. Web. 27. Mar. 2017. <http://www.belstat.gov.by/ofitsialnaya-statistika/realny-sector-ekonomiki/promyshlennost/godovye_dannwe_prom/osnovnye-pokazateli-raboty-promyshlennosti/>.

² «Экспорт и импорт товаров в -2015-2016 году (6 знаков ТН ВЭД ТС).» *Национальный статистический комитет Республики Беларусь*. Web. 27. Mar. 2017. <http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__-po-___gody_10/eksport-i-import-tovarov-v-2015-2016-gg-6-znakov-tn-ved-eaes/eksport-tovarov/>.

Industry, Kronospan, etc.), which outperformed Belarusian manufacturers by export in volume terms.

Agriculture managed to get over the recession, with a 3.4% growth reported in 2016. Output went up for the main activities – meat and poultry production, and dairy. In crop production, the output of vegetables and sugar beet increased amid drops the volume of harvested cereals, legumes, potatoes, and colza. Farmers provided sufficient volumes of raw materials for processing companies to meet the domestic requirement and increase export to Russia, which accounts for more than 90% of foreign supplies of Belarusian-made foods.

In 2016, Belarus supplied USD 3.7 billion worth of foods to the neighboring market (through the Ministry of Agriculture, Belgospishcheprom concern, and Belkoopsoyuz association). In value terms, cheese and curd cheese, condensed and powdered milk, as well as cooled beef and butter were the leading commodities. Butter became the *third* fastest growing export of the country, after vehicles and chipboard). Butter was among the few food products that saw an increase in prices in the period under review. However, overall, despite the marked increase in export in volume terms, drops in food prices globally resulted in a 1.1% decrease in Belarusian export deliveries in value terms. Restrictions imposed on Belarusian supplies by Rosselkhozadzor as part of its campaign to combat illegal transit of products subject to sanctions also impacted the results of Belarusian trade in foods.

In 2015, *export of services* went up by 2.2% year-on-year to USD 6.8 billion, whereas in 2016, surplus in that segment expanded by 12.5% to USD 2.5 billion. However, unlike in 2015, last year's deficit of trade in commodities was too big for the surplus of trade in services to make up for it. As a result, Belarus posted a deficit of its foreign trade in 2016, just as in previous years, except 2005, 2012, and 2015.

Growing debts and losses

In 2016, the *real sector* kept accumulating debts and generating losses. During the year, overdue corporate loan debt increased by almost 80% to reach USD 1.4 billion, and consumers' debt

for energy was close to USD 500 million at the end of the year. According to reports by the unofficial creditors' club, which tackles issues of the country's 106 largest borrowers, in mid-2016, their combined debts amounted to USD 6 billion, which is in excess of Belarus's gold and foreign exchange reserves. The largest employer in Belarus – *Eurotorg* (which operates the *Euroopt* retail network and has over 35,000 employees) – reported one of the country's largest debts at the end of 2016.

Last year, a trend emerged towards a further reduction in profits and an increase in losses at domestic companies. In the first half of 2016, combined profits of the country's 25 most successful open joint-stock companies decreased by 39.8% year-on-year, whereas losses reported by the 25 least successful companies went up by 75%. During the period under review, the top ten loss-makers included mechanical engineering companies (*MAZ*, *Amkodor*, *BobruyskAgroMash*), cement makers (*Krasnoselskstroyaterialy*, Belarusian Cement Plant), and meat-processing factories (*Barysaŭ* and Minsk meat-packing plants).³

MAZ became Belarus's *largest* loss-maker, mostly due to the restructuring of debts of Belarusian Metals Plant based upon a decree by the Belarusian president. Targeted support by the state was also extended to a group of other major state-controlled holding companies, including *Avtokomponenty*, *MTZ*, *Gomselmash*, as well as woodworking companies. The list also includes *Second National Channel*, *Stolichnoe Television*, and *Belavia*. Some private companies enjoyed benefits as well, including *Marko*, the leather and footwear company owned by the senator *Nikolay Martynov*. The public sector still bears an important employment-related social burden. Although the number of insolvency cases for public sector companies increased, the number of bankruptcy cases with the liquidation of chronically loss-making companies remained a very rare phenomenon. In most cases, the state introduced rehabilitation procedures at state-run bankrupts seeking to restore their capacity.

³ «Отчёт о деятельности ОАО за II квартал 2016 года.» *Министерство финансов Республики Беларусь*. Web. 27 Mar. 2017. <http://www.minfin.gov.by/ru/securities_department/results/results_oao/>.

In the private sector, bankruptcies became a mass phenomenon. Several major developers announced liquidation plans, and well-known manufacturers, including Serge, *Izobudpromstroy*, Brest household chemicals plant, First Chocolate Factory, are either undergoing or have already completed bankruptcy procedures. Administrative pressure on private business, such as devastating penalties, pre-trial debiting from accounts, imposition of product range requirements, etc., further deteriorated the financial standing of private businesses.

In late 2016, companies subordinate to the Ministry of Agriculture accounted for more than half (55%) of the total amount of overdue debts on loans. In late 2016, 321 agricultural producers were loss-making, 22% of the total number.

In August 2016, the Asset Management Agency was registered in Belarus. The new institution will restructure “bad debts” that are for the most part accumulated in agribusiness. By the end of 2016, the agency had accepted bad debts from about 200 companies worth a total of USD 250 million.

In autumn 2016, the government approved lists of problem companies. Pre-trial turnaround procedures were launched at 323 companies, 102 will have to go through bankruptcy procedures that envisage either rehabilitation or bankruptcy with asset sales.

Private business operating in agriculture was also affected last year — *Fruktest*, one of the largest suppliers of fruit and vegetables to the Belarusian market, declared bankruptcy. *Stotz Agro-Service*, in which German businessmen invested, became a chronic non-payer to the state budget.

Investment hunger

Last year, real sector companies de facto phased down their development programs: their capital investments decreased, and so did the amount of foreign investments in their development. For the first time in many years, no privatization deals were registered in the country.

Last year’s capital investments of Belarusian companies decreased by 17.9% from the level reported in 2015 to USD 9.6 billion. In 2016, the share of investments in GDP went down to

a new record low from the year 2003. The negative trend equally applies to the state sector, which receives financing from the state budget, and to privately-owned business. In the public sector, investment shrank by 17.1%, and in the private sector, by 13.2%. The main reasons behind the reduction in business activity are the depletion of the state budget, curtailment of lending by commercial banks and overall business apathy that affected the Belarusian commercial sector.

In 2016, foreign capital inflows in the real sector (except commercial banks) ran dry as well – the reduction was estimated at USD 2.7 billion. In 2015, investments totaled USD 11.3 billion, whereas in 2016, they amounted to USD 8.6 billion. FDI dropped from USD 7.2 billion to USD 6.9 billion.

Conclusion

Hopes that the Russian market, the main consumer of Belarusian-made products that many manufacturers cater for, would recover in 2016 never panned out. There are concerns that even when the Russian economy overcomes the current recession, Belarusian exporters will be unable to restore their positions. Russia heavily invested in its domestic import-substituting facilities during the anti-sanction campaign, and some of them have filled the niche that traditionally belonged to imported products, including those from Belarus. Furthermore, the threat of further expansion of limitations and restrictions imposed on Belarusian-made goods amid the prolonged conflict between the two countries still remains as well.

The marked reduction in capital investments and suspension of modernization further increase the gap between the Belarusian real economy and its competitors. The trend can narrow the range of possible outlets for Belarusian products and affect the competitiveness of Belarusian goods even in the Russian and CIS market already in the medium term. The IT sector stands out, though, as it has been changing from outsourcing to the product model, albeit somewhat later than originally expected.

The administrative pressure on private business, which in terms of its scope looks like we are back in the early 2000s, paralyzes business activity and accounts for the growing shadow mar-

ket segment. On the other hand, some part of business turned out to be unready to respond to new economic challenges, and clearly adventurous and sometimes illegal schemes are applied, which the authorities tend to punish with criminal prosecution.

The search for mechanisms and instruments to address current problems turned the work to devise a development strategy for the Belarusian economy and put in place public sector reforms into a secondary task. The global reformatting of the world economy can become both an additional problem and solution in the search for Belarus's economic "identity."

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